UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarterly Period Ended June 30, 2016

Commission File Number 000-26591

RGC Resources, Inc.
(Exact name of Registrant as Specified in its Charter)

VIRGINIA	54-1909697
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
519 Kimball Ave., N.E., Roanoke, VA	24016
(Address of Principal Executive Offices)	(Zip Code)

(540) 777-4427
(Registrant's Telephone Number, Including Area Code)

None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated-filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

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

Class	Outstanding at July 31, 2016
Common Stock, $5 Par Value	4,778,687

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited June 30, 2016	September 30, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 904,833	$ 985,234
Accounts receivable (less allowance for uncollectibles of $219,367 and $52,721, respectively)	4,107,605	3,196,573
Materials and supplies	999,173	968,108
Gas in storage	4,304,256	8,160,498
Prepaid income taxes	1,053,975	1,657,066
Other	1,196,516	1,182,343
Total current assets	12,566,358	16,149,822
UTILITY PROPERTY:		
In service	178,461,799	168,033,032
Accumulated depreciation and amortization	(55,570,202)	(53,307,079)
In service, net	122,891,597	114,725,953
Construction work in progress	4,981,230	3,903,599
Utility plant, net	127,872,827	118,629,552
OTHER ASSETS:		
Regulatory assets	11,126,378	10,923,243
Investment in unconsolidated affiliate	3,428,411	—
Other	102,910	144,577
Total other assets	14,657,699	11,067,820
TOTAL ASSETS	$ 155,096,884	$ 145,847,194

RGC RESOURCES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	Unaudited June 30, 2016	September 30, 2015
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Borrowings under line-of-credit	$ 8,127,832	$ 9,340,997
Dividends payable	967,774	912,995
Accounts payable	5,052,772	5,141,677
Capital contributions payable	1,059,890	—
Customer credit balances	897,261	1,560,351
Income taxes payable	74,309	—
Customer deposits	1,694,431	1,579,441
Accrued expenses	2,463,659	2,766,097
Over-recovery of gas costs	2,668,620	1,901,426
Total current liabilities	23,006,548	23,202,984
LONG-TERM DEBT:		
Principal amount	33,096,200	30,500,000
Less unamortized debt issuance costs	(267,644)	(183,427)
Long-term debt net of unamortized debt issuance costs	32,828,556	30,316,573
DEFERRED CREDITS AND OTHER LIABILITIES:		
Asset retirement obligations	5,437,743	5,295,868
Regulatory cost of retirement obligations	9,402,871	8,885,486
Benefit plan liabilities	10,510,000	10,685,261
Deferred income taxes	17,362,864	14,620,031
Total deferred credits and other liabilities	42,713,478	39,486,646
STOCKHOLDERS’ EQUITY:		
Common stock, $5 par value; authorized 10,000,000 shares; issued and outstanding 4,777,668 and 4,741,498, respectively	23,888,340	23,707,490
Preferred stock, no par, authorized 5,000,000 shares; no shares issued and outstanding	—	—
Capital in excess of par value	9,305,634	8,647,669
Retained earnings	25,538,006	22,772,377
Accumulated other comprehensive loss	(2,183,678)	(2,286,545)
Total stockholders’ equity	56,548,302	52,840,991
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 155,096,884	$ 145,847,194

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
UNAUDITED

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
OPERATING REVENUES:				
Gas utilities	$ 11,017,281	$ 10,524,512	$ 48,372,615	$ 57,591,940
Other	277,916	249,897	710,411	864,263
Total operating revenues	11,295,197	10,774,409	49,083,026	58,456,203
COST OF SALES:				
Gas utilities	4,833,604	4,698,379	23,037,896	33,229,634
Other	149,253	114,202	345,405	428,828
Total cost of sales	4,982,857	4,812,581	23,383,301	33,658,462
GROSS MARGIN	6,312,340	5,961,828	25,699,725	24,797,741
OTHER OPERATING EXPENSES:				
Operations and maintenance	3,060,435	3,323,533	9,868,164	10,371,812
General taxes	413,711	398,447	1,281,312	1,233,002
Depreciation and amortization	1,384,844	1,283,629	4,154,533	3,842,887
Total other operating expenses	4,858,990	5,005,609	15,304,009	15,447,701
OPERATING INCOME	1,453,350	956,219	10,395,716	9,350,040
Equity in earnings of unconsolidated affiliate	40,562	—	95,945	—
Other expense, net	39,151	21,143	71,460	33,956
Interest expense	396,304	358,850	1,220,600	1,141,079
INCOME BEFORE INCOME TAXES	1,058,457	576,226	9,199,601	8,175,005
INCOME TAX EXPENSE	431,389	221,286	3,538,296	3,116,345
NET INCOME	$ 627,068	$ 354,940	$ 5,661,305	$ 5,058,660
BASIC EARNINGS PER COMMON SHARE	$ 0.13	$ 0.08	$ 1.19	$ 1.07
DILUTED EARNINGS PER COMMON SHARE	$ 0.13	$ 0.07	$ 1.19	$ 1.07
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.2025	$ 0.1925	$ 0.6075	$ 0.5775

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
UNAUDITED

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
NET INCOME	$ 627,068	$ 354,940	$ 5,661,305	$ 5,058,660
Other comprehensive income, net of tax:				
Defined benefit plans	34,289	9,340	102,867	28,020
OTHER COMPREHENSIVE INCOME, NET OF TAX	34,289	9,340	102,867	28,020
COMPREHENSIVE INCOME	$ 661,357	$ 364,280	$ 5,764,172	$ 5,086,680

See notes to condensed consolidated financial statements.

RGC RESOURCES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE-MONTH PERIODS ENDED JUNE 30, 2016 AND 2015
UNAUDITED

	Nine Months Ended June 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 5,661,305	$ 5,058,660
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,245,223	3,927,080
Cost of removal of utility plant, net	(291,620)	(284,298)
Stock option grants	64,640	83,640
Equity in earnings of unconsolidated affiliate	(95,945)	—
Changes in assets and liabilities which used cash, exclusive of changes and noncash transactions shown separately	5,951,846	11,402,734
Net cash provided by operating activities	15,535,449	20,187,816
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to utility plant and nonutility property	(12,558,509)	(9,989,394)
Investment in unconsolidated affiliate	(2,272,576)	—
Proceeds from disposal of equipment	543	27,724
Net cash used in investing activities	(14,830,542)	(9,961,670)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	2,596,200	—
Borrowings under line-of-credit agreement	26,452,983	23,471,147
Repayments under line-of-credit agreement	(27,666,149)	(30,797,693)
Debt issuance expenses	(101,619)	—
Proceeds from issuance of stock (36,170 and 9,680 shares, respectively)	774,175	209,479
Cash dividends paid	(2,840,898)	(2,692,623)
Net cash used in financing activities	(785,308)	(9,809,690)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(80,401)	416,456
BEGINNING CASH AND CASH EQUIVALENTS	985,234	849,757
ENDING CASH AND CASH EQUIVALENTS	$ 904,833	$ 1,266,213
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	$ 1,435,553	$ 992,997
Income taxes paid	181,000	816,573

See notes to condensed consolidated financial statements.

CONDENSED NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

1. Basis of Presentation

RGC Resources, Inc. is an energy services company primarily engaged in the sale and distribution of natural gas. The consolidated financial statements include the accounts of RGC Resources, Inc. ("Resources" or the "Company") and its wholly owned subsidiaries: Roanoke Gas Company; Diversified Energy Company; RGC Ventures of Virginia, Inc.; and RGC Midstream, LLC.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly Resources financial position as of June 30, 2016 and the results of its operations, cash flows and comprehensive income for the three months and nine months ended June 30, 2016 and 2015. The results of operations for the three months and nine months ended June 30, 2016 are not indicative of the results to be expected for the fiscal year ending September 30, 2016 as quarterly earnings are affected by the highly seasonal nature of the business and weather conditions generally result in greater earnings during the winter months.

The unaudited condensed consolidated interim financial statements and condensed notes are presented as permitted under the rules and regulations of the Securities and Exchange Commission. Pursuant to those rules, certain information and note disclosures normally included in the annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes that the disclosures made are adequate to make the information not misleading. Therefore, the condensed consolidated financial statements and condensed notes should be read in conjunction with the financial statements and notes contained in the Company's Form 10-K for the year ended September 30, 2015. The September 30, 2015 balance sheet was included in the Company's audited financial statements included in Form 10-K.

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.

The Company's significant accounting policies are described in Note 1 to the consolidated financial statements in Form 10-K for the year ended September 30, 2015. Newly adopted and newly issued accounting standards are discussed below.

Recently Issued Accounting Standards

In May 2014, the FASB issued guidance under FASB ASC No. 606 - *Revenue from Contracts with Customers* that affects any entity that enters into contracts with customers for the transfer of goods or services or transfer of non-financial assets. This guidance supersedes the revenue recognition requirements in Topic 605, *Revenue Recognition,* and most industry-specific guidance. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when, or as, the entity satisfies the performance obligation. The new guidance was effective for the Company for the annual reporting period ending September 30, 2018 and interim periods within that annual period. Early application was not permitted. In August 2015, the FASB issued Accounting Standards Update (ASU) 2015-14 that deferred the effective date of this guidance by one year. Therefore, the new guidance is effective for the Company for the annual reporting period ending September 30, 2019 and interim periods within that year. The FASB has issued subsequent guidance under ASC No. 606 to provide further clarification of certain aspects of the original ASU. All additional guidance is being considered as part of the Company's evaluation of the revenue recognition standard. Although Management has not completed its evaluation of all the issued guidance under ASC No. 606, the Company does not currently expect the guidance to have a material effect on its financial position, results of operations or cash flows.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. The Company previously recognized debt issuance costs in assets and amortized those costs over the term of the debt. This guidance is effective for the Company for the annual reporting period ending September 30, 2017 and interim periods within that annual period. Early application is permitted. The Company adopted the ASU in the consolidated financial statements in Form 10-K for the year ended September 30, 2015. The adoption of this ASU did not have an effect on the Company's results of operations or cash flows; however, the unamortized balance

of debt issuance costs were reclassified from assets to an offset against long-term debt. Certain deferred costs related to the early retirement of debt in 2014 are classified as regulatory assets and are not offset against debt. The changes required under this guidance are presented in the Consolidated Balance Sheets presented in the Company's financial statements.

