

RGC RESOURCES INC
Form 10-K/A
April 21, 2004

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended September 30, 2003

Commission file number 000-26591

RGC RESOURCES, INC.

(successor to Roanoke Gas Company)

(Exact name of registrant as specified in its charter)

Virginia
(State or other jurisdiction of
incorporation or organization)

54-1909697
(I.R.S. Employer
Identification No.)

519 Kimball Avenue, N.E., Roanoke, VA
(Address of principal executive offices)

24016
(Zip Code)

Registrant's telephone number, including area code (540) 777-4427

Securities registered pursuant to Section 12(b) of the Act: None

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

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$5 Par Value	OTC (Nasdaq National Market)

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 x No "

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes " No x

State the aggregate market value of the voting stock held by nonaffiliates of the registrant as of November 30, 2003. **\$ 45,761,693**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

<u>Class</u>	<u>Outstanding at November 30, 2003</u>
COMMON STOCK, \$5 PAR VALUE	2,011,503 SHARES

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the RGC Resources, Inc. 2003 Annual Report to Shareholders are incorporated by reference into Part II hereof.

Portions of the RGC Resources, Inc. Proxy Statement for the 2004 Annual Meeting of Shareholders are incorporated by reference into Part III hereof.

EXPLANATORY NOTE

This Amendment No. 1 to the Annual Report on Form 10-K of RGC Resources, Inc. and Subsidiaries for the fiscal year ended September 30, 2003 is being filed for the purpose of amending and revising Item 6. Selected Financial Data and Item 8. Financial Statements and Supplementary Data. In accordance with accounting guidance issued subsequent to the original Annual Report on Form 10-K filing on December 17, 2003, the original Annual Report on Form 10-K is being amended to reflect the reclassification of amounts recorded for the cost of removal of utility plant, previously recognized within accumulated depreciation, as a separate liability for the periods ended September 30, 2002, 2001, 2000 and 1999 and a regulatory liability for the period ended September 30, 2003. This amendment does not reflect events occurring after the original filing of the Form 10-K or substantively modify or update those disclosures except as stated in the preceding sentence.

PART I

Item 1. Business.

Forward-Looking Statements

From time to time, the Company may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause the Company's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Company's business include the following: (i) failure to earn on a consistent basis an adequate return on invested capital; (ii) increasing expenses and labor costs and labor availability; (iii) price competition from alternative fuels; (iv) volatility in the price and availability of natural gas and propane; (v) uncertainty in the projected rate of growth of natural gas and propane requirements in the Company's service area; (vi) general economic conditions both locally and nationally; (vii) increases in interest rates; (viii) increased customer delinquencies and conservation efforts resulting from high fuel costs and/or colder weather; (ix) developments in electricity and natural gas deregulation and associated industry restructuring; (x) variations in winter heating degree-days from normal; (xi) changes in environmental requirements and cost of compliance; (xii) impact of potential increased governmental oversight and compliance costs due the Sarbanes-Oxley law; (xiii) cost and availability of property and liability insurance in the wake of terrorism concerns and corporate failures; (xiv) ability to raise debt or equity capital in the wake of recent corporate financial irregularities; (xv) impact of uncertainties in the Middle East, and (xvi) new accounting standards issued by the Financial Accounting Standards Board, which could change the accounting treatment for certain transactions. All of these factors are difficult to predict and many are beyond the Company's control. Accordingly, while the Company believes its forward-looking statements to be reasonable, there can be no assurance that they will approximate actual experience or that the expectations derived from them will be realized. When used in the Company's documents or news releases, the words, anticipate, believe, intend, plan, estimate, expect, objective, projection, forecast or similar words or future or conditional verbs such as will, would, should, could intended to identify forward-looking statements.

Historical Development

RGC Resources, Inc. (the Company or Resources) was initially incorporated in Virginia on July 31, 1998 for the primary purpose of becoming the holding company for Roanoke Gas Company (Roanoke Gas) and its former subsidiaries, Bluefield Gas Company (Bluefield Gas) and Diversified Energy Company (Diversified). Effective July 1, 1999, Roanoke Gas and its subsidiaries were reorganized into a holding company structure (the Reorganization). As a result of the Reorganization: (i) Resources became a holding company owned by the former shareholders of Roanoke Gas; (ii) Resources became the sole owner of the stock of Roanoke Gas, Bluefield Gas and Diversified; (iii) Commonwealth Public Service Corporation, a former subsidiary of Bluefield, merged its natural gas distribution business into Roanoke Gas; (iv) Roanoke Gas and Bluefield Gas continue to operate in the natural gas distribution business as subsidiaries of Resources; and (v) Diversified continues to carry on its nonutility propane business as a subsidiary of Resources.

Roanoke Gas was organized as a public service corporation under the laws of the Commonwealth of Virginia in 1912. The principal service of Roanoke Gas was, and continues to be, the distribution and sale

of natural gas. Commencing in 1972, the distribution and sale of propane gas was added to Roanoke Gas line of business. The propane business was transferred to Diversified in January 1979. Diversified, which is not a public utility, distributes and sells propane in Southwestern Virginia and Southern West Virginia.

On May 15, 1987, Roanoke Gas, through a series of merger transactions, acquired 100 percent of the outstanding stock of Bluefield Gas, a public service corporation, organized in 1944 under the laws of the State of West Virginia and principally engaged in the distribution of natural gas in Bluefield, West Virginia and surrounding areas, and Gas Service, Inc. (Gas Service), a nonpublic utility affiliate (through common directors and shareholders) of Bluefield Gas, which was engaged in the sale of propane in southwestern Virginia and southern West Virginia. After obtaining requisite shareholder approval and the approvals of the Virginia State Corporation Commission (Virginia Commission) and the West Virginia Public Service Commission (West Virginia Commission), Gas Service was merged into Diversified, and Bluefield Gas became a wholly-owned subsidiary of Roanoke Gas. Prior to the Reorganization, Bluefield Gas owned all of the issued and outstanding stock of Commonwealth, a small Virginia public service corporation organized in 1930 as the subsidiary of a predecessor corporation to Bluefield Gas.

In March 1994, the Highland Gas Marketing (currently Highland Energy) division of Diversified was established to broker natural gas to several industrial transportation customers of Roanoke Gas and Bluefield Gas.

On January 6, 2000, RGC Ventures, Inc. (RGC Ventures), a newly created subsidiary of Resources, was merged with Cox Heating and Cooling, Inc., headquartered in Beckley, West Virginia. Cox Heating and Cooling, Inc. provided sales, installation and service for heating, ventilation, and air conditioning equipment in West Virginia with offices in Beckley and Lewisburg, West Virginia. The new organization operated as a division of RGC Ventures and conducts business as Highland Heating and Cooling (Highland Heating).

In September 2001, the Company decided to restructure Highland Heating and Cooling due to poor performance. The restructuring resulted in an impairment loss of \$699,630 related to the write-off of goodwill and other intangibles and the write-down in value of inventory and fixed assets. During fiscal 2002, the Company decided to discontinue the sales of heating and air conditioning equipment and continue the service operations with the intent of merging Highland Heating and Cooling into Diversified to improve efficiencies and reduce costs.

In September 2003, the Company completed the merger of RGC Ventures, Inc. into Diversified.

On November 19, 1999, Resources acquired the assets of GIS/GPS Solutions, Inc. in order to offer geographic mapping technology, combined with database management tools, to develop user friendly, broad based management information systems. In July 2002, the operations function of GIS Resources, Inc. was transferred into Roanoke Gas, and the GIS corporate entity was dissolved.

On October 11, 2000, the information technology department of Resources formed Application Resources, Inc. to provide information technology consulting services to Orcom Solutions, Inc.

Services

Resources maintains an integrated natural gas distribution system. Natural gas is purchased from suppliers and distributed to residential, commercial and large industrial users through underground mains and services. Approximately 90.1 percent of the Company's customers are residential, approximately 9.8 percent are small commercial users, and the remaining percentage is made up of large industrial customers, who

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received approximately 27 percent of the Company's total annual delivered volume in 2003 under the Company's interruptible tariff and transportation gas services.

Resources' natural gas distribution business accounted for approximately 72 percent of the total revenues generated by the Company in fiscal years 2003 and 2002, and approximately 73 percent of the Company's total revenues in fiscal year 2001. Increases or decreases in the cost of natural gas are passed on to customers through the purchased gas adjustment mechanism. Therefore, the Company's revenues are impacted by changes in gas costs as well as by changes in volume due to weather and economic conditions. Furthermore, higher gas costs, which the Company is able to pass through to customers, may cause customers to conserve or, in the case of industrial customers, to use alternative energy sources.

The Company's retail sales are seasonal and temperature-sensitive as the majority of the gas sold by Resources is used for heating. For the fiscal year ended September 30, 2003, more than 55 percent of the Company's total dekatherms (DTH) of natural gas sales were made in the four-month period of December through March. Retail natural gas deliveries for fiscal 2003 were 12,041,193 DTH, as compared to 10,563,514 DTH and 11,890,227 DTH in fiscal years 2002 and 2001, respectively. The Company's actual heating degree days in fiscal 2003 were approximately 103 percent of normal, as compared with approximately 83 percent and 103 percent of normal in fiscal years 2002 and 2001, respectively.

Suppliers

Roanoke Gas Company and Bluefield Gas Company are each served by two interstate 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 (together East Tennessee). 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. East Tennessee and T&F Operating, Inc. deliver the remaining gas supply to Roanoke Gas and Bluefield Gas, respectively. The rates paid for natural gas transportation and storage services purchased from Columbia and East Tennessee 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.

The Company currently uses long-term (multi-year), mid-term (seasonal) and short-term (spot) gas purchases to meet its system requirements. The Company has entered into, or is in the process of entering into, long-term and mid-term firm supply agreements to cover the majority of its firm demand. Long-term and mid-term suppliers currently include Cabot Oil and Gas, Duke Energy Trading and Marketing, L.L.C., Equitable Energy, and Phoenix Energy Sales Company. The Company's firm supply agreements will supply the total system requirements at varying prices during the period October 1, 2003 through September 30, 2004.

The Company uses summer storage program to ensure sufficient gas supply during the winter months. The Company injects summer gas into its liquefied natural gas storage facility, which is capable of storing up to 220,000 DTH for use during peak winter periods. In addition, the Company prepays a portion of its winter requirements under the asset management agreement with Duke Energy Trading and Marketing, L.L.C. (the provisions of this contract are discussed in more detail below.) The prepayment provision in the contract allows both Roanoke Gas and Bluefield Gas to pay for 3,098,631 DTH of its winter supply by October of each year. Prior to the Duke Energy contract, the Company contracted for storage reserves from Columbia, Tennessee Gas Pipeline, Virginia Gas Storage Company, and Virginia Gas Pipeline Company with a combined total of 2,918,631 DTH of underground storage capacity for Roanoke and Bluefield in 2001. The prepaid gas service provides supply security with reduced exposure to potential supply interruptions. It also offers the Company the flexibility to balance supply with its highly variable, weather-sensitive customer consumption patterns.

Having two pipelines at each location, a peak shaving facility and a number of underground storage options, the Company believes that it is well positioned to provide adequate gas supply for future customer growth. As a means to more fully utilize pipeline capacity and further lower costs to its customers, Roanoke Gas and Bluefield Gas have entered into asset management agreements. From November 1, 1999 through October 31, 2001, PG&E Energy Trading, the asset manager, managed nomination, confirmation and scheduling of all existing supply and storage contracts as well as supply any additional natural gas requirements. Beginning November 1, 2001, Duke Energy Trading and Marketing, L.L.C., (Duke Energy), became the new asset manager and began managing the nomination, confirmation and scheduling of all existing supply and storage contracts as well as supply any additional natural gas requirements. As part of the agreement, Roanoke Gas and Bluefield Gas exchanged their total underground storage gas for the right to receive from Duke Energy an equal amount in the future. As a result of this arrangement, natural gas inventories on the balance sheet are replaced with a new classification called prepaid gas service. From an operational perspective, the prepaid gas service functions the same as inventory with injections or prepayments made during the spring and summer months and withdrawals or reductions occurring in the winter months. This contract will expire on October 31, 2004. Upon expiration of the contract, underground storage and other functions performed by Duke Energy will revert back to Roanoke Gas and Bluefield Gas.

Diversified has entered into storage and purchase contracts for a substantial portion of its winter supply of propane. At September 30, 2003, Diversified had contracts with seven propane suppliers for the purchase of up to 6.4 million gallons of propane at varying prices per gallon during the period October 1, 2003 through September 30, 2004, of which contracts for 1.0 million gallons of propane are at fixed prices. Management believes these storage and purchase contracts will help alleviate the effects of wholesale price swings during peak sales months and provide added supply security. In addition, Diversified has also entered into financial price caps to stabilize the price of approximately 2.4 million gallons of propane during fiscal 2004.

In addition to storage contracts, Diversified has additional storage at 17 distribution facilities, providing a combined total capacity of 672,000 gallons. Management believes its propane supply strategies have positioned Diversified to provide an adequate propane supply to current customers and allow for future customer growth.

Competition

Resources competes with suppliers of other energy sources such as fuel oil, electricity and coal. Competition is intense among the other energy sources and is based primarily on price. This is particularly true for industrial applications where sales are at risk to price competition in markets, which may swing to other fuels.

