

RGC Resources, Inc.
Audit Committee Guidelines

Adopted September 22, 2003

While the Audit Committee has the principal responsibilities and duties set forth in the Company's Audit Committee Charter, the Committee does not have the responsibility to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. However, the Audit Committee should help insure that their principal duties and responsibilities are being carried out by performing the following:

1. Review and approve the annual audit and audit scope for RGC Resources, Inc. prior to release with respect to (a) the Company's financial statements, including appropriately addressing risks related to litigation, taxes, contingent liabilities, and similar matters, and (b) the Company's internal controls, including electronic data processing controls, and the extent to which such controls are evaluated by the independent auditors for adequacy and protection.
2. Review and discuss the annual audited financial statements and quarterly financial statements and related reports with management and independent auditors, including the Company disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," to monitor adequacy of disclosure. The Committee shall discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies with management and the independent auditors prior to the release of earnings as appropriate. The Committee's discussion of earnings releases as well as financial information and earnings guidance may be general discussions of the types of information to be disclosed and the types of presentations to be made.
3. Review the independent auditor's management letter and recommendations, audit problems, difficulties, and disagreements and management's response to each of these.
4. As stated in the Audit Committee Charter, the Audit Committee will retain and terminate the company's independent auditors. The Audit Committee will also pre-approve the nature, extent, and cost of all non-audit services provided by the independent auditors in accordance with relevant law and appropriate listing rules.

5. Review annual reports from the independent auditors regarding their internal quality control procedures in accordance with relevant law and listing rules, and evaluate all relationships between the independent auditors and the Company to assess the auditors' independence and discuss such reports with the auditors. Review and evaluate the lead partner of the independent auditor, assure regular rotation of the lead partner as required by law, and consider whether there should be regular rotation of the firm performing the audit. Any conclusions drawn from these reviews should be communicated to the full Board of Directors.
6. Review major accounting policy changes adopted by the Company. Maintain current knowledge on major new or proposed technical requirements, regulations, or legislation affecting the Company.
7. Review codes of conduct and management assurance of employee compliance, including activities that are designed to assure compliance with such codes and management findings involving significant lapses of ethical conduct, fraud, or criminal conduct.
8. Review with management new activities and major changes in operations or other developments that may create significant financial exposure for the Company. Review policies and guidelines with respect to risk assessment and risk management, including management reports on the Company's processes to manage and report risks related to litigation, contingent liabilities, and similar matters that may constitute significant financial risk exposures.
9. Review activities of the Company's audit plans, procedures, and results and coordinate with independent auditors.
10. Annually review the Committee's charter and operations and recommend any proposed changes to the Board for its approval.
11. Set an appropriate hiring policy for employees or former employees of the independent auditors and establish a process for handling anonymous complaints regarding accounting, internal controls, or auditing matters in accordance with relevant law and appropriate listing rules.
12. Obtain from the independent auditor assurance that Section 10A (audit requirements and auditor responsibilities) of the Exchange Act has not been implicated.
13. Review all reports for insider and/or affiliated transactions.
14. Review legal proceedings to insure that there are no material financial impacts that have not yet been disclosed.

15. Review annually with the Company's outside counsel legal compliance issues.
16. Review annually the procedures established by the Company to monitor the compliance with loan and indenture covenants and restrictions.
17. Annually review and reassess the qualification of the Committee members in light of applicable regulatory requirements as well as the overall performance of the committee.