In November 2015, the FASB issued ASU 2015-17, *Income Taxes: Balance sheet Classification of Deferred Taxes.* The ASU requires that all deferred tax assets and liabilities be presented as noncurrent and eliminates existing presentation requirements. This ASU is effective for the Company for the annual reporting period ended September 30, 2018 and interim periods within that annual period. Early application is permitted. The Company adopted this ASU for the quarter ended December 31, 2015. The Company applied the retrospective approach in adopting this ASU and reclassified $2,293,536 previously reflected as a current deferred income tax asset against the balance of the non-current deferred tax liability in the September 30, 2015 consolidated balance sheet. There was no other impact to the Company’s financial position, results of operations or cash flows.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU enhances the reporting model for financial instruments to provide users of the financial statements with more useful information through several provisions, including the following: (1) requires equity investments, excluding investments accounted for under the equity method, be measured at fair value with changes in fair value recognized in net income, (2) simplifies the impairment assessment of equity investments without readily determinable fair values, (3) eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (4) requires entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, and (5) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements. The new guidance is effective for the Company for the annual reporting period ending September 30, 2019 and interim periods within that annual period. Management has not completed its evaluation of the new guidance. However, the Company does not currently expect the new guidance to have a material effect on its financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases.* The ASU leaves the accounting for leases mostly unchanged for lessors, with the exception of targeted improvements for consistency; however, the new guidance requires lessees to recognize assets and liabilities for leases with terms of more than 12-months. The ASU also revises the definition of a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. Consistent with current GAAP, the presentation and cash flows arising from a lease by a lessee will primarily depend on its classification as a finance or operating lease. In contrast, the new ASU requires both types of leases to be recognized on the balance sheet. In addition, the new guidance includes quantitative and qualitative disclosure requirements to aid financial statement users in better understanding the amount, timing and uncertainty of cash flows arising from leases. The new guidance is effective for the Company for the annual reporting period ending September 30, 2020 and interim periods within that annual period. Early adoption is permitted. Management has not completed its evaluation of the new guidance. However, the Company does not currently expect the new guidance to have a material effect on its financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-09, *Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting*. The guidance simplifies several aspects of the accounting for share-based payment award transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The new guidance is effective for the Company for the annual reporting period ending September 30, 2018 and interim periods within that annual period. Early adoption is permitted. Management has not completed its evaluation of the new guidance. However, the Company does not currently expect the new guidance to have a material effect on its financial position, results of operations or cash flows.

Other accounting standards that have been issued by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

2. Rates and Regulatory Matters

The State Corporation Commission of Virginia (“SCC”) exercises regulatory authority over the natural gas operations of Roanoke Gas. Such regulation encompasses terms, conditions, and rates to be charged to customers for natural gas service; safety standards; extension of service; and accounting and depreciation.

On June 30, 2016, the Company filed with the SCC an application for a modification to the SAVE (Steps to Advance Virginia's Energy) Plan and Rider. The original SAVE Plan has been modified each year to incorporate certain changes and to include new projects that qualify for rate recovery under the Plan. The SAVE Plan is designed to provide a mechanism for utilities to recover the related depreciation and expenses and a return on rate base of the capital investment related to the replacement of aging natural gas infrastructure without the filing of a formal application for an increase in non-gas rates. Under the current application, the Company submitted its report for refunding the excess SAVE revenues collected under the 2015 SAVE Plan and proposed new SAVE rates to be implemented for the ongoing investment in SAVE Plan projects. The Company anticipates the SCC to complete its review of the application over the next few months.

3. Other Investments

In October 2015, the Company, through its wholly-owned subsidiary, RGC Midstream, LLC ("Midstream"), acquired a 1% equity interest in the Mountain Valley Pipeline, LLC (the “LLC”).

The LLC was established to construct and operate a natural gas pipeline originating in northern West Virginia and extending through south central Virginia. The proposed pipeline will have the capacity to transport approximately 2 million decatherms of natural gas per day. If approved by the Federal Energy Regulatory Commission, the pipeline is expected to be in service by late 2018.

The total project cost is estimated to be approximately $3.5 billion. The Company's 1% equity interest in the LLC will require a total estimated investment of approximately $35 million, by periodic capital contributions throughout the design and construction phases of the project. Midstream held an approximate $3.4 million equity method investment in the LLC at June 30, 2016. On a quarterly basis, the LLC issues a capital call notice which specifies the capital contributions to be paid over the subsequent three months. As of June 30, 2016, the Company had $1,059,890 remaining to be paid under the most recent notice. The capital contribution payable has been reflected on the Company's balance sheet as of June 30, 2016, with a corresponding increase to Investment in Unconsolidated Affiliate. Initial funding for Midstream's investment in the LLC is provided through two unsecured promissory notes, each with a 5-year term.

The Company is participating in the earnings of the LLC in proportion to its level of investment. The Company is utilizing the equity method to account for the transactions and activity of the investment.

The financial statement locations of the investment in the LLC are as follows:

Balance Sheet Location of Other Investments:	June 30, 2016	September 30, 2015
Other Assets:		
Investment in unconsolidated affiliate	$ 3,428,411	$ —
Current Liabilities:		
Capital contributions payable	$ 1,059,890	$ —

	Three Months Ended		Nine Months Ended	
Income Statement Location of Other Investments:	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Equity in earnings of unconsolidated affiliate	$ 40,562	$ —	$ 95,945	$ —

4. Short-Term Debt

The Company entered into a new unsecured line-of-credit agreement dated March 31, 2016. The new agreement maintains the same variable interest rate based on 30-day LIBOR plus 100 basis points and availability fee of 15 basis points as the expiring agreement. The agreement also includes multi-tiered borrowing limits to accommodate seasonal borrowing demands and minimize borrowing costs. The Company’s total available borrowing limits during the term of the line-of-credit agreement range from $10,000,000 to $24,000,000. The line-of-credit agreement will expire March 31, 2017, unless extended. The Company anticipates being able to extend or replace the credit line upon expiration. As of June 30, 2016, the Company had $8,127,832 outstanding under its line-of-credit agreement.

5. Long-Term Debt

On December 29, 2015, Midstream, a wholly-owned subsidiary of Resources, entered into a Credit Agreement (the "Agreement") and related Promissory Notes (the "Notes") with Union Bank & Trust and Branch Banking & Trust (collectively, the "Banks"), under which Midstream may borrow up to a total of $25 million, over a period of 5 years, with an interest rate of 30-day LIBOR plus 160 basis points. Midstream issued the Notes to provide financing for capital contributions in respect of its 1% interest in the LLC. Coinciding with Midstream's entry into the Agreement and Notes, RGC Resources entered into a Guaranty in favor of the Banks by which it guarantees Midstream's payment and performance on the Notes.

The Agreement sets forth certain representations, warranties and covenants to which Midstream is subject, including financial covenants that limit Consolidated Long Term Indebtedness to not more than 65% of Consolidated Total Capitalization and Priority Indebtedness to not more than 15% of Consolidated Total Assets.

Interest on the Notes is due monthly with the outstanding balance on the Notes due in full on December 29, 2020. The Notes are unsecured. In accordance with the terms of the Agreement, at such point in time as Midstream has borrowed $17.5 million under the Notes, Midstream is required to provide the next $5 million towards its capital contributions to the LLC. Once Midstream has completed its $5 million in contributions, it may resume borrowing under the Notes up to the $25 million limit.

Long-term debt consists of the following:

	June 30, 2016		September 30, 2015	
	Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Unsecured senior notes payable, at 4.26% due on September 18, 2034	$ 30,500,000	$ 176,187	$ 30,500,000	$ 183,427
Unsecured term notes payable, at 30-day LIBOR plus 1.60%, due December 29, 2020	2,596,200	91,457	—	—
Total	$ 33,096,200	$ 267,644	$ 30,500,000	$ 183,427

6. Other Comprehensive Income

A summary of other comprehensive income and loss is provided below:

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Three Months Ended June 30, 2016			
Defined benefit plans:			
Amortization of actuarial losses	$ 55,268	$ (20,979)	$ 34,289
Other comprehensive income	$ 55,268	$ (20,979)	$ 34,289
Three Months Ended June 30, 2015			
Defined benefit plans:			
Amortization of actuarial losses	$ 15,055	$ (5,715)	$ 9,340
Other comprehensive income	$ 15,055	$ (5,715)	$ 9,340

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Nine Months Ended June 30, 2016			
Defined benefit plans:			
Amortization of actuarial losses	$ 165,804	$ (62,937)	$ 102,867
Other comprehensive income	$ 165,804	$ (62,937)	$ 102,867
Nine Months Ended June 30, 2015			
Defined benefit plans:			
Amortization of actuarial losses	45,165	(17,145)	28,020
Other comprehensive income	$ 45,165	$ (17,145)	$ 28,020

The amortization of actuarial losses is included as a component of net periodic pension and postretirement benefit cost in operations and maintenance expense.

Reconciliation of Other Accumulated Comprehensive Income (Loss)

	Accumulated Other Comprehensive Income (Loss)
Balance at September 30, 2015	$ (2,286,545)
Other comprehensive income	102,867
Balance at June 30, 2016	$ (2,183,678)

7. Commitments and Contingencies

Roanoke Gas currently holds the only franchises and/or certificates of public convenience and necessity to distribute natural gas in its service area. The Company renewed the expiring franchises in December 2015 under similar terms and conditions. The new franchise agreements expire December 31, 2035. The Company's current certificates of public convenience and necessity are exclusive and are intended for perpetual duration.

Due to the nature of the natural gas distribution business, the Company has entered into agreements with both suppliers and pipelines for natural gas commodity purchases, storage capacity and pipeline delivery capacity. The Company obtains most of its regulated natural gas supply through an asset manager. The Company utilizes an asset manager to assist in optimizing the use of its transportation, storage rights, and gas supply in order to provide a secure and reliable source of natural gas to its customers. The Company also has storage and pipeline capacity contracts to store and deliver natural gas to the Company’s distribution system. Roanoke Gas is served directly by two primary pipelines. These two pipelines deliver all of the natural gas supplied to the Company’s customers. Depending on weather conditions and the level of customer demand, failure of one or both of these transmission pipelines could have a major adverse impact on the Company.