The regulated natural gas utilities operate in a monopolistic environment. Roanoke Gas currently holds the only franchises and/or certificates of public convenience and necessity to distribute natural gas in its Virginia service areas. The franchises generally extend for multi-year periods and are renewable by the municipalities. Certificates of public convenience and necessity, which are issued by the Virginia Commission, are of perpetual duration, subject to compliance with regulatory standards.

Bluefield Gas holds the only franchise to distribute natural gas in its West Virginia service area. Its franchise extends for a period of 30 years from August 23, 1979.

Management anticipates that the Company will be able to renew all of its franchises when they expire. There can be no assurance, however, that a given jurisdiction will not refuse to renew a franchise or will not, in connection with the renewal of a franchise, impose certain restrictions or conditions that could adversely affect the Company's business operations or financial condition.

Highland Propane not only faces competition from other energy sources, but must compete with other propane companies throughout its service territory. Pricing is the primary reason for customer attrition; however, service reliability is a contributing factor to customer retention. Management believes that the Company's competitive pricing structure and a strong record of service reliability will provide for reasonable level of customer retention and the opportunity to attract new customers.

Regulation

Roanoke Gas and Bluefield Gas are subject to regulation at federal and state levels. Federally, the interstate gas transmission between Bluefield Gas and Roanoke Gas in Bluefield, Virginia is regulated by FERC. At the state level, the Virginia and West Virginia Commissions regulate Roanoke Gas and Bluefield Gas, respectively. Such regulation includes the prescription of rates and charges at which natural gas is sold to customers, the approval of agreements between or among affiliated companies involving the provision of goods and services, pipeline safety, and certain corporate activities of the Company, including mergers, acquisitions and the issuance of securities. Both state Commissions also grant certificates of public convenience and necessity to distribute natural gas in their respective states.

Roanoke Gas and Bluefield Gas are further regulated by the municipalities and localities that grant franchises for the placement of gas distribution pipelines and the operation of a gas distribution network.

Both Roanoke Gas and Bluefield Gas operated manufactured gas plants (MGPs) as a source of fuel for lighting and heating until the early 1950's. A by-product of operating MGPs was coal tar, and the potential exists for on-site tar waste contaminants at former plant sites. The extent of contaminants at these sites, if any, is unknown at this time. An analysis at the Bluefield site indicates some soil contamination. The Company, with concurrence of legal counsel, does not believe any events have occurred requiring regulatory reporting. Further, the Company has not received any notices of violation or liabilities associated with environmental regulations related to the MGP sites and is not aware of any off-site contamination or pollution as a result of prior operations. Therefore, the Company has no plans for subsurface remediation at the MGP sites. Should the Company eventually be required to remediate either site, the Company will pursue all prudent and reasonable means to recover any related costs, including insurance claims and regulatory approval for rate case recognition of expenses associated with any work required. A stipulated rate case agreement between the Company and the West Virginia Public Service Commission recognized the Company's right to defer MGP clean-up costs at the Bluefield site, should any be incurred, and to seek rate relief for such costs. If the Company eventually incurs costs associated with a required clean-up of either MGP site, the Company anticipates recording a regulatory asset for such clean-up costs to be recovered in future rates. Based on anticipated regulatory actions and current practices, management believes that any costs incurred related to this matter will not have a material effect on the Company's consolidated financial condition or results of operations.

Employees

At September 30, 2003, Resources had 175 full-time employees. As of that date, approximately 49 employees, or 28 percent of the Company's full-time employees, belonged to the Paper, Allied-Industrial, Chemical and Energy Workers International Union, AFL-CIO Local No. 2-515. Roanoke Gas Company currently has 38 of the unionized employees who are currently covered under a collective bargaining agreement with Resources. The union has been in place at the Company since 1952. The collective bargaining agreement will expire on July 31, 2005. In June 2003, the 11 field operations personnel of Bluefield Gas voted to unionize. The Bluefield Gas employees will fall under a separate collective bargaining agreement. Negotiations with representatives of the new union are currently in progress.

Item 2. **Properties.**

Roanoke Gas owns and operates five metering stations through which it measures and regulates the gas being delivered by its suppliers. The location and physical description of the properties are as follows:

Plantation Station - Parcel on Virginia Highway #601 near point of intersection of Hershberger Road (Rt. 623) and Rt. 601 - 1.590 acres.

J. M. Mason Station - S/E corner of Lakeside Circle and east of Lot #4 of Mill Road subdivision just east of Kessler Mill Road - .842 acres.

Sugarloaf Station - Parcel fronting on S/L of Rt. 686 and W/L of Lynnson Drive - .111 acres.

Clearbrook Station - Parcel 356 west of Rt. 675 and 0.2 mile south of Rt. 220 - .255 acres.

Cave Spring Station - N/L Route 221 just west of Route 688 - 3.93 acres.

The network of distribution lines include the Virginia cities of Roanoke and Salem, the Town of Vinton, the West Virginia city of Bluefield, the Virginia counties of Roanoke, Montgomery, Botetourt, Tazwell and Bedford and the West Virginia county of Mercer. These distribution lines are used to interconnect metering stations and supply and storage facilities with customers.

Located in Botetourt County is a liquefied natural gas storage facility that has the capacity to hold 220,000 DTH of natural gas.

Roanoke Gas general and business offices and the maintenance and service departments are located in Roanoke, Virginia on 8.57 acres of land along Kimball Avenue.

Bluefield Gas operations center and warehouse is located on 2.175 acres at 4699 East Cumberland Road and consists of a one-story metal building with brick front. Bluefield owns a lot at 800 Pulaski Street, Bluefield, West Virginia. In addition, Bluefield owns two lots in the City of Bluefield, West Virginia, comprising approximately 1.23 acres, upon which its high pressure regulator stations are located.

In West Virginia, Diversified owns an office, loading platform, garage and storage tank facility in Rainelle. The storage facility consists of three 18,000-gallon tanks, pumps and related equipment. A 30,000 gallon storage facility is also located in Ansted. Another 30,000 gallon facility is located near Beckley, and another 30,000 gallon facility in Dunsmore. Another storage facility, comprising two 30,000 gallon tanks, one 18,000-gallon tank, pumps and related equipment, is located on Bluefield Gas Company's property at 800 Pulaski Street, Bluefield, West Virginia.

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In Virginia, Diversified owns and operates eleven storage facilities. The location and storage capacities at each facility is as follows:

Thirlane Road, N.W., Roanoke two 30,000 gallon tanks

Fort Chiswell, Virginia two 30,000 gallon tanks

Consolidated Glass in Galax, Virginia one 30,000 gallon tank

Craig County, Virginia, near the town of New Castle one 30,000 gallon tank

Floyd County, Virginia one 30,000 gallon tank

Virginia Forging in Botetourt County, near the town of Buchanan one 30,000 gallon tank

Golden West Foods in the City of Bedford one 30,000 gallon tank

City of Buena Vista two 30,000 gallon tanks

Alleghany County, near the town of Low Moor one 30,000 gallon tank

Weyers Cave one 30,000 gallon tank

Lovingston one 30,000 gallon tank

Rocky Mount one 30,000 gallon tank

The Company considers its present properties adequate. The Company intends to construct additional distribution lines and propane storage facilities as the market demands.

Item 3. Legal Proceedings.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders during the fourth quarter of the year ended September 30, 2003.

Item Executive Officers of the Registrant

Pursuant to General Instruction G(3) of Form 10-K, the following list is included as an unnumbered Item in Part I of this report in lieu of being included in the Proxy Statement for the Annual Meeting of Stockholders to be held on January 26, 2004.

The names, ages and positions of all of the executive officers of RGC Resources, Inc. as of September 30, 2003, are listed below with their business experience for the past five years. Officers are appointed annually by the Board of Directors at the meeting of directors immediately

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following the Annual Meeting of Stockholders. There are no family relationships among these officers, nor any agreement or understanding between any officer and any other person pursuant to which the officer was selected.

Previous and present duties and responsibilities:

Position and Business		
Name and Age	Experience for Past Five Years	
John B. Williamson, III, 49	January 2002 to present	President, CEO & Chairman
	July 1999 to January 2002	President & CEO
	February 1998 to July 1999	President & CEO Roanoke Gas
	January 1993 to January 1998	Vice President Rates and Finance Roanoke Gas

Position and Business

<u>Name and Age</u>	<u>Experience for Past Five Years</u>	
John S. D. Orazio, 43	January 2003 to present	Vice President & COO Roanoke Gas Company
	April 2002 to January 2003	Vice President Marketing and Customer Service Roanoke Gas
	August 1999 to March 2002	President & COO Diversified Energy Company
	February 1998 to July 1999	Vice President Marketing & New Construction Roanoke Gas
	June 1995 to January 1998	Director Marketing & New Construction Roanoke Gas
Dale P. Moore, 48	January 2002 to present	Vice President & Secretary
	January 2001 to January 2002	Vice President & Assistant Secretary
	July 1999 to January 2001	Assistant Vice President & Assistant Secretary
	May 1998 to July 1999	Director Rates and Regulatory Affairs Roanoke Gas
Howard T. Lyon, 42	January 2003 to present	Vice President, Treasurer & Controller
	January 2002 to January 2003	Controller & Treasurer
	July 1999 to January 2002	Controller & Assistant Treasurer
	December 1987 to July 1999	Controller Roanoke Gas

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The information set forth under the caption "Market Price and Dividend Information" in the 2003 Annual Report to Shareholders is incorporated herein by reference. As of November 30, 2003, there were approximately 1,670 holders of record of the Company's common stock. This number would not include all beneficial owners of common stock who hold their shares in street name.

Item 6. Selected Financial Data.

<u>Years Ended September 30,</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Operating Revenues	\$ 104,361,559	\$ 80,225,673	\$ 117,443,147	\$ 77,749,995	\$ 64,202,709
Operating Margin	29,724,714	24,831,089	28,173,186	26,040,519	23,892,521
Operating Income	8,064,174	6,136,417	6,728,633	6,915,177	6,649,827
Net Income	3,528,389	2,486,895	2,306,615	2,873,702	2,883,407
Basic Earnings Per Share	1.78	1.28	1.21*	1.54	1.59
Cash Dividends Declared Per Share	1.14	1.14	1.12	1.10	1.08
Book Value Per Share	16.90	16.36	16.05	15.94	15.36
Average Shares Outstanding	1,983,970	1,939,511	1,898,697	1,863,275	1,814,864
Total Assets**	105,947,101	96,978,115	97,324,955	90,451,800	80,132,374
Long-Term Debt (Less Current Portion)	30,219,987	30,377,358	22,507,485	23,310,522	23,336,614
Stockholders' Equity	33,857,614	32,068,997	30,725,072	29,985,871	28,154,923
Shares Outstanding at Sept. 30	2,003,232	1,960,418	1,914,603	1,881,733	1,832,771

* Reflects \$.32 per share impairment loss.

** Reflects reclassification of estimated cost of removal of utility plant previously recognized in accumulated depreciation to a separate liability.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The information set forth under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2003 Annual Report to Shareholders is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The information set forth under the caption "Market Risk" in the 2003 Annual Report to Shareholders is incorporated herein by reference.

Item 8. **Financial Statements and Supplementary Data.**

***RGC Resources, Inc. and
Subsidiaries***

Consolidated Financial Statements

as of and for the Years Ended

September 30, 2003, 2002 and 2001,

and Independent Auditors' Report

RGC RESOURCES, INC. AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of RGC Resources, Inc.:

We have audited the accompanying consolidated balance sheets of RGC Resources, Inc. and subsidiaries (the Company) as of September 30, 2003 and 2002, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2003 in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche

December 17, 2003

(April 10, 2004 as to Note 15)

RGC RESOURCES, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 135,998	\$ 288,030
Accounts receivable, less allowance for doubtful accounts of \$318,899 in 2003 and \$155,062 in 2002	6,183,162	4,460,867
Inventories	2,559,306	2,172,808
Prepaid gas service	14,782,752	9,372,493
Prepaid income taxes	1,079,802	1,189,154
Deferred income taxes	1,605,509	2,579,879
Under-recovery of gas costs	790,126	
Unrealized gains on marked-to-market transactions		1,779,891
Other	541,322	453,804
	<u>27,677,977</u>	<u>22,296,926</u>
UTILITY PLANT:		
In service	96,385,022	89,504,217
Accumulated depreciation and amortization	(33,136,643)	(29,809,979)
	<u>63,248,379</u>	<u>59,694,238</u>
In service, net	63,248,379	59,694,238
	<u>1,992,222</u>	<u>1,810,520</u>
Construction work in progress	1,992,222	1,810,520
	<u>65,240,601</u>	<u>61,504,758</u>
Utility plant, net	65,240,601	61,504,758
NONUTILITY PROPERTY:		
Nonutility property	20,793,278	19,869,186
Accumulated depreciation and amortization	(8,832,823)	(7,659,087)
	<u>11,960,455</u>	<u>12,210,099</u>
Nonutility property, net	11,960,455	12,210,099
OTHER ASSETS:		
Goodwill	298,314	298,314
Other assets	769,754	668,018
	<u>1,068,068</u>	<u>966,332</u>
Total other assets	1,068,068	966,332
TOTAL	<u>\$ 105,947,101</u>	<u>\$ 96,978,115</u>

(Continued)

RGC RESOURCES, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS****SEPTEMBER 30, 2003 AND 2002**

	<u>2003</u>	<u>2002</u>
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$ 1,032,372	\$ 105,127
Borrowings under lines of credit	12,992,000	8,991,000
Dividends payable	571,458	559,069
Accounts payable	9,289,899	7,897,084
Customer deposits	477,465	543,891
Accrued expenses	4,798,106	3,961,174
Refunds from suppliers due customers	42,320	51,889
Over-recovery of gas costs	1,172,585	1,742,905
Unrealized losses on marked-to-market transactions	319,264	
	<u>30,695,469</u>	<u>23,852,139</u>
LONG-TERM DEBT, EXCLUDING CURRENT MATURITIES	<u>30,219,987</u>	<u>30,377,358</u>
DEFERRED CREDITS AND OTHER LIABILITIES:		
Deferred income taxes	5,457,991	5,802,417
Deferred investment tax credits	266,338	300,544
Asset Retirement Obligations	5,449,702	4,576,660
	<u>11,174,031</u>	<u>10,679,621</u>
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)		
CAPITALIZATION:		
Stockholders equity:		
Common stock, \$5 par value; authorized 10,000,000 shares; issued and outstanding 2,003,232 and 1,960,418 shares in 2003 and 2002, respectively	10,016,160	9,802,090
Preferred stock, no par; authorized 5,000,000 shares; no shares issued and outstanding in 2003 and 2002		
Capital in excess of par value	11,977,084	11,374,173
Retained earnings	12,018,920	10,758,491
Accumulated other comprehensive income (loss)	(154,550)	134,243
	<u>33,857,614</u>	<u>32,068,997</u>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	<u>\$ 105,947,101</u>	<u>\$ 96,978,115</u>

See notes to consolidated financial statements.

(Concluded)

RGC RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	2003	2002	2001
OPERATING REVENUES:			
Gas utilities	\$ 75,321,337	\$ 57,647,947	\$ 86,195,121
Propane operations	15,211,015	10,718,404	14,929,570
Energy marketing	13,091,137	11,107,532	14,756,066
Other	738,070	751,790	1,562,390
Total operating revenues	104,361,559	80,225,673	117,443,147
COST OF SALES:			
Gas utilities	53,895,656	38,616,769	65,227,777
Propane operations	7,518,371	5,511,314	8,678,227
Energy marketing	12,806,095	10,841,871	14,231,107
Other	416,723	424,630	1,132,850
Total cost of sales	74,636,845	55,394,584	89,269,961
OPERATING MARGIN	29,724,714	24,831,089	28,173,186
OTHER OPERATING EXPENSES:			
Operations	13,115,861	10,758,661	12,176,932
Maintenance	1,671,255	1,245,261	1,396,544
General taxes	1,674,441	1,504,422	2,343,351
Depreciation and amortization	5,198,983	5,114,320	4,828,096
Impairment loss		72,008	699,630
Total other operating expenses	21,660,540	18,694,672	21,444,553
OPERATING INCOME	8,064,174	6,136,417	6,728,633
OTHER EXPENSES Net	223,517	104,956	113,149
INTEREST EXPENSE	2,172,342	2,050,754	2,748,850
INCOME BEFORE INCOME TAXES	5,668,315	3,980,707	3,866,634
INCOME TAX EXPENSE	2,139,926	1,493,812	1,560,019
NET INCOME	3,528,389	2,486,895	2,306,615
OTHER COMPREHENSIVE INCOME (LOSS) Net of tax	(288,793)	209,097	(74,854)
COMPREHENSIVE INCOME	\$ 3,239,596	\$ 2,695,992	\$ 2,231,761
BASIC EARNINGS PER SHARE	\$ 1.78	\$ 1.28	\$ 1.21
DILUTED EARNINGS PER SHARE	\$ 1.77	\$ 1.28	\$ 1.21

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WEIGHTED-AVERAGE SHARES OUTSTANDING:			
Basic	1,983,970	1,939,511	1,898,697
Diluted	1,989,460	1,942,058	1,902,293

RGC RESOURCES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY****YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001**

	<u>Common Stock</u>	<u>Capital in Excess of Par Value</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>	<u>Total Stockholders Equity</u>
BALANCE October 1, 2000	\$ 9,408,665	\$ 10,262,252	\$ 10,314,954	\$	\$ 29,985,871
Net income			2,306,615		2,306,615
Gains (losses) on hedging activities, net of tax				(74,854)	(74,854)
Cash dividends declared (\$1.12 per share)			(2,131,194)		(2,131,194)
Issuance of common stock (32,870 shares)	164,350	474,284			638,634
	<u>9,573,015</u>	<u>10,736,536</u>	<u>10,490,375</u>	<u>(74,854)</u>	<u>30,725,072</u>
BALANCE September 30, 2001	9,573,015	10,736,536	10,490,375	(74,854)	30,725,072
Net income			2,486,895		2,486,895
Gains (losses) on hedging activities, net of tax				209,097	209,097
Cash dividends declared (\$1.14 per share)			(2,218,779)		(2,218,779)
Issuance of common stock (45,815 shares)	229,075	637,637			866,712
	<u>9,802,090</u>	<u>11,374,173</u>	<u>10,758,491</u>	<u>134,243</u>	<u>32,068,997</u>
BALANCE September 30, 2002	9,802,090	11,374,173	10,758,491	134,243	32,068,997
Net income			3,528,389		3,528,389
Gains (losses) on hedging activities, net of tax				(288,793)	(288,793)
Cash dividends declared (\$1.14 per share)			(2,267,960)		(2,267,960)
Issuance of common stock (42,814 shares)	214,070	602,911			816,981
	<u>\$ 10,016,160</u>	<u>\$ 11,977,084</u>	<u>\$ 12,018,920</u>	<u>\$ (154,550)</u>	<u>\$ 33,857,614</u>
BALANCE September 30, 2003	\$ 10,016,160	\$ 11,977,084	\$ 12,018,920	\$ (154,550)	\$ 33,857,614

See notes to consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

	2003	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 3,528,389	\$ 2,486,895	\$ 2,306,615
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	5,422,074	5,297,678	4,967,332
Impairment loss		72,008	699,630
(Gain) loss on asset disposition	(5,640)	1,872	5,944
Change in over/under recovery of gas costs	364,268	(1,932,247)	3,003,839
Deferred taxes and investment tax credits	681,386	1,686,802	(1,218,486)
Other noncash items, net	(101,736)	(296,926)	150,503
Changes in assets and liabilities which provided (used) cash:			
Accounts receivable and customer deposits, net	(1,788,721)	2,707,666	(879,956)
Inventories and prepaid gas service	(5,796,757)	1,928,685	(1,052,659)
Other current assets	21,834	(858,825)	110,473
Accounts payable and accrued expenses	2,229,747	(168,850)	(2,709,804)
Refunds from suppliers due customers	(9,569)	(64,869)	(106,251)
Net cash provided by operating activities	4,545,275	10,859,889	5,277,180
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to utility plant and nonutility property	(8,347,654)	(8,614,454)	(8,029,853)
Cost of removal of utility plant, net	(27,534)	(45,580)	(38,618)
Proceeds from sales of assets	345,597	75,918	43,814
Net cash used in investing activities	(8,029,591)	(8,584,116)	(8,024,657)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	8,000,000		
Retirement of long-term debt	(105,126)	(828,038)	(26,092)
Net borrowings under lines of credit	(3,124,000)	(716,000)	4,412,000
Proceeds from issuance of common stock	816,981	866,712	638,634
Cash dividends paid	(2,255,571)	(2,196,095)	(2,112,636)
Net cash provided by (used in) financing activities	3,332,284	(2,873,421)	2,911,906
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(152,032)	(597,648)	164,429
CASH AND CASH EQUIVALENTS:			
Beginning of year	288,030	885,678	721,249
End of year	\$ 135,998	\$ 288,030	\$ 885,678

(Continued)

RGC RESOURCES, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001**

	<u>2003</u>	<u>2002</u>	<u>2001</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION:			
Cash paid during the year for:			
Interest	\$ 2,145,317	\$ 2,086,391	\$ 2,537,343
Income taxes, net of refunds	\$ 1,254,623	\$ 640,145	\$ 2,670,227

Noncash transactions:

In 2003, 2002, and 2001, the Company entered into derivative price swaps, caps, and collar arrangements for the purpose of hedging the cost of natural gas and propane. In accordance with hedge accounting requirements, the underlying derivatives were marked to market with the corresponding non-cash impacts to the balance sheet:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Unrealized gain (loss) on marked-to-market transactions	(2,099,155)	3,686,062	(1,906,171)
Under (over) recovery of gas costs	1,630,150	(3,343,560)	1,783,560
Deferred tax asset (liability)	180,212	(133,405)	47,757

Subsequent to September 30, 2003, the Company executed a \$2,000,000 two-year intermediate term note to refinance currently maturing debt and a portion of the line of credit balances. A \$2 million reclassification from short-term to long-term debt was made to the September 30, 2003 balance sheet. (See Note 5.)

See notes to consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2003, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General RGC Resources, Inc. is an energy services company engaged in the sale and distribution of natural gas and propane. The consolidated financial statements include the accounts of RGC Resources, Inc. and its wholly owned subsidiaries (the Company); Roanoke Gas Company; Bluefield Gas Company; Diversified Energy Company, operating as Highland Propane Company and Highland Energy; RGC Ventures, Inc., operating as Highland Heating and Cooling; and RGC Ventures, Inc. of Virginia, operating as Application Resources. Roanoke Gas Company and Bluefield Gas Company are the natural gas utilities, which distribute and sell natural gas to residential, commercial and industrial customers within their service areas. Highland Propane Company distributes and sells propane in western Virginia and southern West Virginia. Highland Energy brokers natural gas to several industrial transportation customers of Roanoke Gas Company and Bluefield Gas Company. Highland Heating and Cooling provided heating and cooling service and installation in West Virginia. Application Resources provides information system services to software providers in the utility industry.

The primary business of the Company is the distribution of natural gas to residential, commercial and industrial customers in Roanoke, Virginia; Bluefield, Virginia; Bluefield, West Virginia; and the surrounding areas. The Company distributes natural gas to its customers at rates regulated by the State Corporation Commission in Virginia (SCC) and the Public Service Commission in West Virginia (PSC).

All intercompany transactions have been eliminated in consolidation.

Rate Regulated Basis of Accounting The Company's regulated operations follow the accounting and reporting requirements of Statement of Financial Accounting Standards (SFAS) No. 71, *Accounting for the Effects of Certain Types of Regulation*. The economic effects of regulation can result in a regulated company deferring costs that have been or are expected to be recovered from customers in a period different from the period in which the costs would be charged to expense by an unregulated enterprise. When this results, costs are deferred as assets in the consolidated balance sheet (regulatory assets) and recorded as expenses when such amounts are reflected in rates. Additionally, regulators can impose liabilities upon a regulated company for amounts previously collected from customers and for current collection in rates of costs that are expected to be incurred in the future (regulatory liabilities).

The amounts recorded by the Company as regulatory assets and regulatory liabilities are as follows:

	September 30,	
	2003	2002
Regulatory assets:		
Rate case costs	\$	\$ 1,087
Under-recovery of gas costs	790,126	
Bad debt expense deferral	228,920	316,966
Line break expense deferral	229,076	
Other	44,747	52,103
Total regulatory assets	\$ 1,292,869	\$ 370,156
Regulatory liabilities:		
Refunds from suppliers due customers	\$ 42,320	\$ 51,889
Over-recovery of gas costs	1,172,585	1,742,905
Asset retirement obligation	5,449,702	
Total regulatory liabilities	\$ 6,664,607	\$ 1,794,794

During 2002, the Company reached an agreement with the regulatory staff of the SCC that provided for the deferral of \$316,966 of bad debt expense to be amortized over a three-year period beginning in December 2002.

During 2003, the Company received authorization from the PSC to defer the costs of restoring gas service attributable to a natural gas line break in January 2003. These costs will be recovered through future rates beginning in December 2003.

On October 1, 2002 the Company adopted SFAS No. 143 and reflected non-legal asset retirement obligations as a regulatory liability. (See New Accounting Standards)

Utility Plant and Depreciation Utility plant is stated at original cost. The cost of additions to utility plant includes direct charges and overhead. The cost of depreciable property retired is charged to accumulated depreciation. Maintenance, repairs, and minor renewals and betterments of property are charged to operations and maintenance.

Provisions for depreciation are computed principally at composite straight-line rates with annual composite rates ranging from 2% to 17% for utility property. Depreciable lives for non-utility property range from 3 to 25 years. The annual composite rates for utility property are determined by periodic depreciation studies.

The composite rates are comprised of two components, one based on average service life and one based on cost of removal. Therefore we accrue estimated cost of removal of long-lived assets through depreciation expense. Removal costs are not a legal obligation as defined by SFAS No.

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143 but rather the result of cost-based regulation and accounted for under the provisions of SFAS No. 71. Therefore, beginning October 1, 2002 such amounts are classified as a regulatory liability.

We review long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Our reviews have not resulted in a material effect on results of operations or financial condition.

Cash and Cash Equivalents For purposes of the consolidated statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Inventories Inventories consist of natural gas in storage, propane, and materials. Natural gas inventories are recorded at average cost. Propane inventories are valued at the lower of average cost or market.