8. Earnings Per Share

Basic earnings per common share for the three months and nine months ended June 30, 2016 and 2015 were calculated by dividing net income by the weighted average common shares outstanding during the period. Diluted earnings per common share were calculated by dividing net income by the weighted average common shares outstanding during the period plus potential dilutive common shares. A reconciliation of basic and diluted earnings per share is presented below:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Net Income	$ 627,068	$ 354,940	$ 5,661,305	$ 5,058,660
Weighted average common shares	4,773,766	4,729,428	4,760,609	4,725,144
Effect of dilutive securities:				
Options to purchase common stock	8,042	3,192	5,301	3,814
Diluted average common shares	4,781,808	4,732,620	4,765,910	4,728,958
Earnings Per Share of Common Stock:				
Basic	$ 0.13	$ 0.08	$ 1.19	$ 1.07
Diluted	$ 0.13	$ 0.07	$ 1.19	$ 1.07

9. Employee Benefit Plans

The Company has both a defined benefit pension plan (the "pension plan") and a postretirement benefit plan (the "postretirement plan"). The pension plan covers substantially all of the Company's employees and provides retirement income based on years of service and employee compensation. The postretirement plan provides certain health care and supplemental life insurance benefits to retired employees who meet specific age and service requirements. Net pension plan and postretirement plan expense recorded by the Company is detailed as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Components of net periodic pension cost:				
Service cost	$ 173,594	$ 163,696	$ 520,782	$ 491,088
Interest cost	283,194	256,477	849,582	769,431
Expected return on plan assets	(373,060)	(360,212)	(1,119,180)	(1,080,636)
Recognized loss	125,420	64,345	376,260	193,035
Net periodic pension cost	$ 209,148	$ 124,306	$ 627,444	$ 372,918

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2016	2015	2016	2015
Components of postretirement benefit cost:				
Service cost	$ 37,005	$ 41,895	$ 111,015	$ 125,685
Interest cost	156,145	150,024	468,435	450,072
Expected return on plan assets	(126,965)	(129,164)	(380,895)	(387,492)
Recognized loss	62,543	49,265	187,629	147,795
Net postretirement benefit cost	$ 128,728	$ 112,020	$ 386,184	$ 336,060

The Company contributed $250,000 to its pension plan and $375,000 to its postretirement medical plan during the nine-month period ended June 30, 2016. The Company currently expects to contribute a minimum of an additional $250,000 to its pension plan and an additional $125,000 to its postretirement medical plan prior to the end of its fiscal year.

10. Fair Value Measurements

FASB ASC No. 820, *Fair Value Measurements and Disclosures*, established a fair value hierarchy that prioritizes each input to the valuation method used to measure fair value of financial and nonfinancial assets and liabilities that are measured and reported on a fair value basis into one of the following three broad levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices in Level 1 that are either for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability where there is little, if any, market activity for the asset or liability at the measurement date.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following table summarizes the Company's financial assets and liabilities that are measured at fair value on a recurring basis as required by existing guidance and the fair value measurements by level within the fair value hierarchy as of June 30, 2016 and September 30, 2015:

	Fair Value Measurements - June 30, 2016			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Natural gas purchases	$ 1,547,136	$ —	$ 1,547,136	$ —
Total	$ 1,547,136	$ —	$ 1,547,136	$ —

	Fair Value Measurements - September 30, 2015			
	Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Natural gas purchases	$ 712,710	$ —	$ 712,710	$ —
Total	$ 712,710	$ —	$ 712,710	$ —

Under the asset management contract, a timing difference can exist between the payment for natural gas purchases and the actual receipt of such purchases. Payments are made based on a predetermined monthly volume with the price based on weighted average first of the month index prices corresponding to the month of the scheduled payment. At June 30, 2016 and September 30, 2015, the Company had recorded in accounts payable the estimated fair value of the liability valued at the corresponding first of month index prices for which the liability is expected to be settled.

The Company's nonfinancial assets and liabilities that are measured at fair value on a nonrecurring basis consist of its asset retirement obligations. The asset retirement obligations are measured at fair value at initial recognition based on expected future cash flows required to settle the obligation.

The carrying value of cash and cash equivalents, accounts receivable, accounts payable (with the exception of the timing difference under the asset management contract), customer credit balances and customer deposits is a reasonable estimate of fair value due to the short-term nature of these financial instruments. The following table summarizes the fair value of the Company's financial assets and liabilities that are not adjusted to fair value in the financial statements as of June 30, 2016 and September 30, 2015:

	Fair Value Measurements - June 30, 2016			
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Long-term debt	$ 33,096,200	$ —	$ —	$ 34,871,572
Total	$ 33,096,200	$ —	$ —	$ 34,871,572

	Fair Value Measurements - September 30, 2015			
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Liabilities:				
Long-term debt	$ 30,500,000	$ —	$ —	$ 28,570,585
Total	$ 30,500,000	$ —	$ —	$ 28,570,585

The fair value of long-term debt is estimated by discounting the future cash flows of the debt based on current market rates and corresponding interest rate spread.

FASB ASC 825, *Financial Instruments*, requires disclosures regarding concentrations of credit risk from financial instruments. Cash equivalents are investments in high-grade, short-term securities (original maturity less than three months), placed with financially sound institutions. Accounts receivable are from a diverse group of customers including individuals and small and large companies in various industries. As of June 30, 2016 and September 30, 2015, no single customer accounted for more than 5% of the total accounts receivable balance. The Company maintains certain credit standards with its customers and requires a customer deposit if such evaluation warrants.

11. Stock Options

On December 3, 2015, the Board of Directors granted 16,000 options to certain officers of the Company. In accordance with the Key Employee Stock Option Plan, the grant price of $21.22 was the closing price of the Company's stock on the grant date. The options become exercisable six months from the grant date and expire after ten years from the date of issuance.

Fair value at the grant date was $4.04 per option as calculated using the Black-Scholes option pricing model. Compensation expense is recognized over the vesting period. Total compensation expense recognized through June 30, 2016 was $64,640.

12. Subsequent Events

The Company has evaluated subsequent events through the date the financial statements were issued. There were no items not otherwise disclosed which would have materially impacted the Company’s condensed consolidated financial statements.

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements that relate to future transactions, events or expectations. In addition, RGC Resources, Inc. (“Resources” or 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. These statements are based on management’s current expectations and information available at the time of such statements and are believed to be reasonable and are made in good faith. 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, but are not limited to those set forth in the following discussion and within Item 1A “Risk Factors” in the Company’s 2015 Annual Report on Form 10-K. 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,” “budget,” “assume,” “indicate” or similar words or future or conditional verbs such as “will,” “would,” “should,” “can,” “could” or “may” are intended to identify forward-looking statements.

Forward-looking statements reflect the Company’s current expectations only as of the date they are made. The Company assumes no duty to update these statements should expectations change or actual results differ from current expectations except as required by applicable laws and regulations.

The three-month and nine-month earnings presented herein should not be considered as reflective of the Company’s consolidated financial results for the fiscal year ending September 30, 2016. The total revenues and margins realized during the first nine months reflect higher billings due to the weather sensitive nature of the gas business.

Overview

Resources is an energy services company primarily engaged in the regulated sale and distribution of natural gas to approximately 60,000 residential, commercial and industrial customers in Roanoke, Virginia and the surrounding localities through its Roanoke Gas Company (“Roanoke Gas”) subsidiary. Natural gas service is provided at rates and for terms and conditions set by the Virginia State Corporation Commission (“SCC”).

Resources also provides certain unregulated services through Roanoke Gas and its other subsidiaries. Such unregulated operations represent less than 2% of total revenues and margin of Resources on an annual basis.

The Company’s utility operations are regulated by the SCC, which oversees the terms, conditions, and rates to be charged to customers for natural gas service, safety standards, extension of service, accounting and depreciation. The Company is also subject to federal regulation from the Department of Transportation in regard to the construction, operation, maintenance, safety and integrity of its transmission and distribution pipelines. The Federal Energy Regulatory Commission ("FERC") regulates the prices for the transportation and delivery of natural gas to the Company’s distribution system and underground storage services. The Company is also subject to other regulations which are not necessarily industry specific.

Over 98% of the Company’s annual revenues are derived from the sale and delivery of natural gas to Roanoke Gas customers. The SCC authorizes the rates and fees the Company charges its customers for these services. These rates are designed to provide the Company with the opportunity to recover its gas and non-gas expenses and to earn a reasonable rate of return for shareholders based on normal weather. Normal weather refers to the average number of heating degree days (an industry measure by which the average daily temperature falls below 65 degrees Fahrenheit) over the previous 30-year period.

As the Company’s business is seasonal in nature, volatility in winter weather and the commodity price of natural gas can impact the effectiveness of the Company’s rates in recovering its costs and providing a reasonable return for its shareholders. In order to mitigate the effect of variations in weather and the cost of natural gas, the Company has certain approved rate mechanisms in place that help provide stability in earnings, adjust for volatility in the price of natural gas and provide a return on increased infrastructure investment. These mechanisms include a purchased gas adjustment factor ("PGA"), weather normalization adjustment factor ("WNA"), inventory carrying cost revenue and a Steps to Advance Virginia Energy ("SAVE") adjustment rider.

The Company's approved billing rates include a component designed to allow for the recovery of the cost of natural gas used by its customers. The cost of natural gas is considered a pass-through cost and is independent of the non-gas rates of the Company. This rate component, referred to as the PGA, allows the Company to pass along to its customers increases and decreases in natural gas costs incurred by its regulated operations. On a quarterly basis, the Company files a PGA rate adjustment request with the SCC to adjust the gas cost component of its rates up or down depending on projected price and activity. Once administrative approval is received, the Company adjusts the gas cost component of its rates to reflect the approved amount. As actual costs will differ from the projections used in establishing the PGA rate, the Company will either over-recover or under-recover its actual gas costs during the period. The difference between actual costs incurred and costs recovered through the application of the PGA is recorded as a regulatory asset or liability. At the end of the annual deferral period, the balance is amortized over an ensuing 12-month period as amounts are reflected in customer billings.

The WNA reduces the volatility in earnings due to the variability in temperatures during the heating season. The WNA is based on a weather measurement band around the most recent 30-year temperature average. The WNA provides the Company with a level of earnings protection when weather is warmer than normal and provides its customers with price protection when the weather is colder than normal. Under the WNA, the Company recovers from its customers the lost margin (excluding gas costs) for the impact of weather that is warmer than normal or refunds the excess margin earned for weather that is colder than normal. For the three months ended June 30, 2016 and 2015, the Company accrued approximately $42,000 and $195,000, respectively, in additional revenue and margin for weather that was warmer than normal. For the nine months ended June 30, 2016, the Company accrued approximately $1,223,000 in additional revenue and margin for weather that had 12.3% fewer heating degree days than normal. In comparison, for the nine months ended June 30, 2015, the Company reduced revenues and margins by approximately $649,000 to reflect weather that had 6.9% more heating degree days than normal.

The Company also has an approved rate structure in place that mitigates the impact of financing costs associated with its natural gas inventory. Under this rate structure, Roanoke Gas recognizes revenue for the financing costs, or “carrying costs,” of its investment in natural gas inventory. The carrying cost revenue factor applied to the cost of inventory is based on the Company’s weighted-average cost of capital including interest rates on short-term and long-term debt and the Company’s authorized return on equity. During times of rising gas costs and rising inventory levels, the Company recognizes revenues to offset higher financing costs associated with higher inventory balances. Conversely, during times of decreasing gas costs and lower inventory balances, the Company recognizes less inventory carrying cost ("ICC") revenue as financing costs are lower. In addition, ICC revenues are impacted by the changes in the weighting of the components that are used to determine the weighted-average cost of capital. The average unit price of gas in storage during the first nine months of the current fiscal year was $1.16 per decatherm, or 26% lower than the same period last year, as natural gas commodity prices continued their downward trend during the first half of calendar 2016. Although natural gas commodity prices have rebounded in July, ICC revenues are projected to remain at levels below last year.

The Company’s non-gas rates provide for the recovery of non-gas related expenses and a reasonable return to shareholders. These rates are determined based on the filing of a formal rate application with the SCC utilizing historical information including investment in natural gas facilities. Generally, investments related to extending service to new customers are recovered through the non-gas rates currently in place. The investment in replacing and upgrading existing infrastructure is not recoverable until a formal rate application is made to include the additional investment and new non-gas rates are approved. The SAVE Plan and Rider provides the Company with the ability to recover costs related to investments in qualified infrastructure projects on a prospective basis rather than on a historical basis. The SAVE Plan provides a mechanism to recover the related depreciation and expenses and provide a return on rate base of the additional capital investments related to improving the Company's infrastructure until such time that a formal rate application is filed to incorporate this investment in the Company's non-gas rates. As the Company did not file for an increase in the non-gas rates during the prior year and the level of capital investment continues to grow, SAVE Plan revenues have increased significantly. The Company recognized approximately $664,000 and $1,701,000 in SAVE Plan revenues for the three-month and nine-month periods ended June 30, 2016, compared to $342,000 and $890,000 for the comparable periods last year. These SAVE Plan revenues will be included as part of the new non-gas base rates the next time the Company files for a non-gas rate increase.

Results of Operations

Three Months Ended June 30, 2016:

Net income increased by $272,128 for the three months ended June 30, 2016, compared to the same period last year. Increases in SAVE Plan revenues and higher capitalized overheads continued to be the primary contributors to the improvement in net income.

The tables below reflect operating revenues, volume activity and heating degree-days.

	Three Months Ended June 30,			
	2016	2015	Increase	Percentage
Operating Revenues				
Gas Utilities	$ 11,017,281	$ 10,524,512	$ 492,769	5%
Other	277,916	249,897	28,019	11%
Total Operating Revenues	$ 11,295,197	$ 10,774,409	$ 520,788	5%
Delivered Volumes				
Regulated Natural Gas (DTH)				
Residential and Commercial	865,471	789,169	76,302	10%
Transportation and Interruptible	658,869	623,394	35,475	6%
Total Delivered Volumes	1,524,340	1,412,563	111,777	8%
Heating Degree Days (Unofficial)	332	278	54	19%

Total operating revenues for the three months ended June 30, 2016, compared to the same period last year, increased due to a higher volume of natural gas deliveries related to customer growth and an increase in heating degree days more than offsetting lower natural gas commodity prices. Total natural gas deliveries increased by 8% due to stronger commercial and industrial usage and the 19% increase in the number of heating degree days compared to the same period last year. Residential and commercial volumes increased by 10% due to customer growth including the addition of a large volume commercial customer and weather that was colder than the prior year. Lower margin transportation and industrial volumes increased over the same quarter last year following a decline in the first quarter.

	Three Months Ended June 30,			
	2016	2015	Increase (Decrease)	Percentage
Gross Margin				
Gas Utilities	$ 6,183,677	$ 5,826,133	$ 357,544	6 %
Other	128,663	135,695	(7,032)	(5)%
Total Gross Margin	$ 6,312,340	$ 5,961,828	$ 350,512	6 %

Regulated natural gas margins from utility operations increased from the same period last year primarily as a result of higher SAVE Plan revenues and customer growth. SAVE revenues increased by $322,620 due to the increasing investment in SAVE related projects. Volumetric margin, net of the WNA adjustment, increased by $42,828 primarily due to customer growth including the addition of a large volume commercial customer. Other margins declined from last year's levels due to reduced activity under the Company's non-gas related contracts.

The components of and the change in gas utility margin are summarized below:

	Three Months Ended June 30,		
	2016	2015	Increase (Decrease)
Customer Base Charge	$ 3,104,082	$ 3,067,398	$ 36,684
Carrying Cost	100,179	119,481	(19,302)
SAVE Plan	664,488	341,868	322,620
Volumetric	2,250,298	2,054,984	195,314
WNA	42,118	194,604	(152,486)
Other Gas Revenues	22,512	47,798	(25,286)
Total	$ 6,183,677	$ 5,826,133	$ 357,544

Operation and maintenance expenses declined by $263,098, or 8%, primarily due to increased overhead capitalization, lower contractor and professional expense and reduced bad debt accruals, partially offset by higher employee benefit costs. Capitalized overheads increased by more than $271,000 due to a 38% increase in direct capital expenditures during the quarter related to the ongoing pipeline renewal program and other SAVE related projects. Professional expenses declined by nearly

$23,000 as the prior year had higher legal costs attributable to negotiations of a new union contract. Contractor services declined by $31,000 as the prior year included costs related to facility inspections. Bad debt expense decreased by $35,000 due to reduced billings and improved collections on prior bad debt write-offs. Total benefit costs increased by approximately $135,000 due to increased pension and postretirement medical costs related to the amortization of higher actuarial losses attributable to the adoption of new mortality tables. The remaining differences were related to various minor fluctuations in other expenses.

General taxes increased by $15,264, or 4% due to higher property taxes associated with increases in utility property.

Depreciation expense increased by $101,215, or 8%, on a corresponding increase in utility plant investment.

Other expenses increased by $18,008 primarily due to higher pipeline assessments.

Interest expense increased by $37,454, or 10%, due to increased utilization of the Company's line-of-credit and the financing of the Company's investment in the Mountain Valley Pipeline. Total average debt outstanding during the quarter increased by 25%.

Income tax expense increased by $210,103, which corresponds primarily to the increase in pre-tax income for the quarter. The effective tax rate was 41% and 38% for the three months ended June 30, 2016 and 2015, respectively. The increase in the effective tax rate corresponds to an increase in non-deductible expenses and the expiration of unexercised stock options.

Nine Months Ended June 30, 2016:

Net income increased by $602,645 for the nine months ended June 30, 2016, compared to the same period last year. Increase in SAVE Plan revenues, customer growth and higher capitalized overheads were the primary reasons for higher net income.

The tables below reflect operating revenues, volume activity and heating degree-days.

	Nine Months Ended June 30,			
	2016	2015	Decrease	Percentage
Operating Revenues				
Gas Utilities	$ 48,372,615	$ 57,591,940	$ (9,219,325)	(16)%
Other	710,411	864,263	(153,852)	(18)%
Total Operating Revenues	$ 49,083,026	$ 58,456,203	$ (9,373,177)	(16)%
Delivered Volumes				
Regulated Natural Gas (DTH)				
Residential and Commercial	5,567,255	6,457,718	(890,463)	(14)%
Transportation and Interruptible	2,158,032	2,231,363	(73,331)	(3)%
Total Delivered Volumes	7,725,287	8,689,081	(963,794)	(11)%
Heating Degree Days (Unofficial)	3,484	4,232	(748)	(18)%

Total operating revenues for the nine months ended June 30, 2016, compared to the same period last year, decreased due to a combination of reduced natural gas deliveries and lower natural gas costs. Total natural gas deliveries declined by 11% due to a 18% decline in the number of heating degree days compared to the same period last year and lower industrial consumption during the first quarter. Transportation and industrial volumes declined due to reduced production activities in the first quarter at two of our largest customers and the closing of another customer's operations during the second quarter of the prior fiscal year. The lost customer accounted for approximately 55,000 decatherms of the decline in the volume of transportation gas delivered for the period. Residential and commercial volumes declined by 14% primarily due to warmer weather.

	Nine Months Ended June 30,			
	2016	2015	Increase (Decrease)	Percentage
Gross Margin				
Gas Utilities	$ 25,334,719	$ 24,362,306	$ 972,413	4 %
Other	365,006	435,435	(70,429)	(16)%
Total Gross Margin	$ 25,699,725	$ 24,797,741	$ 901,984	4 %

Regulated natural gas margins from utility operations increased from the same period last year primarily as a result of higher SAVE Plan revenues and customer growth more than offsetting lower industrial volumes and a reduction in ICC revenues. SAVE revenues increased by $810,946 due to the increasing investment in SAVE related projects. Volumetric margin, net of the WNA adjustment, and customer base charge increased primarily due to customer growth.

Other margins decreased by $70,429 from the same period last year due to a reduction in activity under the Company's non-gas contracts.

The components of and the change in gas utility margin are summarized below:

	Nine Months Ended June 30,		
	2016	2015	Increase (Decrease)
Customer Base Charge	$ 9,288,474	$ 9,199,197	$ 89,277
Carrying Cost	464,883	599,272	(134,389)
SAVE Plan	1,701,316	890,370	810,946
Volumetric	12,571,627	14,212,074	(1,640,447)
WNA	1,223,461	(648,748)	1,872,209
Other Gas Revenues	84,958	110,141	(25,183)
Total	$ 25,334,719	$ 24,362,306	$ 972,413

Operation and maintenance expenses decreased by $503,648, or 5%, due to many of the same reasons for the decline during the quarter: higher overhead capitalization and lower bad debt expense more than offsetting increased employee benefit costs. Capitalized overheads increased by more than $637,000 due to a 26% increase in capital expenditures and the timing of liquified natural gas production during the year. Bad debt expense decreased by nearly $106,000 due to reduced billings related to warmer weather, lower commodity price of natural gas and collection activities on prior bad debts. Total benefit costs increased by $315,000 due to increased pension and postretirement medical costs related to the amortization of higher actuarial losses attributable to the adoption of new mortality tables.