Unbilled Revenues The Company bills its natural gas customers on a monthly cycle basis; however, the billing cycle period for most customers does not coincide with the accounting periods used for financial reporting. The Company accrues estimates for natural gas delivered to customers not yet billed during the accounting period. The amounts of unbilled revenue receivable included in accounts receivable on the consolidated balance sheets at September 30, 2003 and 2002 were \$1,251,253 and \$875,316, respectively.

Income Taxes Income taxes are accounted for using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the years in which those temporary differences are expected to be recovered or settled. A valuation allowance against deferred tax assets is provided if it is more likely than not the deferred tax asset will not be realized. The Company and its subsidiaries file a consolidated federal income tax return.

Debt Expenses Debt expenses are being amortized over the lives of the debt instruments.

Over/Under Recovery of Natural Gas Costs Pursuant to the provisions of the Company's Purchased Gas Adjustment (PGA) clause, increases or decreases in natural gas costs incurred by regulated operations, including gains and losses on derivative hedging instruments, are passed through to customers. Accordingly, the difference between actual costs incurred and costs recovered through the application of the PGA is reflected as a regulatory asset or liability. At the end of the deferral period, the balance of the net deferred charge or credit is amortized over the next 12-month period as amounts are reflected in customer billings. The Company is subject to multiple jurisdictions, which may result in both a regulatory asset and a regulatory liability reported in the financial statements.

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Derivative and Hedging Activities Effective October 1, 2000, the Company adopted the provisions of SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended and interpreted. SFAS No. 133 requires the recognition of derivative instruments as assets or liabilities in the Company's balance sheet and measurement of those instruments at fair value.

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The Company's risk management policy allows management to enter into derivatives for the purpose of managing commodity and financial market risks of its business operations. The Company's risk

management policy specifically prohibits the use of derivatives for speculative purposes. The key market risks that RGC Resources, Inc. would seek to hedge include the price of natural gas and propane gas and the cost of borrowed funds.

The Company entered into futures, swaps, and caps for the purpose of hedging the price of propane in order to provide price stability during the winter months. During 2003, the Company entered into price cap arrangements due to the uncertainty of energy prices in the coming heating season. The price caps will provide protection against increasing prices and allow the Company to benefit from reduction in energy prices. The price caps qualify as cash flow hedges; therefore, changes in the fair value are reported in other comprehensive income. No portions of the hedges were ineffective during the year.

In addition, the Company has historically entered into futures, swaps, and caps for the purpose of hedging the price of natural gas in order to provide price stability during the winter months. As of September 30, 2003, the Company had entered into price cap and swap arrangements for the purchase of natural gas. The fair value of these instruments is recorded in the balance sheet with the offsetting entry to under-recovery of gas costs. Net income and other comprehensive income are not affected by the change in market value as any cost incurred or benefit received from these instruments is recoverable or refunded through the regulated natural gas PGA mechanism. Both the SCC and the PSC currently allow for full recovery of prudent costs associated with natural gas purchases, and any additional costs or benefits associated with the settlement of these instruments will be passed through to customers when realized.

The Company also entered into an interest rate swap related to the \$8,000,000 note issued in November 2002. The swap essentially converted the three-year floating rate note into fixed rate debt with a 4.18 percent interest rate. The swap qualifies as a cash flow hedge with changes in fair value reported in other comprehensive income.

A summary of other comprehensive income and financial instrument activity is provided below:

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Year Ended September 30, 2003	Propane Derivatives	Interest Rate Swap	Natural Gas Derivatives	Total
Unrealized gains (losses)	\$ 251,293	\$ (364,063)	\$	\$ (112,770)
Income tax (expense) benefit	(97,879)	138,199		40,320
Net unrealized gains (losses)	153,414	(225,864)		(72,450)
Transfer of realized losses (gains) to income	(471,184)	114,949		(356,235)
Income tax (benefit) expense	183,527	(43,635)		139,892
Net transfer of realized losses (gains) to income	(287,657)	71,314		(216,343)
Net other comprehensive (loss)	\$ (134,243)	\$ (154,550)	\$	\$ (288,793)
Unrealized (loss) on marked to market transactions	\$	\$ (249,114)	\$ (70,150)	\$ (319,264)
Accumulated comprehensive (loss)	\$	\$ (154,550)	\$	\$ (154,550)
Year Ended September 30, 2002	Propane Derivatives	Interest Rate Swap	Natural Gas Derivatives	Total
Unrealized gains (losses)	\$ 163,632	\$	\$	\$ 163,632
Income tax (expense) benefit	(63,735)			(63,735)
Net unrealized gains (losses)	99,897			99,897
Transfer of realized losses (gains) to income	178,870			178,870
Income tax (benefit) / expense	(69,670)			(69,670)
Net transfer of realized losses (gains) to income	109,200			109,200
Net other comprehensive (loss)	\$ 209,097	\$	\$	\$ 209,097
Unrealized (loss) on marked to market transactions	\$ 219,891	\$	\$ 1,560,000	\$ 1,779,891
Accumulated comprehensive income	\$ 134,243	\$	\$	\$ 134,243
Year Ended September 30, 2001	Propane Derivatives	Interest Rate Swap	Natural Gas Derivatives	Total
Unrealized gains/(losses)	\$ 30,558	\$	\$	\$ 30,558
Income tax (expense)/benefit	(11,902)			(11,902)
Net unrealized gains/(losses)	18,656			18,656
Transfer of realized losses/(gains) to income	(153,169)			(153,169)

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Income tax (benefit)/expense	59,659			59,659
Net transfer of realized losses/(gains) to income	(93,510)			(93,510)
Net other comprehensive (loss)	\$ (74,854)	\$	\$	\$ (74,854)
Unrealized (loss) on marked to market transactions	\$ (122,611)	\$	\$ (1,783,560)	\$ (1,906,171)
Accumulated comprehensive (loss)	\$ (74,854)	\$	\$	\$ (74,854)

New Accounting Standards In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 was adopted by the Company as of October 1, 2002. SFAS No. 142 requires that goodwill no longer be amortized over an estimated useful life, as previously required. Instead, goodwill amounts will be subject to a fair-value-based

annual impairment assessment. The standard also requires acquired intangible assets to be recognized separately and amortized as appropriate. The Company has completed its annual testing of goodwill using a discounted future cash flow method and determined that no impairment existed as of September 30, 2003. The following table reflects the impact of removing goodwill amortization on prior years' net income.

	Twelve Months Ended		
	September 30,		
	2003	2002	2001
Net Income	\$ 3,528,389	\$ 2,486,895	\$ 2,306,615
Add: Goodwill amortization, as recorded net of tax		18,064	18,064
Adjusted net income	\$ 3,528,389	\$ 2,504,959	\$ 2,324,679
Basic earnings per share as reported	\$ 1.78	\$ 1.28	1.21
Goodwill amortization		0.01	0.01
Adjusted basic earnings per share	\$ 1.78	\$ 1.29	\$ 1.22
Diluted earnings per share as reported	\$ 1.77	\$ 1.28	1.21
Goodwill amortization		0.01	0.01
Adjusted diluted earnings per share	\$ 1.77	\$ 1.29	\$ 1.22

The Company adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*, on October 1, 2002. SFAS No. 143 requires the reporting at fair value of a legal obligation associated with the retirement of tangible long-lived assets that result from acquisition, construction, or development. Management has determined that the Company has no material legal obligations for the retirement of its assets. However, the Company provides a provision, as part of its depreciation expense, for the ultimate cost of asset retirements and removal. Removal costs are not a legal obligation as defined by SFAS No. 143 but rather the result of cost-based regulation and therefore accounted for under the provisions of SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Upon adoption of SFAS No. 143, the Company classified removal costs that do not have an associated legal retirement obligation as a regulatory liability, in accordance with regulatory treatment. The adoption of this statement had no effect on net income.

The Company adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* on October 1, 2002. SFAS No. 144 supersedes SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. The new rules retain many of the fundamental recognition and measurement provisions, but significantly change the criteria for classifying an asset as held-for-sale. The adoption did not have a material impact on the Company's financial position or results of operation.

The Company adopted SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* an amendment of SFAS No. 123. SFAS No. 148 provides alternative methods of transition for a voluntary change to the fair value-based method of accounting for stock-based employee compensation and the effect of the method used on reported results. This statement requires that companies follow the prescribed format and provide the additional disclosures in their annual reports.

The Company applies the recognition and measurement principles of Accounting Principle Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations in accounting for this Plan. No stock-based employee compensation expense is reflected in net income as all options granted under the Plan had an exercise price equal to the market value of the underlying common stock on the date of the grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation*, to the options granted under the plan.

	Twelve Months Ended September 30,		
	2003	2002	2001
Net Income, as reported	\$ 3,528,389	\$ 2,486,895	\$ 2,306,615
Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of tax	(19,747)	(17,481)	(22,767)
Proforma net income	\$ 3,508,642	\$ 2,469,414	\$ 2,283,848
Earnings per share as reported:			
Basic	\$ 1.78	\$ 1.28	\$ 1.21
Diluted	\$ 1.77	\$ 1.28	\$ 1.21
Earnings per share pro forma:			
Basic	\$ 1.77	\$ 1.27	\$ 1.20
Diluted	\$ 1.76	\$ 1.27	\$ 1.20
Weighted Average Shares	1,983,970	1,939,511	1,898,697
Diluted Shares	1,989,460	1,942,058	1,902,293

2. FINANCIAL INFORMATION BY BUSINESS SEGMENTS

Operating segments are defined as components of an enterprise for which separate financial information is available and is evaluated regularly by the chief decision maker in deciding how to allocate resources and assess performance. The Company uses operating margin to assess segment performance.

The reportable segments of the Company disclosed herein are as follows:

Gas Utilities The natural gas segment of the Company generates revenue from its tariff rates, under which it provides distribution energy services for its residential, commercial, and industrial customers.

Propane Operations The propane gas segment of the Company generates revenue from the sale and delivery of propane gas and related services to its residential, commercial, and industrial customers located in western Virginia and southern West Virginia.

Energy Marketing The energy marketing segment generates revenue through the sale of natural gas to industrial transportation customers of Roanoke Gas Company and Bluefield Gas Company.

Parent and Other The other segment includes appliance services, mapping services, information system services, and certain corporate eliminations.

Information related to the segments of the Company is detailed below:

	Gas Utilities	Propane Operations	Energy Marketing	Parent and Other	Consolidated Total
For the year ended					
September 30, 2003:					
Operating revenues	\$ 75,321,337	\$ 15,211,015	\$ 13,091,137	\$ 738,070	\$ 104,361,559
Operating margin	21,425,681	7,692,644	285,042	321,347	29,724,714
Operations, maintenance, and general taxes	12,201,542	4,208,789	44,976	6,250	16,461,557
Depreciation and amortization	3,716,841	1,479,204		2,938	5,198,983
Interest charges	1,964,969	207,373			2,172,342
Income before income taxes	3,391,592	1,724,498	240,066	312,159	5,668,315
As of September 30, 2003:					
Total assets	89,196,889	13,658,311	2,020,249	1,071,652	105,947,101
Gross additions to long-lived assets	6,774,401	1,573,253			8,347,654

	Gas Utilities	Propane Operations	Energy Marketing	Parent and Other	Consolidated Total
For the year ended September 30, 2002:					
Operating revenues	\$ 57,647,947	\$ 10,718,404	\$ 11,107,532	\$ 751,790	\$ 80,225,673
Operating margin	19,031,178	5,207,090	265,661	327,160	24,831,089
Operations, maintenance, and general taxes	9,823,575	3,313,645	30,148	340,976	13,508,344
Impairment loss				72,008	72,008
Depreciation and amortization	3,554,814	1,517,463		42,043	5,114,320
Interest charges	1,768,853	249,093		32,808	2,050,754
Income before income taxes	3,789,939	117,037	235,513	(161,782)	3,980,707
As of September 30, 2002:					
Total assets	\$ 81,390,321	\$ 13,432,357	\$ 1,320,944	\$ 834,493	\$ 96,978,115
Gross additions to long-lived assets	6,537,397	2,075,891		1,166	8,614,454
For the year ended September 30, 2001:					
Operating revenues	\$ 86,195,121	\$ 14,929,570	\$ 14,756,066	\$ 1,562,390	\$ 117,443,147
Operating margin	20,967,344	6,251,343	524,959	429,540	28,173,186
Operations, maintenance, and general taxes	11,677,941	3,372,455	32,147	834,284	15,916,827
Impairment loss				699,630	699,630
Depreciation and amortization	3,325,814	1,385,236		117,046	4,828,096
Interest charges	2,231,918	429,633		87,299	2,748,850
Income before income taxes	3,643,127	1,051,845	492,812	(1,321,150)	3,866,634
As of September 30, 2001:					
Total assets	79,544,841	14,023,168	1,567,179	2,189,767	97,324,955
Gross additions to long-lived assets	5,981,165	2,037,547		11,141	8,029,853

During 2003, 2002 and 2001, no single customer accounted for more than 5% of the Company's sales. One customer's accounts receivable balance accounted for 7.4% of the Company's total accounts receivable at September 30, 2003. No accounts receivable from any customer exceeded 5% of the Company's total accounts receivable at September 30, 2002.

3. RESTRUCTURING

In September 2001, the Company decided to restructure the heating and air conditioning sales and services operations in West Virginia due to the poor performance of these operations and the unlikelihood of a timely market recovery. Several factors contributed to the underperformance of these operations including increasing competition in the markets served, the general economic slowdown and lower than expected demand for equipment sales and service, among others. The restructuring resulted in the reduction of heating and air conditioning operations.