General taxes increased by $48,310, or 4%, primarily due to higher property taxes associated with increases in utility property.

Depreciation expense increased by $311,646, or 8%, on an 9% increase in utility plant investment.

Other expenses increased by $37,504 primarily due to higher pipeline assessments.

Interest expense increased by $79,521, or 7%, due to an 11% increase in total average debt outstanding during the period related to the financing of the Company's operations and the investment in the Mountain Valley Pipeline.

Income tax expense increased by $421,951, which corresponds to the higher pre-tax income for the period. The effective tax rate was 38% for the nine months ended June 30, 2016 and 2015, respectively.

Critical Accounting Policies and Estimates

The consolidated financial statements of Resources are prepared in accordance with accounting principles generally accepted in the United States of America. The amounts of assets, liabilities, revenues and expenses reported in the Company’s financial statements are affected by accounting policies, estimates and assumptions that are necessary to comply with generally accepted accounting principles. Estimates used in the financial statements are derived from prior experience, statistical analysis and management judgments. Actual results may differ significantly from these estimates and assumptions.

The Company considers an estimate to be critical if it is material to the financial statements and it requires assumptions to be made that were uncertain at the time the estimate was made and changes in the estimate are reasonably likely to occur from period to period. There have been no changes to the critical accounting policies as reflected in the Company's Annual Report on Form 10-K for the year ended September 30, 2015.

Asset Management

Roanoke Gas uses a third party asset manager to manage its pipeline transportation and storage rights and gas supply inventories and deliveries. In return for being able to utilize the excess capacities of the transportation and storage rights, the third party pays Roanoke Gas a monthly utilization fee, which is used to reduce the cost of gas for customers. The current agreement expires in March 2018.

Equity Investment in Mountain Valley Pipeline

On October 1, 2015, the Company through its newly formed wholly-owned subsidiary, RGC Midstream, LLC ("Midstream"), entered into an agreement to become a 1% member in Mountain Valley Pipeline, LLC (the "LLC"). The purpose of the LLC is to construct and operate the Mountain Valley Pipeline ("MVP"), a natural gas pipeline connecting an existing gathering and transmission system in northern West Virginia to another interstate pipeline in south central Virginia. This project falls under the jurisdiction of FERC and is subject to its approval prior to beginning construction. In October 2015, the LLC filed the application with FERC to construct the pipeline. In June 2016, FERC issued its schedule for completion of the environmental impact statement (EIS) regarding the MVP project. The current schedule sets March 10, 2017 as the date of the availability of the final EIS based on the issuance of the draft EIS in September 2016. FERC will have 90 days following the availability of the final EIS to issue their decision to approve the project. Assuming a favorable response by FERC, pipeline construction is anticipated to begin in mid-2017 with a targeted in service date by the end of calendar 2018. Management believes the investment in the LLC will be beneficial for the Company, its shareholders and southwest Virginia. In addition to the potential returns from the investment in the LLC, the Company will benefit from access to an additional source of natural gas to its distribution system, and the proposed pipeline path would provide the Company with a more economically feasible opportunity to provide natural gas service to previously unserved areas in southwest Virginia.

The total project cost is anticipated to be approximately $3.5 billion. As a 1% member in the LLC, Midstream's contribution is expected to be approximately $35 million. The agreement provides for a schedule of cash draws to fund the project. The initial payments are for the acquisition of land and materials related to the construction of the pipeline and other pre-construction costs. Once approved and construction begins, more significant cash draws will be required. Initial funding for the investment in the LLC is provided through the Midstream credit facility composed of a Credit Agreement (the "Credit Agreement") and related Promissory Notes (the "Notes"), under which Midstream may borrow up to a total of $25 million, over a period of 5 years, with an interest rate of 30-day LIBOR plus 160 basis points. In accordance with the terms of the Credit Agreement, at such point in time as Midstream has borrowed $17.5 million under the Notes, Midstream is required to provide the next $5 million in equity towards its capital contributions to the LLC. Once Midstream has completed its $5 million in contributions, it may resume borrowing under the Notes up to the $25 million limit.

A majority of the earnings from the investment in MVP relates to the allowance for funds used during construction ("AFUDC") income generated by the deployment of capital in the design, engineering, materials procurement, project management and ultimately construction of the pipeline. AFUDC is an accounting method whereby the costs of debt and equity funds used to finance facility infrastructure are credited to income and charged to the cost of the project. The level of investment in MVP will continue to grow at a steady pace until such time FERC issues their decision on the project. If approved by FERC and construction on the pipeline begins in earnest, both the investment and the AFUDC will increase at a much greater rate until the pipeline is placed in service.

Regulatory

The Company currently holds the only franchises and/or certificates of public convenience and necessity to distribute natural gas in its service area. Certificates of public convenience and necessity are issued by the SCC to provide service in the counties in the Company's service territory. These certificates are intended for perpetual duration subject to compliance and regulatory standards. Franchises are granted by the local cities and towns served by the Company. The Company renewed the expiring franchise agreements with the City of Roanoke, the City of Salem and the Town of Vinton under terms and conditions similar to the expiring agreements. The new franchise agreements have a twenty year term and will expire December 31, 2035.

Since 2013, the Company has had in place the SAVE Plan Rider which allows the Company to recover the related depreciation and expenses and return on rate base attributable to the capital investment associated with the replacement of aging natural gas infrastructure. By virtue of the revenue generated by the SAVE Plan Rider, the Company has not filed for an increase in non-

gas rates to recover increasing costs and the investment in natural gas infrastructure since 2013. On June 30, 2016, the Company filed with the SCC an application for a modification to the SAVE Plan and Rider. The original SAVE Plan has been modified each year to incorporate certain changes and to include new projects that qualify for rate recovery under the Plan. Under the current application, the Company submitted its report for refunding the excess SAVE revenues collected under the 2015 SAVE Plan and proposed new SAVE rates to provide an estimated $1.2 million in additional revenue above the current SAVE Plan rates. The proposed rates were developed based on the projected SAVE Plan investment projects. The Company anticipates the SCC will complete its review of the application over the next few months and will implement the approved rates beginning in January 2017.

Capital Resources and Liquidity

Due to the capital intensive nature of the utility business, as well as the related weather sensitivity, the Company's primary capital needs are the funding of its continuing construction program, investment in Mountain Valley Pipeline, the seasonal funding of its natural gas inventories and accounts receivable and the payment of dividends. To meet these needs, the Company relies on its operating cash flows, line-of-credit agreement, long-term debt, and capital raised through the Company's stock plans.

Cash and cash equivalents decreased by $80,401 for the nine-month period ended June 30, 2016, compared to a $416,456 increase for the same period last year. The following table summarizes the sources and uses of cash:

	Nine Months Ended June 30,	
	2016	2015
Cash Flow Summary Nine Months Ended:		
Provided by operating activities	$ 15,535,449	$ 20,187,816
Used in investing activities	(14,830,542)	(9,961,670)
Used in financing activities	(785,308)	(9,809,690)
Increase (Decrease) in cash and cash equivalents	$ (80,401)	$ 416,456

The seasonal nature of the natural gas business causes operating cash flows to fluctuate significantly during the year as well as from year to year. Factors including weather, energy prices, natural gas storage levels and customer collections contribute to working capital levels and the related cash flows. Generally, operating cash flows are positive during the second and third quarters as a combination of earnings, declining storage gas levels and collections on customer accounts all contribute to higher cash levels. During the first and fourth quarters, operating cash flows generally decrease due to increases in natural gas storage levels, rising customer receivable balances and construction activity.

Cash flow provided by operations was generally driven by net income, depreciation and reductions in natural gas storage inventory during the first nine months of the year. Cash flow provided by operations decreased from the same period last year by $4,652,367, primarily due to a smaller increase in over-collection of gas costs, smaller reduction in storage gas balances and larger increase in accounts receivable balances. The Company increased over-collections on gas costs for the current 9-month period by more than $767,000 compared to an increase in over-collection for the corresponding period last year of $4,510,000. During the same period last year, the Company had a significant over-collection of gas costs during the second fiscal quarter due to rapidly declining natural gas commodity prices. The Company initially derived the gas cost component of its billing rates based on prices in December 2014 prior to the decline in commodity prices. The result was a significant over-collection of gas costs during the period as the billing rate component was much higher than the actual gas costs. The Company began refunding the prior year net over-collection in January 2016. Although natural gas prices continued their downward trend during fiscal 2016, the reductions were not unexpected and the Company was able to adjust its PGA factor accordingly, thereby limiting the increase in over-collections. In addition, the combination of lower natural gas commodity prices and warmer weather during the heating season resulted in smaller decreases in storage gas balances. The average price of gas in storage was more than $0.70 per decatherm less at June 30, 2016, compared to June 30, 2015. As a result, net withdrawals of gas during the current nine-month period was nearly $3,900,000 compared to the same period last year of $6,100,000, resulting in a $2,200,000 reduction in cash provided by operations. Accounts receivable balances increased by $1,100,000 during the first nine months of fiscal 2016 compared to an increase of $100,000 for the same period last year, contributing nearly $1,000,000 to the reduction in cash provided by operations. The increase in accounts receivable balance derived from the billing of the net WNA receivable for the WNA period ended March 31, 2016. The WNA receivable was included in the accounts receivable balance and is being billed over a three month period beginning in May 2016.

Cash Flow Provided by Operations:	Nine Months Ended June 30, 2016	2015	Increase (Decrease)
Net income	$ 5,661,305	$ 5,058,660	$ 602,645
Depreciation	4,245,223	3,927,080	318,143
Increase in over-collections	767,194	4,509,850	(3,742,656)
Decrease in gas in storage	3,856,242	6,067,461	(2,211,219)
Increase in accounts receivable	(1,077,678)	(103,541)	(974,137)
Other	2,083,163	728,306	1,354,857
Net Cash Provided by Operations	$ 15,535,449	$ 20,187,816	$ (4,652,367)

Investing activities are generally composed of expenditures under the Company's construction program, which primarily involves replacing aging bare steel and cast iron pipe with new plastic or coated steel pipe, improvements to the LNG plant and distribution system facilities, expanding its natural gas system to meet the demands of customer growth and capital investment in the Mountain Valley Pipeline. Expenditures for infrastructure and equipment have continued at the higher levels experienced over the last few years as the Company continues its ongoing pipeline replacement program. Cash flows used for additions to utility property increased by $2,569,115 for the nine months ended June 30, 2016, compared to the same period last year as a result of the continuation of the pipeline replacement program as well as initial work related to the replacement of two custody transfer stations connected to the East Tennessee transmission line. The Company completed the replacement of its cast iron pipe and currently expects to finish replacing the remaining bare steel pipe within its natural gas distribution system in calendar 2016. Efforts will then shift to replacing pre-1973 first generation plastic pipe with current polyethylene pipe, which is expected to be completed in the next three to four years. The Company also plans to begin implementation of an automated meter reading system in fiscal 2017. As a result, capital expenditures are expected to remain at elevated levels over the near term. Operating cash flows and corporate borrowings are expected to provide the majority of the funding for these projects.

Investing cash flows also reflects the Company's continued funding of its participation in the Mountain Valley Pipeline, with a total cash investment of $2,272,576 through June 30, 2016. The Company expects to invest an estimated $35 million over a three-year period to complete the project. Initial funding for the investment in the LLC is provided through the Midstream credit facility, as discussed above and in Note 5 of the Condensed Consolidated Financial Statements.

Financing activities generally consist of long-term and short-term borrowings and repayments, issuance of stock and the payment of dividends. As discussed above, the Company uses its line-of-credit arrangement to fund seasonal working capital needs as well as provide temporary financing for capital projects. Cash flows used in financing activities decreased by $9,024,382 compared to the same period last year primarily due to the current year borrowing related to Midstream's investment in the LLC and an increased level of borrowing under the Company's line-of-credit. The Company borrowed $2,596,200 under Midstream's credit facility related to its financing in the Mountain Valley Pipeline and associated costs. The Company will continue to draw against the Midstream credit facility as the financing needs of the project continue. Furthermore, due to the cash demands related to the Company's ongoing capital expenditures, the Company has increased its borrowing under the line-of-credit compared to the same period last year. As of June 30, 2016, the Company had $8,127,832 outstanding under its line-of-credit compared to $1,718,504 for the same period last year. The Company will continue to use the line-of-credit for bridge financing and will evaluate the need and timing to convert some of this debt to more permanent financing.

Effective March 31, 2016, the Company entered into a new line-of-credit agreement. The new agreement maintained the same terms and rates as provided for under the expired agreement. The interest rate is based on 30-day LIBOR plus 100 basis points and includes an availability fee of 15 basis points applied to the difference between the face amount of the note and the average outstanding balance during the period. The Company maintained multi-tiered borrowing limits to accommodate seasonal borrowing demand and minimize overall borrowing costs with available limits ranging from $10,000,000 to $24,000,000 during the term of the agreement. The line-of-credit will expire on March 31, 2017. The Company anticipates being able to extend or replace its current line-of-credit agreement upon expiration; however, there is no guarantee that the line-of-credit will be extended or replaced on terms comparable to those currently in place.

At June 30, 2016, the Company's consolidated long-term capitalization was 63% equity and 37% debt. The Company's total consolidated capitalization, including the line-of-credit, was 58% equity and 42% debt.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risks associated with interest rates and commodity prices. Interest rate risk is related to the Company's outstanding short-term debt and the Midstream credit facility. Commodity price risk is experienced by the Company's regulated natural gas operations. The Company's risk management policy, as authorized by the Company's Board of Directors, allows management to enter into derivatives for the purpose of managing commodity and financial market risks of its business operations.

Interest Rate Risk

The Company is exposed to market risk related to changes in interest rates associated with its borrowing activities. At June 30, 2016, the Company had $8,127,832 outstanding under its variable rate line-of-credit with an average balance outstanding during the nine-month period of $10,382,462. The Company also had $2,596,200 outstanding under a 5-year variable rate term loan. A hypothetical 100 basis point increase in market interest rates applicable to the Company's variable-rate debt outstanding during the period would have resulted in an increase in interest expense for the current period of approximately $89,000. The Company's other long-term debt is at fixed rates.

Commodity Price Risk

The Company manages the price risk associated with purchases of natural gas by using a combination of liquefied natural gas (LNG) storage, underground storage gas, fixed price contracts, spot market purchases and derivative commodity instruments including futures, price caps, swaps and collars.

At June 30, 2016, the Company had no outstanding derivative instruments to hedge the price of natural gas. The Company had 1,552,126 decatherms of gas in storage, including LNG, at an average price of $2.77 per decatherm, compared to 1,527,039 decatherms at an average price of $3.49 per decatherm last year. The SCC currently allows for full recovery of prudent costs associated with natural gas purchases, as any additional costs or benefits associated with the settlement of derivative contracts and other price hedging techniques are passed through to customers when realized through the PGA mechanism.

ITEM 4 – CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to be effective in providing reasonable assurance that information required to be disclosed in reports under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to management to allow for timely decisions regarding required disclosure.

As of June 30, 2016, the Company completed an evaluation, under the supervision and with the participation of management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures. Based upon that evaluation, the chief executive officer and chief financial officer concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2016.

Management routinely reviews the Company’s internal control over financial reporting and makes changes, as necessary, to enhance the effectiveness of the internal controls over financial reporting. There were no changes in the internal controls over financial reporting during the fiscal quarter ended June 30, 2016, that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II – Other Information

ITEM 1 – LEGAL PROCEEDINGS

None.

ITEM 1A – RISK FACTORS

No changes.

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

Number	Description
10.1	Amendment dated May 17, 2016 to Gas Transportation Agreement originally dated December 1, 1993 between Tennessee Gas Pipeline Company, LLC and Roanoke Gas Company with an effective date of April 1, 2017.
10.2	Amendment dated May 17, 2016 to Gas Storage Contract originally dated November 1, 1993 between Tennessee Gas Pipeline Company, LLC and Roanoke Gas Company with an effective date of November 1, 2018.
10.3	Gas Transportation Agreement originally dated November 1, 1999 between Tennessee Gas Pipeline Company, LLC and Roanoke Gas Company, as amended May 17, 2016, effective November 1, 2019.
10.4	Notice of Renewal of Natural Gas Asset Management Agreement originally dated November 1, 2013 between Sequent Energy Management and Roanoke Gas Company with an effective date of March 31, 2017.
10.5	Guaranty Agreement between RGC Resources, Inc. and Sequent Energy Management on behalf of Roanoke Gas Company with an effective date of June 7, 2016.
10.6	Change in Control Agreement between RGC Resources, Inc. and John S. D'Orazio effective April 1, 2016 (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on April 4, 2016).
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.
101	The following materials from the Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets at June 30, 2016 and September 30, 2015, (ii) Condensed Consolidated Statements of Income for the three months and nine months ended June 30, 2016 and 2015; (iii) Condensed Consolidated Statements of Comprehensive Income for the three months and nine months ended June 30, 2016 and 2015; (iv) Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2016 and 2015, and (v) Condensed Notes to Condensed Consolidated Financial Statements.

* These certifications are being furnished solely to accompany this quarterly report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned there unto duly authorized.

RGC Resources, Inc.

Date: August 4, 2016

By: /s/ Paul W. Nester

Paul W. Nester

Vice President, Secretary, Treasurer and CFO

Exhibit 10.1

Date: 4/15/2016

MIKE GAGNET
ROANOKE GAS
COMPANY 519 KIMBALL
AVE., N.E.
P.O. BOX 13007
ROANOKE, VA 24016

RE: Amendment No. 46 to
GasTransportation Agreement
Dated December 1, 1993
Service Package No. 5487-FTATGP

Dear MIKE GAGNET:

TENNESSEE GAS PIPELINE COMPANY, L.L.C. and ROANOKE GAS COMPANY (ROANOKE GAS COMPANY) agree to amend the Agreement effective Apr 1, 2017, to renew the agreement through October 31, 2022 and discount the associated rate. The Primary Meters and Associated Meter Quantities will remain unchanged as reflected in the attached Exhibit A.

Except as amended herein, all terms and provisions of the Agreement shall remain in full force and effect as written.

If the foregoing is in accordance with your understanding of the Agreement, please so indicate by signing and returning to my attention both originals of this letter. Upon Tennessee's execution, an original will be forwarded to you for your files.

Should you have any questions, please do not hesitate to contact me at (713) 369-9871.

Best regards,

NaTarsua N. Player
Sr. Account Representative
Transportation Services

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

By: /s/ Sital Mody
Agent and Attorney-in-Fact

ROANOKE GAS COMPANY

By: /s/ John S. D’Orazio

Title: President & CEO

Date: 12 May 2016

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

EXHIBIT A
AMENDMENT NO. 46
TO GAS TRANSPORTATION AGREEMENT
DATED December 1, 1993
BETWEEN
TENNESSEE GAS PIPELINE COMPANY, LLC
AND
ROANOKE GAS COMPANY

Amendment Effective Date: April 1, 2017
Service Package: 5487-FTATGP
Service Package: TQ:9326 Dth

BEGINNING DATE	ENDING DATE	TQ
4/1/2017	10/31/2022	9,326

BEGINNING DATE	ENDING DATE	METER	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE	R/D	LEG	METER-TQ
4/1/2017	10/31/2022	412033	MARLIN/TGP CARTHAGE TRANSPORT PANOL	MARLINE MIDSTREAM	PANOLA	TX	O	R	100	708
4/1/2017	10/31/2022	412400	ETC/KR/TGP KING RANCH JIM WELLS	ETC KR PIPELINE	JIM WELLS	TX	O	R	100	2000
4/1/2017	10/31/2022	412882	KINETICA/TGP PORT SULPHUR PLAQUEMIN		PLAQUEMINES	LA	L	R	500	1500
4/1/2017	10/31/2022	412883	KINETICA/TGP COCODRIE 523		TERREBONNE	LA	L	R	500	1995
4/1/2017	10/31/2022	420289	ETNG/TGP GREENBRIER TN 2 (DUAL ROBE)	EAST TENNESSEE NATURAL GAS	ROBERTSON	TN	1	D	500	9326
4/1/2017	10/31/2022	450303	TGP/TGP GRAND CHENIER STRADDLE PLAN		CAMERON	LA	L	R	800	1624
4/1/2017	10/31/2022	460017	STORAGE - BEAR CREEK	TENNESSEE GAS PIPELINE	NATCHITOCHES	LA	1	R	100	310
4/1/2017	10/31/2022	460020	STORAGE - PORTLAND - PA	TENNESSEE GAS PIPELINE	SUMNER	TN	1	R	100	211
4/1/2017	10/31/2022	460025	STORAGE - PORTLAND - MA	TENNESSEE GAS PIPELINE	SUMNER	TN	1	R	100	978

Number of Receipt Points: 8
Number of Delivery Points: 1

Other Provisions Permitted By Tariff Under the Applicable Rate Schedule and/or General Terms and Conditions and Pursuant to Article XXXVI of the General Terms and Conditions of Tennessee's FERG Gas Tariff:

Contractual ROFR

Notwithstanding anything in Article V, Section 4.1of the General Terms and Conditions ("GT&C") of Transporter's Tariff to the contrary, Shipper shall have the right to extend this Agreement beyond the Primary Term pursuant to the right-of-first-refusal procedures set forth in Article V, Section 4.2 of the GT&C of Transporter's Tariff; provided, however, that unless Shipper elects upon one year's prior written notice to Transporter to terminate this Agreement or to request a lesser extension term, this Agreement will automatically extend upon the expiration of the Primary Term for a term of five years at Transporter's then applicable maximum recourse rate.