As a result of the decision to restructure and reduce its heating and air conditioning operations, the Company adjusted the valuation of several assets to estimated net realizable value in accordance with the guidance in SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. Additionally, goodwill and other intangible assets associated with the heating and air conditioning operations were written off, as management determined there were no future benefits associated with these amounts. The following is a summary of the impairment loss recorded in 2001:

Write-off of goodwill and other intangibles	\$ 597,949
Write-down of fixed and other assets	101,681
	<hr/>
Total impairment loss	\$ 699,630
	<hr/>

In April 2002, the auction of the inventory and fixed assets of the heating and cooling operations was completed. The results of the auction generated a loss of \$72,008 in excess of the amount provided for at the end of the previous year.

As a result of the ongoing evaluation of the remaining heating and air conditioning operations, during 2002, the Company decided to discontinue the heating and air conditioning equipment portion of the business. In 2003, the Company sold the customer list and associated warranties on equipment to another heating and air conditioning company for a nominal price. In addition, on September 30, 2003, the Company executed merger documents that resulted in the merger of RGC Ventures, Inc. into Diversified Energy Company.

In 2002, management decided to forego third party sales from its mapping operations, GIS Resources, Inc. These operations were integrated into the natural gas operations for the purpose of maintaining system maps and other related functions. No impairment losses were incurred as a consequence of the GIS Resources, Inc. integration.

4. ALLOWANCE FOR DOUBTFUL ACCOUNTS

A summary of the changes in the allowance for doubtful accounts follows:

	Years Ended September 30,		
	2003	2002	2001
Balances, beginning of year	\$ 155,062	\$ 531,991	\$ 314,081
Provision for doubtful accounts	871,967	300,312	1,462,436
Recoveries of accounts written off	315,539	400,283	207,455
Accounts written off	(1,023,669)	(1,077,524)	(1,451,981)
	<hr/>	<hr/>	<hr/>
Balances, end of year	\$ 318,899	\$ 155,062	\$ 531,991
	<hr/>	<hr/>	<hr/>

5. BORROWINGS UNDER LINES OF CREDIT

The Company has available unsecured lines of credit with a bank for \$28,000,000 as of September 30, 2003. These lines of credit will expire March 31, 2004. The Company anticipates being able to extend the lines of credit or pursue other options. On October 1, 2003, the Company executed a \$2,000,000 26-month intermediate term note to refinance \$1,125,000 of currently maturing debt and \$875,000 line of credit balance. As the Company met the requirements of both the intent and ability to refinance, a \$2,000,000 reclassification was made from current maturities and lines of credit to long-term debt on the balance sheet. The table below reflects this reclassification.

A summary of short-term lines of credit follows:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Lines of credit at year-end	\$ 28,000,000	\$ 20,500,000	\$ 23,500,000
Outstanding balance at year-end	12,992,000	8,991,000	17,707,000
Highest month-end balances outstanding	20,184,000	21,236,000	23,405,000
Average month-end balances	10,104,000	13,669,000	16,592,000
Average rates of interest during year	1.99%	2.46%	5.68%
Average rates of interest on balances outstanding at year-end	1.70%	2.38%	3.54%

6. LONG-TERM DEBT

Long-term debt consists of the following:

	September 30,	
	2003	2002
Roanoke Gas Company:		
First Mortgage notes payable, at 7.804%, due July 1, 2008	\$ 5,000,000	\$ 5,000,000
Collateralized term debentures with provision for retirement in varying annual payments through October 1, 2016, at interest rates ranging from 6.75% to 9.625%	4,000,000	4,000,000
Unsecured senior notes payable, at 7.66%, with provision for retirement of \$1,600,000 each year beginning December 1, 2014 through December 1, 2018	8,000,000	8,000,000
Obligations under capital leases, aggregate monthly payments of \$2,924, through April 2005	52,359	82,485
Unsecured note payable, with variable interest rate based on 30-day LIBOR (1.2% at September 30, 2003) plus 100 basis point spread, with provision for retirement on November 21, 2005.	8,000,000	8,000,000
Bluefield Gas Company:		
Unsecured note payable, at 7.28%, with provision for retirement of \$25,000 quarterly, beginning January 1, 2002 and a final payment of \$1,125,000 on October 1, 2003	1,125,000	1,200,000
Highland Propane Company:		
Unsecured note payable, with variable interest rate based on 90-day LIBOR (1.1% and 1.8% at September 30, 2003 and 2002, respectively), plus 95 basis point spread, with provision for retirement on August 26, 2006	2,500,000	2,500,000
Unsecured note payable, at 7%, with provision for retirement on December 31, 2007	1,700,000	1,700,000
Line of credit	875,000	
Total long-term debt	31,252,359	30,482,485
Less current maturities	(1,032,372)	(105,127)
Total long-term debt, excluding current maturities	\$ 30,219,987	\$ 30,377,358

The above debt obligations contain various provisions, including a minimum interest charge coverage ratio and limitations on debt as a percentage of total capitalization. The obligations also contain a provision restricting the payment of dividends, primarily based on the earnings of the Company and dividends previously paid. The Company was in compliance with these provisions at September 30, 2003 and 2002. At September 30, 2003, approximately \$5,519,000 of retained earnings were available for dividends.

Long-term debt includes \$2,000,000 related to the refinancing of \$1,125,000 of current maturities and \$875,000 of line-of-credit balances. On October 1, 2003, the Company entered into an unsecured note payable with a variable interest rate based on the 30-day LIBOR plus 113 basis point spread. This note has a provision for retirement on November 21, 2005.

At September 30, 2002, long-term debt includes \$8,000,000 due in 2005 related to the refinancing to line-of-credit balances.

The aggregate annual maturities of long-term debt, subsequent to September 30, 2003 are as follows:

Years Ended September 30,	
2004	\$ 1,032,372
2005	19,987
2006	12,500,000
2007	
2008	6,700,000
Thereafter	11,000,000
	<hr/>
Total	\$ 31,252,359
	<hr/>

7. INCOME TAXES

The details of income tax expense (benefit) are as follows:

	Years Ended September 30,		
	2003	2002	2001
	<hr/>	<hr/>	<hr/>
Current income taxes:			
Federal	\$ 1,070,948	\$ (287,947)	\$ 2,376,081
State	293,028	94,957	405,528
	<hr/>	<hr/>	<hr/>
Total current income taxes	1,363,976	(192,990)	2,781,609
	<hr/>	<hr/>	<hr/>
Deferred income taxes:			
Federal	729,142	1,567,525	(916,314)
State	81,014	153,655	(266,142)
	<hr/>	<hr/>	<hr/>
Total deferred income taxes	810,156	1,721,180	(1,182,456)
	<hr/>	<hr/>	<hr/>
Amortization of investment tax credits	(34,206)	(34,378)	(39,134)
	<hr/>	<hr/>	<hr/>
Total income tax expense	\$ 2,139,926	\$ 1,493,812	\$ 1,560,019
	<hr/>	<hr/>	<hr/>

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Income tax expense for the years ended September 30, 2003, 2002 and 2001 differed from amounts computed by applying the U.S. federal income tax rate of 34% to earnings before income taxes as a result of the following:

	Years Ended September 30,		
	2003	2002	2001
Income before income taxes	\$ 5,668,315	\$ 3,980,707	\$ 3,866,634
Income tax expense computed at statutory rate of 34%	\$ 1,927,227	\$ 1,353,440	\$ 1,314,655
Increase (reduction) in income tax expense resulting from:			
State income taxes, net of federal income tax benefit	246,868	164,084	91,995
Amortization and write-off of nondeductible goodwill			172,935
Amortization of investment tax credits	(34,206)	(34,378)	(39,134)
Other, net	37	10,666	19,568
Total income tax expense	\$ 2,139,926	\$ 1,493,812	\$ 1,560,019

The tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are as follows:

	September 30,	
	2003	2002
Deferred tax assets:		
Allowance for uncollectibles	\$ 122,484	\$ 37,736
Accrued medical insurance	173,553	96,321
Accrued pension and medical benefits	1,565,853	1,394,204
Accrued vacation	193,861	168,934
Over (under) recovery of gas costs	156,436	117,724
Costs of gas held in storage	728,348	724,082
Other	348,307	200,839
Total deferred tax assets	3,288,842	2,739,840
Deferred tax liabilities:		
Utility plant basis differences	7,141,324	5,962,378
Total deferred tax liabilities	7,141,324	5,962,378
Net deferred tax liability	\$ 3,852,482	\$ 3,222,538

8. EMPLOYEE BENEFIT PLANS

The Company has a defined benefit pension plan (the Plan) covering substantially all of its employees. The benefits are based on years of service and employee compensation. Plan assets are invested principally in cash equivalents and corporate stocks and bonds. Company contributions are intended to provide not only for benefits attributed to date but also for those expected to be earned in the future.

The plan assets and obligations were measured as of June 30. The following sets forth the Plan's funded status and amounts recognized in the consolidated balance sheet as of September 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 8,835,323	\$ 8,068,414
Service cost	300,867	228,710
Interest cost	602,282	568,557
Actuarial loss	1,147,934	401,810
Benefit payments	(428,951)	(432,168)
	<u> </u>	<u> </u>
Benefit obligation at end of year	<u>\$ 10,457,455</u>	<u>\$ 8,835,323</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 6,511,141	\$ 7,325,329
Actual return (loss) on Plan assets	200,827	(401,151)
Employer contributions	306,153	19,131
Benefit payments	(428,951)	(432,168)
	<u> </u>	<u> </u>
Fair value of Plan assets at end of year	<u>\$ 6,589,170</u>	<u>\$ 6,511,141</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 6,511,141	\$ 7,325,329
Actual return (loss) on Plan assets	200,827	(401,151)
Employer contributions	306,153	19,131
Benefit payments	(428,951)	(432,168)
	<u> </u>	<u> </u>
Fair value of Plan assets at end of year	<u>\$ 6,589,170</u>	<u>\$ 6,511,141</u>
Reconciliation of funded status:		
Funded status	\$ (3,868,285)	\$ (2,324,182)
Unrecognized actuarial loss	2,570,757	1,136,939
Unrecognized transition obligation		1,133
Contributions made between measurement date and fiscal year-end	110,000	100,000
	<u> </u>	<u> </u>
Net pension liability recognized	<u>\$ (1,187,528)</u>	<u>\$ (1,086,110)</u>

	2003	2002	2001
Components of net periodic pension cost:			
Service cost	\$ 300,867	\$ 228,710	\$ 218,310
Interest cost	602,282	568,557	563,150
Expected return on plan assets	(510,138)	(612,876)	(680,255)
Amortization of unrecognized transition obligation	1,133	4,931	7,586
Prior service cost recognized		7	18,874
Recognized (gain) loss	23,425		(64,985)
Net periodic pension cost	\$ 417,569	\$ 189,329	\$ 62,680
Assumptions used for pension accounting:			
Discount rate	6.00%	7.00%	7.25%
Expected rate of compensation increase	5.00%	5.00%	5.00%
Expected long-term rate of return on Plan assets	8.00%	8.00%	8.50%

In addition to pension benefits, the Company has a postretirement benefits plan, which provides certain healthcare, supplemental retirement and life insurance benefits to active and retired employees who meet specific age and service requirements. The Plan is contributory. The Company has elected to fund the Plan over future years.

The postretirement medical and life insurance Plan assets and obligations were measured as of June 30. The following sets forth the postretirement medical and life insurance Plans' funded status and amounts recognized in the consolidated balance sheet as of September 30, 2002 and 2001:

	2003	2002
Change in projected benefit obligation:		
Benefit obligation at beginning of year	\$ 8,158,724	\$ 7,122,071
Service cost	171,508	155,451
Interest cost	555,424	501,320
Participant contributions	34,768	52,501
Actuarial loss	852,318	730,630
Benefit payments	(422,229)	(403,249)
Benefit obligation at end of year	\$ 9,350,513	\$ 8,158,724
Change in Plan assets:		
Fair value of Plan assets at beginning of year	\$ 2,272,137	\$ 2,255,569
Actual return (loss) on Plan assets	89,749	(195,684)
Employer contributions	562,000	563,000
Participant contributions	34,768	52,501
Benefit payments	(422,229)	(403,249)
Fair value of Plan assets at end of year	\$ 2,536,425	\$ 2,272,137
Reconciliation of funded status:		
Funded status	\$ (6,814,088)	\$ (5,886,587)
Contribution made between measurement date and year-end	709,000	562,000
Unrecognized actuarial loss	2,529,210	1,704,909
Unrecognized transition obligation	2,373,000	2,610,300

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Net postretirement benefit liability	<u>\$ (1,202,878)</u>	<u>\$ (1,009,378)</u>
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	2003	2002	2001
Components of net periodic postretirement benefit cost:			
Service cost	\$ 171,508	\$ 155,451	\$ 155,017
Interest cost	555,424	501,320	524,755
Amortization of unrecognized transition obligation	237,300	237,300	237,300
Expected return on plan assets	(121,640)	(147,312)	(164,434)
Recognized losses	59,908		10,346
Net periodic benefit cost	\$ 902,500	\$ 746,759	\$ 762,984

The Company amortizes the unrecognized transition obligations over 20 years.

The weighted-average discount rate used for postretirement benefits accounting was 6.0%, 7.0% and 7.25% for 2003, 2002 and 2001, respectively.

For measurement purposes, 10%, 11%, and 8.5% annual rates of increase in the per capita cost of covered benefits (i.e., medical trend rate) were assumed for 2003, 2002 and 2001, respectively; the rates were assumed to decrease gradually to 5.5% by the year 2010 and remain at that level thereafter. The medical-trend rate assumption has a significant effect on the amounts reported. For example, increasing the assumed medical-cost trend rate by one percentage point each year would increase the accumulated postretirement benefits obligation as of September 30, 2003 by approximately \$1,298,000 or 14%, and would increase the aggregate of the service and interest cost components of net postretirement benefits cost by approximately \$119,000 or 16%.

The Company also has a defined contribution plan covering all of its employees who elect to participate. The Company made annual matching contributions to the plan in 2003, 2002 and 2001, based on 70% of the net participants' basic contributions (from 1 to 6% of their total compensation). The annual cost of the plan was \$228,737, \$227,403 and \$233,756 for 2003, 2002 and 2001, respectively.

9. COMMON STOCK OPTIONS

The Company's stockholders approved the RGC Resources, Inc. Key Employee Stock Option Plan (KESOP). KESOP provides for the issuance of common stock options to officers and certain other full-time salaried employees to acquire a maximum of 100,000 shares of the Company's common stock. The KESOP requires each option's exercise price per share to equal the fair value of the Company's common stock as of the date of the grant. As of September 30, 2003, the number of shares available for future grants under the KESOP is 2,000 shares.

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The aggregate number of shares under option pursuant to the RGC Resources, Inc. Key Employee Stock Option Plan is as follows:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Option Price Per Share</u>
Options outstanding, September 30, 2000	57,000	\$ 19.105	\$ 15.500-20.875
Options granted	15,000	19.250	
Options exercised			
<hr/>			
Options outstanding, September 30, 2001	72,000	\$ 19.135	\$ 15.500-20.875
Options granted	13,000	19.360	
Options exercised	(13,500)		
Options expired	(11,500)		
<hr/>			
Options outstanding, September 30, 2002	60,000	\$ 19.319	\$ 15.500-20.875
Options granted	13,500	18.100	
Options exercised			
Options expired	(2,000)		
<hr/>			
Options outstanding, September 30, 2003	71,500	\$ 19.049	\$ 15.500-20.875

Under the terms of the KESOP, the options become exercisable six months from the grant date and expire ten years subsequent to the grant date. All options outstanding were fully vested and exercisable at September 30, 2003 and 2002.

The per share weighted-average fair values of stock options granted during 2003, 2002 and 2001 were \$1.82, \$2.17 and \$2.45, respectively, on the dates of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Expected dividend yield	6.30%	5.89%	5.82%
Risk-free interest rate	3.70%	3.73%	4.65%
Expected volatility	26.60%	22.20%	21.00%
Expected life	10 years	10 years	10 years

10. RELATED-PARTY TRANSACTIONS

Certain of the Company's directors and officers are affiliated with companies that render services or sell products to the Company. Management believes such transactions are entered into on terms equivalent to normal business terms.

The Company purchased beeper, internet, and telephone services of approximately \$91,000, \$83,000 and \$92,000 in 2003, 2002 and 2001, respectively. Management anticipates similar services will be provided to the Company in 2004.

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The products sold to the Company include natural gas and propane purchases of approximately \$2,190,000 in 2001, and propane truck purchases and repair services of approximately \$40,000, \$210,000 and \$292,000 in 2003, 2002 and 2001, respectively. Management does anticipate that similar services will be provided to the Company in 2004.

11. ENVIRONMENTAL MATTER

Both Roanoke Gas Company and Bluefield Gas Company operated manufactured gas plants (MGP's) as a source of fuel for lighting and heating until the early 1950 s. A by-product of operating MGP's was coal tar, and the potential exists for on-site tar waste contaminants at the former plant sites. The extent of contaminants at these sites, if any, is unknown at this time. An analysis at the Bluefield Gas Company site indicates some soil contamination. The Company, with concurrence of legal counsel, does not believe any events have occurred requiring regulatory reporting. Further, the Company has not received any notices of violation or liabilities associated with environmental regulations related to the MGP sites and is not aware of any off-site contamination or pollution as a result of prior operations. Therefore, the Company has no plans for subsurface remediation at the MGP sites. Should the Company eventually be required to remediate either site, the Company will pursue all prudent and reasonable means to recover any related costs, including insurance claims and regulatory approval for rate case recognition of expenses associated with any work required. A stipulated rate case agreement between the Company and the West Virginia Public Service Commission recognized the Company s right to defer MGP clean-up costs, should any be incurred, and to seek rate relief for such costs. If the Company eventually incurs costs associated with a required clean up of either MGP site, the Company anticipates recording a regulatory asset for such clean-up costs to be recovered in future rates. Based on anticipated regulatory actions and current practices, management believes that any costs incurred related to this matter will not have a material effect on the Company s financial condition or results of operations.

12. COMMITMENTS

Effective November 1, 2001, the Company entered into a contract with a third party to provide future gas supply needs. The counter-party has also assumed the management and financial obligation of Roanoke Gas Company s and Bluefield Gas Company s (the Companies) firm transportation and storage agreements. In connection with the agreement, the Companies exchanged gas in storage at November 1, 2001 for the right to receive from the counter-party an equal amount of gas in the future as provided by the agreement. As a result of this arrangement, natural gas inventories on the balance sheet are replaced with a new classification called prepaid gas service. This contract expires on October 31, 2004.

The Company has contracts for pipeline and storage capacity extending for various periods. Additionally, the Company has contracts with natural gas suppliers requiring the purchase at fixed and market prices of the following volumes of gas for the periods specified. Management does not anticipate that these contracts will have a material impact on the Company s fiscal year 2004, 2005 or 2006 and thereafter consolidated results of operations:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>After 3 Years</u>
Fixed Price Contracts:				
Pipeline and storage capacity	\$ 11,196,246	\$ 5,511,538	\$ 5,009,497	\$ 52,689,745
Fixed price propane contracts	463,900			
Market Price Volumes:				
Natural gas contracts dekatherms	2,965,857	420,513		
Propane contracts gallons	3,891,100			

The Company has also entered into derivative financial contracts for the purpose of hedging the price on both natural gas and propane gas. These contracts are financial in nature and do not provide for the

physical delivery of the product. The volume of gas subject to the financial hedges included 1,450,000 dekatherms of natural gas and 2,394,000 gallons of propane in 2004.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents and borrowings under lines of credit are a reasonable estimate of fair value due to their short-term nature and because the rates of interest paid on borrowings under lines of credit approximate market rates.

The fair value of long-term debt is estimated by discounting the future cash flows of each issuance at rates currently offered to the Company for similar debt instruments of comparable maturities. The carrying amounts and approximate fair values for the years ended September 30, 2003 and 2002 are as follows:

	2003		2002	
	Carrying Amounts	Approximate Fair Value	Carrying Amounts	Approximate Fair Value
Long-term debt	\$ 31,252,359	\$ 35,316,240	\$ 30,482,485	\$ 35,215,485

Judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates determined as of September 30, 2003 and 2002 are not necessarily indicative of the amounts the Company could have realized in current market exchanges.

14. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Quarterly financial data for the years ended September 30, 2003 and 2002 is summarized as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2003				
Operating revenues	\$28,456,127	\$41,222,570	\$19,292,181	\$15,390,681
Operating margin	\$8,665,797	\$11,710,972	\$4,860,715	\$4,487,230
Operating income (loss)	\$3,099,384	\$5,731,519	\$(375,906)	\$(390,823)
Net income (loss)	\$1,538,137	\$3,140,953	\$(562,407)	\$(588,294)
Basic earnings (loss) per share	\$0.78	\$1.59	\$(0.28)	\$(0.31)
2002				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter

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Operating revenues	\$22,854,607	\$31,744,381	\$14,175,352	\$11,451,333
Operating margin	\$7,053,911	\$9,387,426	\$4,602,085	\$3,787,667
Operating income (loss)	\$1,959,618	\$4,535,062	\$59,709	\$(417,972)
Net income (loss)	\$840,775	\$2,470,446	\$(297,733)	\$(526,593)
Basic earnings (loss) per share	\$0.44	\$1.28	\$(0.15)	\$(0.29)

The pattern of quarterly earnings is the result of the highly seasonal nature of the business, as variations in weather conditions generally result in greater earnings during the winter months.

15. RECLASSIFICATION OF ASSET RETIREMENT OBLIGATIONS

In accordance with guidance that became available in February 2004, the Company has reclassified the estimated costs of removal of utility plant previously recognized in accumulated depreciation as a separate liability for the years ended September 30, 2003 and 2002. As a result of the adoption of SFAS 143 on October 1, 2002 these liabilities are reported as regulatory liabilities in 2003.

The following table shows how consolidated utility plant, net and deferred credits and other liabilities on the balance sheet have been revised.

	<u>2003</u>	<u>2002</u>
Utility plant, net as reported	\$ 59,790,899	\$ 56,928,098
Utility plant, net reclassification	5,449,702	4,576,660
Utility plant, net as revised	<u>\$ 65,240,601</u>	<u>\$ 61,504,758</u>
Total deferred credits and other liabilities as reported	\$ 5,724,329	\$ 6,102,961
Total deferred credits and other liabilities reclassification	5,449,702	4,576,660
Total deferred credits and other liabilities as revised	<u>\$ 11,174,031</u>	<u>\$ 10,679,621</u>

This reclassification has no impact on RGC Resources reported financial results of operations.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures

Based on their evaluation of the Company's disclosure controls and procedures (as defined by Rule 13a-14 (c) under the Securities Exchange Act of 1934) as of September 30, 2003, the Company's Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. There have been no significant changes during the quarter ended September 30, 2003 in the Company's internal control over financial reporting or in other factors that could materially affect, or is reasonably likely to materially affect, this internal control over financial reporting.

PART III

Item 10. Directors and Executive Officers of the Registrant.

For information with respect to the executive officers of the registrant, see Executive Officers of the Registrant at the end of Part I of this report. For information with respect to the Directors of the registrant, see Election of Directors of Resources in the Proxy Statement for the 2004 Annual Meeting of Shareholders of Resources, which information is incorporated herein by reference. The information with respect to compliance with Section 16(a) of the Exchange Act, which is set forth under the caption Section 16(a) Beneficial Ownership Reporting Compliance in the Proxy Statement for the 2004 Annual Meeting of Shareholders of Resources, is incorporated herein by reference.

The Company has adopted a Code of Ethics applicable to all of its officers, directors and employees. The Company has posted the text of its Code of Ethics on its Internet website at www.rgcreources.com.

Item 11. Executive Compensation.

The information set forth under the captions Executive Compensation, Report of the Compensation Committee of the Board of Directors, Compensation Committee Interlocks and Insider Participation and Performance Graph in the Proxy Statement for the 2004 Annual Meeting of Shareholders of Resources is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information pertaining to shareholders beneficially owning more than five percent of the registrant's common stock and the security ownership of management, which is set forth under the captions The Annual Shareholders Meeting and Security Ownership of Management in the Proxy Statement for the 2004 Annual Meeting of Shareholders of Resources, is incorporated herein by reference.

The information set forth under the caption Securities Authorized for Issuance Under Equity Compensation Plans in the Proxy Statement for the 2004 Annual Meeting of Shareholders of Resources is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information with respect to certain transactions with management of the registrant, which is set forth under the caption Transactions with Management in the Proxy Statement for the 2004 Annual Meeting of Shareholders of Resources, is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

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(a) List of documents filed as part of this report:

1. Financial statements:

All financial statements of the registrant as set forth under Item 8 of this Report on Form 10-K.

2. Financial statement schedules:

All schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes thereto.