Note: Exhibit A is a reflection of the contract and all amendments as of the amendment effective date.

Additional Information

April 15, 2016

Roanoke Gas Company
519 Kimball Avenue, N.E.
Roanoke, VA 24016

Attention: Mike Gagnet

RE: Discounted Rate Agreement
Rate Schedule FT-A Service Package No. 5487

Dear Mike:

In response to the request of Roanoke Gas Company ("Roanoke") and pursuant to Section 5.1 of Tennessee Gas Pipeline Company, L.L.C.'s ("Tennessee") Rate Schedule FT-A, Tennessee hereby agrees to adjust its then applicable Rate Schedule FT-A transportation rates for service provided under the above-referenced gas transportation agreement as follows:

1. a) If Roanoke attempts to apply this Discounted Rate Agreement to any volumes and/or to any points not eligible for the discount and thereby fails to pay correctly invoiced and undisputed amounts, then, if such failure is not cured within thirty days of provision of notice by Tennessee to Roanoke of such failure, Tennessee shall have the right, in its sole discretion, to immediately terminate this Discounted Rate Agreement with Roanoke and/or to assess, from the date of such violation of the terms of this Discounted Rate Agreement , the applicable maximum rate on all transactions occurring under the Service Package for the month(s) in which such limits were exceeded.

   b) For the period commencing April 1, 2017, and extending through October 31, 2022, for gas delivered by Tennessee on behalf of Roanoke to any Zone 0 or Zone U1 delivery meter under the above referenced gas transportation agreement, the applicable Rate Schedule FT-A rates for volumes received by Tennessee from any Zone O or Zone U1 meter will be:

      i) A monthly reservation rate equal to the lesser of (i) $4.5724 per Dth, or (ii) Tennessee's maximum applicable monthly reservation rate.

ii) A daily commodity rate of Tennessee's maximum applicable commodity rate.

c) These rates apply to all secondary receipts and deliveries in the paths and zones described above. In addition, Shipper shall also cable Fuel and Loss Retention (F&LR) and Electric Power Cost Recovery (EPCR) charges and all applicable surcharges specified in Tennessee's FERC Gas Tariff, as may be in effect from time to time ("Tariff') .

d) Receipts from and/or deliveries to points other than those listed above during the term of this Discounted Rate Agreement shall result in Roanoke being assessed Tennessee's maximum reservation rate under Rate Schedule FT-A for the primary path divided by the number of days in the month for the entire gas transportation agreement TO on the day(s) of such deliveries and Tennessee's maximum daily commodity rates under Rate Schedule FT-A as well as the applicable F&LR and EPCR charges and all surcharges under Rate Schedule FT-A

2. If any terms of this Discounted Rate Agreement are disallowed by any order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee may immediately terminate this Discounted Rate Agreement. If any terms of this Discounted Rate Agreement are in any way modified by order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee and Roanoke may mutually agree to amend this Discounted Rate Agreement in order to ensure that the original commercial intent of the parties is preserved. In the event that the parties cannot achieve mutual agreement, Tennessee reserves the right to immediately terminate this Discounted Rate Agreement.

If Roanoke is interested in entering into the Discounted Rate Agreement for firm capacity in accordance with the terms proposed above, please have the authorized representative of Roanoke execute this Discounted Rate Agreement, and return to the undersigned. This Discounted Rate Agreement will become binding upon the parties only after it then is accepted and executed by Tennessee's authorized representative on the below "Agreed to and Accepted" portion. One fully executed copy will be returned for your records.

If an executed Discounted Rate Agreement is not returned via mail, email to Alison_Stringerindermorgan.com or facsimile to 713-369-9305 on or before May 31, 2016, then the Discounted Rate Agreement is nullified, and Roanoke will be billed Tennessee's maximum reservation and commodity rates under Rate Schedule FT-A

Sincerely,

/s/ Alison G. Stringer
Alison G. Stringer
Account Director, Marketing

ACCEPTED AND AGREED TO
This 17 Day of May 2016

COMPANY:

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

By: /s/ Sital Mody
Name: Sital Mody
Title: Vice President & Business Development

ACCEPT ED AND AGREED TO
This 12 Day of May 2016

ROANOKE GAS COMPANY

By: /s/ John S. D'Orazio
Name: John S. D'Orazio
Title: President & CEO

Exhibit 10.2

Date: 4/15/2016

MIKE GAGNET
ROANOKE GAS COMPANY
519 KIMBALL AVE., N.E.
P.O. BOX 13007
ROANOKE, VA 24016

RE: Amendment No. 6 to
Gas Storage Agreement
Dated November 1, 1993
Service Package No. 3974-FSMATGP

Dear MIKE GAGNET:

TENNESSEE GAS PIPELINE COMPANY, L.L.C. and ROANOKE GAS COMPANY (ROANOKE GAS COMPANY) agree to amend the Agreement effective November 1, 2018, to renew the agreement through October 31, 2022 at Tennessee's maximum rates. The Primary Meters and Associated Meter Quantities will remain unchanged as reflected in the attached Exhibit A.

Except as amended herein, all terms and provisions of the Agreement shall remain in full force and effect as written.

If the foregoing is in accordance with your understanding of the Agreement, please so indicate by signing and returning to my attention both originals of this letter. Upon Tennessee's execution, an original will be forwarded to you for your files.

Should you have any questions, please do not hesitate to contact me at (713) 369-9871.

Best regards,

Natarsua N. Player
Sr. Account Representative
Transportation Services

ACCEPTED AND AGREED TO
This 17 Day of May 2016

COMPANY:

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

By: /s/ Sital Mody
Title: Agent and Attorney in Fact

ACCEPTED AND AGREED TO
This 12 Day of May 2016

COMPANY:

ROANOKE GAS COMPANY

By: /s/ John S. D'Orazio
Title: President & CEO

GAS STORAGE AGREEMENT

(For Use Under Rate Schedule FS)

EXHIBIT A
AMENDMENT NO. 6
TO GAS STORAGE AGREEMENT
DATED 1, November, 1993
BETWEEN
TENNESSEE GAS PIPELINE COMPANY, L.L.C.
AND
ROANOKE GAS COMPANY

Amendment Effective Date: November 1, 2018 Service
Package: 3974-FSMATGP
Service Package MSQ: 134603 Dth Maximum
Daily Injection Quantity: 897 Dth Maximum
Daily Withdrawal quantity: 978 Dth

STORAGE BALANCE FROM DTH	STORAGE BALANCE TO DTH	MAXIMUM DAILY WITHDRAWAL QUANTITY DTH
0	134603	978

Service Point - NORTHERN STORAGE

METER	METER NAME	COUNTY	ST	ZONE	I/W	LEG	METER-TQ
460025	STORAGE - PORTAND - MA	SUMNER	TN	1	W	100	978
460025	STORAGE - PORTAND - MA	SUMNER	TN	1	I	100	897

Total Injection TQ	897
Total Withdrawal TQ	978

Number of Injection Points: 1

Number of Withdrawal Points: 1

Other Provisions Permitted By Tariff Under the Applicable Rate Schedule and/or General Terms and Conditions and Pursuant to Article XXXVI of the General Terms and Conditions of Tennessee's FERC Gas Tariff:

Note: Exhibit A is a reflection of the contract and all amendments as of the amendment effective date.

Sincerely,

/s/ Alison G. Stringer

Alison G. Stringer
Account Director, Marketing

AGREED TO AND ACCEPTED
THIS 17 DAY OF MAY, 2016

TENNESSEE GAS PIPELINE, L.L.C.
By: /s/ Sital Mody

Name: Sital Mody
Title: Vice President Marketing & Business Development

AGREED TO AND ACCEPTED
THIS 12th DAY OF MAY, 2016

ROANOKE GAS COMPANY
By: /s/ John S. D'Orazio

Name: John S. D'Orazio
Title: President and CEO

SERVICE PACKAGE NO. 24376
AMENDMENT NO. 0

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

Exhibit 10.3

THIS AGREEMENT is made and entered into as of the 1st day of November, 1999, by and between TENNESSEE GAS PIPELINE COMPANY, a Delaware Corporation, hereinafter referred to as "Transporter" and ROANOKE GAS COMPANY, a VIRGINIA Corporation, hereinafter referred to· as "Shipper." Transporter and Shipper shall collectively be referred to herein as the "Parties."

ARTICLE I

DEFINITIONS

1.1 TRANSPORTATION QUANTITY (TQ) - shall mean the maximum daily quantity of gas which Transporter agrees to receive and transport on a firm basis, subject to Article II herein, for the account of Shipper hereunder on each day during each year during the term hereof, which shall be 5,150 dekatherms. Any limitations of the quantities to be received from each Point of Receipt and/or delivered to each Point of Delivery shall be as specified on Exhibit "A" attached hereto.

1.2 EQUIVALENT QUANTITY - shall be as defined in Article I of the General Terms and Conditions of Transporter's FERC Gas Tariff.