3. Exhibits to this Form 10-K are as follows:

<u>Exhibit No.</u>	<u>Description</u>
2	Amended and Restated Agreement and Plan of Merger and Reorganization (incorporated by reference to Exhibit 2 to Form 8-K filed on July 2, 1999)
3 (a)	Articles of Incorporation of RGC Resources, Inc. (incorporated herein by reference to Exhibit 3(a) of Registration Statement No. 33-67311, on Form S-4, filed with the Commission on November 13, 1998, and amended by Amendment No. 5, filed with the Commission on January 28, 1999)
3 (b)	Bylaws of RGC Resources, Inc. (incorporated herein by reference to Exhibit 3(b) of Registration Statement No. 33-67311, on Form S-4, filed with the Commission on November 13, 1998, and amended by Amendment No. 5, filed with the Commission on January 28, 1999)
4 (a)	Specimen copy of certificate for RGC Resources, Inc. common stock, \$5.00 par value (incorporated herein by reference to Exhibit 3(b) of Registration Statement No. 33-67311, on Form S-4, filed with the Commission on November 13, 1998, and amended by Amendment No. 5, filed with the Commission on January 28, 1999)
4 (b)	Article I of the Bylaws of RGC Resources (included in Exhibit 3(b) hereto)
4 (c)	Instruments defining the rights of holders of long-term debt (incorporated herein by reference to Exhibit 4(c) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1991 (SEC file number reference 0-367))
4 (d)	RGC Resources, Inc., Amended and Restated Dividend Reinvestment and Stock Purchase Plan (incorporated by reference to Exhibit 4 (c) to Registration Statement No. 333-106065 on Form S-2 filed as of June 12, 2003)
10 (a)	Firm Transportation Agreement between East Tennessee Natural Gas Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(a) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
10 (b)	Interruptible Transportation Agreement between East Tennessee Natural Gas Company and Roanoke Gas Company dated July 1, 1991 (incorporated herein by reference to Exhibit 10(b) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
10 (c)	NTS Service Agreement between Columbia Gas Transmission Corporation and Roanoke Gas Company dated October 25, 1994 (incorporated herein by reference to Exhibit 10(c) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))

- 10 (d) SIT Service Agreement between Columbia Gas Transmission Corporation and Roanoke Gas Company dated November 30, 1993 (incorporated herein by reference to Exhibit 10(d) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (e) FSS Service Agreement between Columbia Gas Transmission Corporation and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(e) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (f) FTS Service Agreement between Columbia Gas Transmission Corporation and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(f) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (g) SST Service Agreement between Columbia Gas Transmission Corporation and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(g) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (h) ITS Service Agreement between Columbia Gas Transmission Corporation and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(h) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (i) FTS-1 Service Agreement between Columbia Gulf Transmission Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(i) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (j) ITS-1 Service Agreement between Columbia Gulf Transmission Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(j) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (k) Gas Transportation Agreement, for use under FT-A rate schedule, between Tennessee Gas Pipeline Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(k) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (l) Gas Transportation Agreement, for use under IT rate schedule, between Tennessee Gas Pipeline Company and Roanoke Gas Company dated September 1, 1993 (incorporated herein by reference to Exhibit 10(l) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (m) Gas Storage Contract under rate schedule FS (Production Area) Bear Creek II between Tennessee Gas Pipeline Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(m) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (n) Gas Storage Contract under rate schedule FS (Production Area) Bear Creek I between Tennessee Gas Pipeline Company and Roanoke Gas Company dated September 1, 1993 (incorporated herein by reference to Exhibit 10(n) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))

- 10 (o) Certificate of Public Convenience and Necessity for Bedford County dated February 21, 1966 (incorporated herein by reference to Exhibit 10(o) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (p) Certificate of Public Convenience and Necessity for Roanoke County dated October 19, 1965 (incorporated herein by reference to Exhibit 10(p) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (q) Certificate of Public Convenience and Necessity for Botetourt County dated August 30, 1966 (incorporated herein by reference to Exhibit 10(q) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (r) Certificate of Public Convenience and Necessity for Montgomery County dated July 8, 1985 (incorporated herein by reference to Exhibit 10(r) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (s) Certificate of Public Convenience and Necessity for Tazewell County dated March 25, 1968 (incorporated herein by reference to Exhibit 10(s) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (t) Certificate of Public Convenience and Necessity for Franklin County dated September 8, 1964 (incorporated herein by reference to Exhibit 10(t) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (u) Ordinance of the Town of Bluefield, Virginia dated August 25, 1986 (incorporated herein by reference to Exhibit 10(u) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (v) Ordinance of the City of Bluefield, West Virginia dated as of August 23, 1979 (incorporated herein by reference to Exhibit 10(v) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (w) Resolution of the Council for the Town of Fincastle, Virginia dated June 8, 1970 (incorporated herein by reference to Exhibit 10(f) of Registration Statement No. 33-11383, on Form S-4, filed with the Commission on January 16, 1987)
- 10 (x) Resolution of the Council for the Town of Troutville, Virginia dated November 4, 1968 (incorporated herein by reference to Exhibit 10(g) of Registration Statement No. 33-11383, on Form S-4, filed with the Commission on January 16, 1987)

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- 10 (y) Contract between Roanoke Gas Company and Diversified Energy Services, Inc. dated December 18, 1978 (incorporated herein by reference to Exhibit 10(e)(e) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
 - 10 (z) Service Agreement between Bluefield Gas Company and Commonwealth Public Service Corporation dated January 1, 1981 (incorporated herein by reference to Exhibit 10(f)(f) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
 - 10 (a) (a) Gas Storage Contract under rate schedule FS (Market Area) Portland between Tennessee Gas Pipeline Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(k)(k) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
 - 10 (b) (b) FTS Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(l)(l) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
 - 10 (c) (c) ITS Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(m)(m) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
 - 10 (d) (d) FSS Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(n)(n) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
 - 10 (e) (e) SST Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(o)(o) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
 - 10 (f) (f) FTS-1 Service Agreement between Columbia Gulf Transmission Company and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(p)(p) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
 - 10 (g) (g)* RGC Resources Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 4(c) of Registration Statement No. 333-02455, Post Effective Amendment on Form S-8, filed with the Commission on July 2, 1999)
 - 10 (h) (h)* RGC Resources, Inc. Stock Bonus Plan (incorporated herein by reference to Exhibit 10(m)(m) of Annual Report on Form 10-K for the fiscal year ended September 30, 1999)
 - 10 (i) (i) Gas Franchise Agreement between the Town of Vinton, Virginia, and Roanoke Gas Company dated July 2, 1996 (incorporated herein by reference to Exhibit 10(n)(n) of Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (SEC file number reference 0-367))
 - 10 (j) (j) Gas Franchise Agreement between the City of Salem, Virginia, and Roanoke Gas Company dated July 9, 1996 (incorporated herein by reference to Exhibit 10(o)(o) of Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (SEC file number reference 0-367))

10 (k) (k)	Gas Franchise Agreement between the City of Roanoke, Virginia, and Roanoke Gas Company dated July 12, 1996 (incorporated herein by reference to Exhibit 10(p)(p) of Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (SEC file number reference 0-367))
10 (l) (l)*	RGC Resources, Inc. Restricted Stock Plan for Outside Directors (incorporated herein by reference to Exhibit 10(r)(r) of Annual Report on Form 10-K for the fiscal year ended September 30, 1999 SEC file reference number 0-367)
10 (m) (m)	FTA Gas Transportation Agreement effective November 1, 1998, between East Tennessee Natural Gas Company and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(s)(s) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (n) (n)	SST Service Agreement effective November 1, 1997, between Columbia Gas Transmission Corporation and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(t)(t) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (o) (o)	FSS Service Agreement effective April 1, 1997, between Columbia Gas Transmission Corporation and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(u)(u) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (p) (p)	FTS Service Agreement effective November 1, 1999, between Columbia Gas Transmission Corporation and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(p)(p) of Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (SEC file reference number 0-367))
10 (q) (q)	Firm Storage Service Agreement effective March 19, 1997, between Virginia Gas Storage Company and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(w)(w) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (r) (r)	FTS-2 Service Agreement effective February 1, 1994, between Columbia Gulf Transmission Company and Bluefield Gas Company (incorporated herein by reference to Exhibit 10(x)(x) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (s) (s)	Firm Transportation Agreement effective December 31, 1998, between Phoenix Energy Sales Company and Bluefield Gas Company (incorporated herein by reference to Exhibit 10(y)(y) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (t)(t)*	Change in Control Agreement between John B. Williamson, III and RGC Resources, Inc. dated March 1, 2001 (incorporated herein by reference to Exhibit 10(g)(g)(g) of the Quarterly Report on Form 10-Q/A for the period ended March 31, 2001)
10 (u)(u)*	Change in Control Agreement between John S. D Orazio and RGC Resources, Inc. dated March 1, 2001 (incorporated herein by reference to Exhibit 10(j)(j)(j) of the Quarterly Report on Form 10-Q for the period ended March 31, 2001)

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- 10 (v)(v) Firm Storage Service Agreement by and between Roanoke Gas Company and Virginia Gas Pipeline Company, dated June 1, 2001 (incorporated herein by reference to Exhibit 10(b)(b)(b) of Annual Report on Form 10-K for the fiscal year ended September 30, 2001)
- 10 (w)(w) Firm Pipeline Service Agreement by and between Roanoke Gas Company and Virginia Gas Pipeline Company, dated June 1, 2001 (incorporated herein by reference to Exhibit 10(c)(c)(c) of Annual Report on Form 10-K for the fiscal year ended September 30, 2001)
- 10 (x)(x) Natural Gas Asset Management Agreement between Roanoke Gas Company and Duke Energy Trading and Marketing, L.L.C. dated November 1, 2001 (incorporated herein by reference to Exhibit 10(k)(k)(k) of the Quarterly Report on Form 10-Q for the period ended December 31, 2001)
- 10 (y)(y) Natural Gas Asset Management Agreement between Bluefield Gas Company and Duke Energy Trading and Marketing, L.L.C. dated November 1, 2001. (incorporated herein by reference to Exhibit 10(l)(l)(l) of the Quarterly Report on Form 10-Q for the period ended December 31, 2001)
- 10(z)(z) ISDA Master Agreement by and between SunTrust Bank and Roanoke Gas Company dated October 7, 2002 (incorporated herein by reference to Exhibit 10(j)(j)(j) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
- 10(a)(a)(a) Unconditional Unlimited Guaranty by and between RGC Resources, Inc. and SunTrust Bank dated November 15, 2002 (incorporated herein by reference to Exhibit 10(k)(k)(k) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
- 10(b)(b)(b) Loan Agreement by and between Roanoke Gas Company, SunTrust Bank and RGC Resources dated November 22, 2002 (incorporated herein by reference to Exhibit 10(l)(l)(l) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
- 10(c)(c)(c) Commercial Note by and between SunTrust Bank and Roanoke Gas Company dated November 22, 2002 (incorporated herein by reference to Exhibit 10(m)(m)(m) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
- 10(d)(d)(d)* Change in Control Agreement by and between RGC Resources, Inc. and Howard T. Lyon dated May 1, 2000 (incorporated herein by reference to Exhibit 10(n)(n)(n) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
- 10(e)(e)(e)* Change in Control Agreement by and between RGC Resources, Inc. and Dale P. Moore dated May 1, 2000 (incorporated herein by reference to Exhibit 10(o)(o)(o) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
- 10(f)(f)(f) Unconditional Guaranty by and between Bluefield Gas Company, RGC Resources, Inc. and Wachovia Bank, National Association, dated April 21, 2003 (incorporated herein by reference to Exhibit 10(p)(p)(p) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
- 10(g)(g)(g) Promissory Note by and between Bluefield Gas Company and Wachovia Bank, National Association, in the amount of \$4,500,000 (incorporated herein by reference to Exhibit 10(q)(q)(q) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
- 10(h)(h)(h) Unconditional Guaranty by and between Diversified Energy Company, RGC Resources, Inc. and Wachovia Bank, National Association, dated April 21, 2003 (incorporated herein by reference to Exhibit 10(r)(r)(r) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
- 10(i)(i)(i) Promissory Note by and between Diversified Energy Company and Wachovia Bank, National Association, in the amount of \$5,000,000 dated April 21, 2003 (incorporated herein by reference to Exhibit 10(s)(s)(s) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)

10(j)(j)(j)	Unconditional Guaranty by and between Roanoke Gas Company, RGC Resources, Inc. and Wachovia Bank, National Association, dated April 21, 2003 (incorporated herein by reference to Exhibit 10(t)(t)(t) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(k)(k)(k)	Promissory Note by and between Roanoke Gas Company and Wachovia Bank, National Association, in the amount of \$18,000,000 dated April 21, 2003 (incorporated herein by reference to Exhibit 10(u)(u)(u) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(l)(l)(l)	Promissory Note by and between RGC Resources, Inc. and Wachovia Bank, National Association, in the amount of \$1,000,000 dated April 21, 2003 (incorporated herein by reference to Exhibit 10(v)(v)(v) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
13	2003 Annual Report to Shareholders (such report, except to the extent incorporated into Part II hereof by reference, is being furnished for the information of the Commission only and is not to be deemed filed as part of this Annual Report on Form 10-K) (incorporated herein by reference to Exhibit 13 of the Annual Report on Form 10-K for the period ended September 30, 2003, which was originally filed on December 19, 2003)
21	Subsidiaries of the Company (incorporated herein by reference to Exhibit 21 of the Annual Report on Form 10-K for the period ended September 30, 2003, which was originally filed on December 19, 2003)
23	Independent Auditors Consent
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
32.1	Section 1350 Certification of Principal Executive Officer
32.2	Section 1350 Certification of Principal Financial Officer

* Management contract or compensatory plan or agreement.

(b) Reports on Form 8-K:

On August 14, 2003, the Company filed a current report on Form 8-K, dated August 14, 2003, furnishing under Item 12 thereof a press release announcing the financial results of the third quarter of fiscal year 2003, including applicable financial statements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on this Amendment No. 1 to Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

RGC RESOURCES, INC.

By: /s/ Howard T. Lyon

April 20, 2004

Howard T. Lyon

Date

Vice President, Treasurer and

Controller (Principal Financial

Officer)

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on this Amendment No. 1 to Form 10-K has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ John B. Williamson, III	April 20, 2004	Chairman of the Board, President and Chief Executive Officer
John B. Williamson, III	Date	
/s/ Howard T. Lyon	April 20, 2004	Vice President, Treasurer and Controller (Principal Financial Officer)
Howard T. Lyon	Date	
/s/ Lynn D. Avis	April 20, 2004	Director
Lynn D. Avis	Date	
/s/ Abney S. Boxley, III	April 20, 2004	Director
Abney S. Boxley, III	Date	
/s/ Frank T. Ellett	April 20, 2004	Director
Frank T. Ellett	Date	
/s/ Maryellen F. Goodlatte	April 20, 2004	Director
Maryellen F. Goodlatte	Date	
/s/ J. Allen Layman	April 20, 2004	Director
J. Allen Layman	Date	
/s/ George W. Logan	April 20, 2004	Director
George W. Logan	Date	
/s/ Thomas L. Robertson	April 20, 2004	Director
Thomas L. Robertson	Date	
/s/ S. Frank Smith	April 20, 2004	Director
S. Frank Smith	Date	

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
2	Amended and Restated Agreement and Plan of Merger and Reorganization (incorporated by reference to Exhibit 2 to Form 8-K filed on July 2, 1999)
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3 (b)	Bylaws of RGC Resources, Inc. (incorporated herein by reference to Exhibit 3(b) of Registration Statement No. 33-67311, on Form S-4, filed with the Commission on November 13, 1998, and amended by Amendment No. 5, filed with the Commission on January 28, 1999)
4 (a)	Specimen copy of certificate for RGC Resources, Inc. common stock, \$5.00 par value (incorporated herein by reference to Exhibit 3(b) of Registration Statement No. 33-67311, on Form S-4, filed with the Commission on November 13, 1998, and amended by Amendment No. 5, filed with the Commission on January 28, 1999)
4 (b)	Article I of the Bylaws of RGC Resources (included in Exhibit 3(b) hereto)
4 (c)	Instruments defining the rights of holders of long-term debt (incorporated herein by reference to Exhibit 4(c) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1991 (SEC file number reference 0-367))
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- 10 (i) FTS-1 Service Agreement between Columbia Gulf Transmission Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(i) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (j) ITS-1 Service Agreement between Columbia Gulf Transmission Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(j) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (k) Gas Transportation Agreement, for use under FT-A rate schedule, between Tennessee Gas Pipeline Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(k) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (l) Gas Transportation Agreement, for use under IT rate schedule, between Tennessee Gas Pipeline Company and Roanoke Gas Company dated September 1, 1993 (incorporated herein by reference to Exhibit 10(l) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (m) Gas Storage Contract under rate schedule FS (Production Area) Bear Creek II between Tennessee Gas Pipeline Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(m) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (n) Gas Storage Contract under rate schedule FS (Production Area) Bear Creek I between Tennessee Gas Pipeline Company and Roanoke Gas Company dated September 1, 1993 (incorporated herein by reference to Exhibit 10(n) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (o) Certificate of Public Convenience and Necessity for Bedford County dated February 21, 1966 (incorporated herein by reference to Exhibit 10(o) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)

- 10 (p) Certificate of Public Convenience and Necessity for Roanoke County dated October 19, 1965 (incorporated herein by reference to Exhibit 10(p) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (q) Certificate of Public Convenience and Necessity for Botetourt County dated August 30, 1966 (incorporated herein by reference to Exhibit 10(q) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (r) Certificate of Public Convenience and Necessity for Montgomery County dated July 8, 1985 (incorporated herein by reference to Exhibit 10(r) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (s) Certificate of Public Convenience and Necessity for Tazewell County dated March 25, 1968 (incorporated herein by reference to Exhibit 10(s) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (t) Certificate of Public Convenience and Necessity for Franklin County dated September 8, 1964 (incorporated herein by reference to Exhibit 10(t) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (u) Ordinance of the Town of Bluefield, Virginia dated August 25, 1986 (incorporated herein by reference to Exhibit 10(u) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (v) Ordinance of the City of Bluefield, West Virginia dated as of August 23, 1979 (incorporated herein by reference to Exhibit 10(v) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (w) Resolution of the Council for the Town of Fincastle, Virginia dated June 8, 1970 (incorporated herein by reference to Exhibit 10(f) of Registration Statement No. 33-11383, on Form S-4, filed with the Commission on January 16, 1987)
- 10 (x) Resolution of the Council for the Town of Troutville, Virginia dated November 4, 1968 (incorporated herein by reference to Exhibit 10(g) of Registration Statement No. 33-11383, on Form S-4, filed with the Commission on January 16, 1987)
- 10 (y) Contract between Roanoke Gas Company and Diversified Energy Services, Inc. dated December 18, 1978 (incorporated herein by reference to Exhibit 10(e)(e) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)
- 10 (z) Service Agreement between Bluefield Gas Company and Commonwealth Public Service Corporation dated January 1, 1981 (incorporated herein by reference to Exhibit 10(f)(f) of Registration Statement No. 33-36605, on Form S-2, filed with the Commission on August 29, 1990, and amended by Amendment No. 1, filed with the Commission on September 19, 1990)

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- 10 (a) (a) Gas Storage Contract under rate schedule FS (Market Area) Portland between Tennessee Gas Pipeline Company and Roanoke Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(k)(k) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (b) (b) FTS Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(l)(l) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (c) (c) ITS Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(m)(m) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (d) (d) FSS Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(n)(n) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (e) (e) SST Service Agreement between Columbia Gas Transmission Corporation and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(o)(o) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (f) (f) FTS-1 Service Agreement between Columbia Gulf Transmission Company and Bluefield Gas Company dated November 1, 1993 (incorporated herein by reference to Exhibit 10(p)(p) of the Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (SEC file number reference 0-367))
- 10 (g) (g)* RGC Resources Key Employee Stock Option Plan (incorporated herein by reference to Exhibit 4(c) of Registration Statement No. 333-02455, Post Effective Amendment on Form S-8, filed with the Commission on July 2, 1999)
- 10 (h) (h)* RGC Resources, Inc. Stock Bonus Plan (incorporated herein by reference to Exhibit 10(m)(m) of Annual Report on Form 10-K for the fiscal year ended September 30, 1999)
- 10 (i) (i) Gas Franchise Agreement between the Town of Vinton, Virginia, and Roanoke Gas Company dated July 2, 1996 (incorporated herein by reference to Exhibit 10(n)(n) of Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (SEC file number reference 0-367))
- 10 (j) (j) Gas Franchise Agreement between the City of Salem, Virginia, and Roanoke Gas Company dated July 9, 1996 (incorporated herein by reference to Exhibit 10(o)(o) of Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (SEC file number reference 0-367))
- 10 (k) (k) Gas Franchise Agreement between the City of Roanoke, Virginia, and Roanoke Gas Company dated July 12, 1996 (incorporated herein by reference to Exhibit 10(p)(p) of Annual Report on Form 10-K for the fiscal year ended September 30, 1996 (SEC file number reference 0-367))
- 10 (l) (l)* RGC Resources, Inc. Restricted Stock Plan for Outside Directors (incorporated herein by reference to Exhibit 10(r)(r) of Annual Report on Form 10-K for the fiscal year ended September 30, 1999 SEC file reference number 0-367)

10 (m) (m)	FTA Gas Transportation Agreement effective November 1, 1998, between East Tennessee Natural Gas Company and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(s)(s) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (n) (n)	SST Service Agreement effective November 1, 1997, between Columbia Gas Transmission Corporation and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(t)(t) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (o) (o)	FSS Service Agreement effective April 1, 1997, between Columbia Gas Transmission Corporation and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(u)(u) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (p) (p)	FTS Service Agreement effective November 1, 1999, between Columbia Gas Transmission Corporation and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(p)(p) of Annual Report on Form 10-K for the fiscal year ended September 30, 2001 (SEC file reference number 0-367))
10 (q) (q)	Firm Storage Service Agreement effective March 19, 1997, between Virginia Gas Storage Company and Roanoke Gas Company (incorporated herein by reference to Exhibit 10(w)(w) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (r) (r)	FTS-2 Service Agreement effective February 1, 1994, between Columbia Gulf Transmission Company and Bluefield Gas Company (incorporated herein by reference to Exhibit 10(x)(x) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (s) (s)	Firm Transportation Agreement effective December 31, 1998, between Phoenix Energy Sales Company and Bluefield Gas Company (incorporated herein by reference to Exhibit 10(y)(y) of Annual Report on Form 10-K for the fiscal year ended September 30, 1998 (SEC file reference number 0-367))
10 (t)(t)*	Change in Control Agreement between John B. Williamson, III and RGC Resources, Inc. dated March 1, 2001 (incorporated herein by reference to Exhibit 10(g)(g)(g) of the Quarterly Report on Form 10-Q/A for the period ended March 31, 2001)
10 (u)(u)*	Change in Control Agreement between John S. D. Orazio and RGC Resources, Inc. dated March 1, 2001 (incorporated herein by reference to Exhibit 10(j)(j)(j) of the Quarterly Report on Form 10-Q for the period ended March 31, 2001)
10 (v)(v)	Firm Storage Service Agreement by and between Roanoke Gas Company and Virginia Gas Pipeline Company, dated June 1, 2001 (incorporated herein by reference to Exhibit 10(b)(b)(b) of Annual Report on Form 10-K for the fiscal year ended September 30, 2001)
10 (w)(w)	Firm Pipeline Service Agreement by and between Roanoke Gas Company and Virginia Gas Pipeline Company, dated June 1, 2001 (incorporated herein by reference to Exhibit 10(c)(c)(c) of Annual Report on Form 10-K for the fiscal year ended September 30, 2001)
10 (x)(x)	Natural Gas Asset Management Agreement between Roanoke Gas Company and Duke Energy Trading and Marketing, L.L.C. dated November 1, 2001 (incorporated herein by reference to Exhibit 10(k)(k)(k) of the Quarterly Report on Form 10-Q for the period ended December 31, 2001)

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10 (y)(y)	Natural Gas Asset Management Agreement between Bluefield Gas Company and Duke Energy Trading and Marketing, L.L.C. dated November 1, 2001. (incorporated herein by reference to Exhibit 10(l)(l)(l) of the Quarterly Report on Form 10-Q for the period ended December 31, 2001)
10(z)(z)	ISDA Master Agreement by and between SunTrust Bank and Roanoke Gas Company dated October 7, 2002 (incorporated herein by reference to Exhibit 10(j)(j)(j) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
10(a)(a)(a)	Unconditional Unlimited Guaranty by and between RGC Resources, Inc. and SunTrust Bank dated November 15, 2002 (incorporated herein by reference to Exhibit 10(k)(k)(k) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
10(b)(b)(b)	Loan Agreement by and between Roanoke Gas Company, SunTrust Bank and RGC Resources dated November 22, 2002 (incorporated herein by reference to Exhibit 10(l)(l)(l) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
10(c)(c)(c)	Commercial Note by and between SunTrust Bank and Roanoke Gas Company dated November 22, 2002 (incorporated herein by reference to Exhibit 10(m)(m)(m) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
10(d)(d)(d)*	Change in Control Agreement by and between RGC Resources, Inc. and Howard T. Lyon dated May 1, 2000 (incorporated herein by reference to Exhibit 10(n)(n)(n) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
10(e)(e)(e)*	Change in Control Agreement by and between RGC Resources, Inc. and Dale P. Moore dated May 1, 2000 (incorporated herein by reference to Exhibit 10(o)(o)(o) of the Annual Report on Form 10-K for the fiscal year ended September 30, 2002)
10(f)(f)(f)	Unconditional Guaranty by and between Bluefield Gas Company, RGC Resources, Inc. and Wachovia Bank, National Association, dated April 21, 2003 (incorporated herein by reference to Exhibit 10(p)(p)(p) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(g)(g)(g)	Promissory Note by and between Bluefield Gas Company and Wachovia Bank, National Association, in the amount of \$4,500,000 (incorporated herein by reference to Exhibit 10(q)(q)(q) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(h)(h)(h)	Unconditional Guaranty by and between Diversified Energy Company, RGC Resources, Inc. and Wachovia Bank, National Association, dated April 21, 2003 (incorporated herein by reference to Exhibit 10(r)(r)(r) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(i)(i)(i)	Promissory Note by and between Diversified Energy Company and Wachovia Bank, National Association, in the amount of \$5,000,000 dated April 21, 2003 (incorporated herein by reference to Exhibit 10(s)(s)(s) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(j)(j)(j)	Unconditional Guaranty by and between Roanoke Gas Company, RGC Resources, Inc. and Wachovia Bank, National Association, dated April 21, 2003 (incorporated herein by reference to Exhibit 10(t)(t)(t) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(k)(k)(k)	Promissory Note by and between Roanoke Gas Company and Wachovia Bank, National Association, in the amount of \$18,000,000 dated April 21, 2003 (incorporated herein by reference to Exhibit 10(u)(u)(u) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)
10(l)(l)(l)	Promissory Note by and between RGC Resources, Inc. and Wachovia Bank, National Association, in the amount of \$1,000,000 dated April 21, 2003 (incorporated herein by reference to Exhibit 10(v)(v)(v) of the Quarterly Report on Form 10-Q for the period ended March 31, 2003)

- 13 2003 Annual Report to Shareholders (such report, except to the extent incorporated into Part II hereof by reference, is being furnished for the information of the Commission only and is not to be deemed filed as part of this Annual Report on Form 10-K) (incorporated herein by reference to Exhibit 13 of the Annual Report on Form 10-K for the period ended September 30, 2003, which was originally filed on December 19, 2003)
- 21 Subsidiaries of the Company (incorporated herein by reference to Exhibit 21 of the Annual Report on Form 10-K for the period ended September 30, 2003, which was originally filed on December 19, 2003)
- 23 Independent Auditors Consent
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer
- 32.1 Section 1350 Certification of Principal Executive Officer
- 32.2 Section 1350 Certification of Principal Financial Officer

* Management contract or compensatory plan or agreement.