ARTICLE II

TRANSPORTATION

Transportation Service - Transporter agrees to accept and receive daily on a firm basis, at the Point(s) of Receipt from Shipper or for Shipper's account such quantity of gas as Shipper makes available up to the Transportation Quantity, and to deliver to or for the account of Shipper to the Point(s) of Delivery an Equivalent Quantity of gas.

ARTICLE III

POINT(S) OF RECEIPT AND DELIVERY

The Primary Point(s) of Receipt and Delivery shall be those points specified on Exhibit "A" attached hereto.

ARTICLE IV

All facilities are in place to render the service provided for in this Agreement.

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

ARTICLE V

QUALITY SPECIFICATIONS AND STANDARDS FOR MEASUREMENT

For all gas received, transported and delivered hereunder the Parties agree to the Quality Specifications and Standards for Measurement as specified in the General Terms and Conditions of Transporter's FERC Gas Tariff Volume No. 1. To the extent that no new measurement facilities are installed to provide service hereunder, measurement operations will continue in the manner in which they have previously been handled. In the event that such facilities are not operated by Transporter or a downstream pipeline, then responsibility for operations shall be deemed to be Shipper's.

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ARTICLE VI

RATES AND CHARGES FOR GAS TRANSPORTATION

6.1 TRANSPORTATION RATES - Commencing upon the effective date hereof, the rates, charges, and surcharges to be paid by Shipper to Transporter for the transportation service provided herein shall be in accordance with Transporter's Rate Schedule FT-A and the General Terms and Conditions of transporter's FERC Gas Tariff.

6.2 INCIDENTAL CHARGES - Shipper agrees to reimburse Transporter for any filing or similar fees, which have not been previously paid for by Shipper, which Transporter incurs in rendering service hereunder.

6.3 CHANGES IN RATES AND CHARGES Shipper agrees that Transporter shall have the unilateral right to file with the appropriate regulatory authority and make effective changes in (a) the rates and charges applicable to service pursuant to Transporter's Rate Schedule FT-A, (b) the rate schedule(s) pursuant to which service hereunder is rendered, or (c) any provision of the General Terms and Conditions applicable to those rate schedules. Transporter agrees that Shipper may protest or contest the aforementioned filings, or may seek authorization from duly constituted regulatory authorities for such adjustment of Transporter's existing FERC Gas Tariff as may be found necessary to assure Transporter just and reasonable rates.

ARTICLE VII

BILLINGS AND PAYMENTS

Transporter shall bill and Shipper shall pay all rates and charges in accordance with Articles V and VI, respectively, of the General Terms and Conditions of the FERC Gas Tariff.

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

ARTICLE VIII

GENERAL TERMS AND CONDITIONS

This Agreement shall be subject to the effective provisions of Transporter' s Rate Schedule FT-A and to the General Terms and Conditions incorporated therein, as the same may be changed or superseded from time to time in accordance with the rules and regulations of the FERC.

ARTICLE IX

REGULATION

9.1 This Agreement shall be subject to all applicable and lawful governmental statutes, orders, rules and regulations and is contingent upon the receipt and continuation of all necessary regulatory approvals or authorizations upon terms acceptable to Transporter. This Agreement shall be void and of no force and effect if any necessary regulatory approval is not so obtained or continued. All Parties hereto shall cooperate to obtain or continue all necessary approvals or authorizations, but no Party shall be liable to any other Party for failure to obtain or continue such approvals or authorizations.

9.2 The transportation service described herein shall be provided subject to Subpart G, Part 284, of the FERC Regulations.

ARTICLE X

RESPONSIBILITY DURING TRANSPORTATION

Except as herein specified, the responsibility for gas during transportation shall be as stated in the General Terms and Conditions of Transporter's FERC Gas Tariff Volume No. 1.

ARTICLE XI

WARRANTIES

11.1 In addition to the warranties set forth in Article IX of the General Terms and Conditions of Transporter's FERC Gas Tariff, Shipper warrants the following:

(a) Shipper warrants that all upstream and downstream transportation arrangements are in place, or will be in place as of the requested effective date of service, and that it has advised the upstream and downstream transporters of the receipt and delivery points under this Agreement and any quantity limitations for each point as specified on Exhibit "A" attached hereto. Shipper agrees to indemnify and hold Transporter harmless for refusal to transport gas hereunder in the event any upstream or downstream transporter fails to receive or deliver gas as contemplated by this Agreement.

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

(b) Shipper agrees to indemnify and hold Transporter harmless from all suits, actions, debts, accounts, damages, costs, losses and expenses (including reasonable attorneys fees) arising from or out of breach of any warranty by Shipper herein.

11.2 Transporter shall not be obligated to provide or continue service hereunder in the event of any breach of warranty.

ARTICLE XII

TERM

12.1 This Agreement shall be effective as of the 1st day of November, 1999, and shall remain in force and effect until the 31st day of October, 2019, ("Primary Term") and on a month to month basis thereafter unless terminated by either Party upon at least thirty (30) days prior written notice to the other Party; provided, however, that if the Primary Term is one year or more, then unless Shipper elects upon one year's prior written notice to Transporter to request a lesser extension term, the Agreement shall automatically extend upon the expiration of the Primary Term for a term of five years and shall automatically extend for successive five year terms thereafter unless Shipper provides notice described above in advance of the expiration of a succeeding term; provided further, if the FERC or other governmental body having jurisdiction over the service rendered pursuant to this Agreement authorizes abandonment of such service, this Agreement shall terminate on the abandonment date permitted by the FERC or such other governmental body.

12.2 Any portions of this Agreement necessary to resolve or cash out imbalances under this Agreement as required by the General Terms and Conditions of Transporter's Tariff, shall survive the other parts of this Agreement until such time as such balancing has been accomplished; provided, however, that Transporter notifies Shipper of such imbalance not later than twelve months after the termination of this Agreement.

12.3 This Agreement will terminate automatically upon written notice from Transporter in the event Shipper fails to pay all of the amount of any bill for service rendered by Transporter hereunder in accord with the terms and conditions of Article VI of the General Terms and Conditions of Transporter's FERC Gas Tariff.

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

ARTICLE XIII

NOTICE

Except as otherwise provided in the General Terms and Conditions applicable to this Agreement, any notice under this Agreement shall be in writing and mailed to the post office address of the Party intended to receive the same, as follows:

TRANSPORTER: TENNESSEE GAS PIPELINE
P.O. Box 2511
Houston, Texas 77252-2511
Attention: Director, Transportation Control

SHIPPER:

NOTICES: ROANOKE GAS COMPANY
519 KIMBLE AVE., N.E.
P.O. BOX 13007
ROANOKE, VA 24016

Attention: MIKE GAGNET

BILLING: ROANOKE GAS COMPANY
519 KIMBLE AVE., N.E.
P.O. BOX 13007
ROANOKE, VA 24016

Attention: HOWARD LYON

or to such other address as either Party shall designate by formal written notice to the other.

ARTICLE XIV

ASSIGNMENTS

14.1 Either Party may assign or pledge this Agreement and all rights and obligations hereunder under the provisions of any mortgage, deed of trust, indenture, or other instrument which it has executed or may execute hereafter as security for indebtedness. Either Party may, without relieving itself of its obligation under this Agreement, assign any of its rights hereunder to a company with which it is affiliated. Otherwise, Shipper shall not assign this Agreement or any of its rights hereunder, except in accord with Article III, Section 11 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

14.2 Any person which shall succeed by purchase, merger, or consolidation to the properties, substantially as an entirety, of either Party hereto shall be entitled to the rights and shall be subject to the obligations of its predecessor in interest under this Agreement.

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

MISCELLANEOUS

15.1 THE INTERPRETATION AND PERFORMANCE OF THIS CONTRACT SHALL BE IN ACCORDANCE WITH AND CONTROLLED BY THE LAWS OF THE STATE OF TEXAS, WITHOUT REGARD TO THE DOCTRINES GOVERNING CHOICE OF LAW.

15.2 If any provision of this Agreement is declared null and void, or voidable, by a court of competent jurisdiction, then that provision will be considered severable at either Party's option; and if the severability option is exercised, the remaining provisions of the Agreement shall remain in full force and effect.

15.3 Unless otherwise expressly provided in this Agreement or Transporter's Gas Tariff, no modification of or supplement to the terms and provisions stated in this agreement shall be or become effective until Shipper has submitted a request for change through the Electronic Bulletin Board and Shipper has been notified through the Electronic Bulletin Board of Transporter’s agreement to such change.

15.4 Exhibit "A" attached hereto is incorporated herein by reference and made a part hereof for all purposes.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be duly executed as of the date first hereinabove written.

TENNESSEE GAS PIPELINE COMPANY

BY: /s/ J. P. Dickerson
J.P. Dickerson
Agent and Attorney-in-Fact

DATE: 5/13/98

ROANOKE GAS COMPANY

BY: /s/ Roger L. Baumgardner
TITLE: VP/SEC & TREAS
DATE: 5/13/98

GAS TRANSPORTATION AGREEMENT
(For Use Under FT-A Rate Schedule)

EXHIBIT "A"
AMENDMENT #0 TO GAS TRANSPORTATION
AGREEMENT
DATED November 1, 1999
BETWEEN
TENNESSEE GAS PIPELINE
COMPANY AND
ROANOKE GAS COMPANY

ROANOKE GAS COMPANY
EFFECTIVE DATE OF AMENDMENT: November 1,
1999 RATE SCHEDULE: FT-A
SERVICE PACKAGE: 24376
SERVICE PACKAGE TQ: 5, 150 Dth

METER	METER NAME		INTERCONNECT PARTY NAME	COUNTY	ST	ZONE R/D LEG	METER·TQ	BILLABLE·TQ
12447	MGT PURCHASE (Bi 2-0852)	Dual		SUMNER	TN	01 R 500	5,150	5,150
						Total Receipt TQ:	5,150	5,150
020289	GREENBRIER TENNESSEE #2	(Dual	TENNESSEE NATURAL GAS COM	ROBERTSON	TN	01 D 500	5,150	5,150

NUMBER OF RECEIPT POINTS AFFECTED: 1
NUMBER OF DELIVERY POINTS AFFECTED: 1

Note: Exhibit "A" is a ref1ection of the contract and all amendments as of the amendment effective date.

Date: **4/15/2016**

MIKE GAGNET
ROANOKE GAS COMPANY
519 KIMBALL AVE., N.E.
P.O. BOX 13007
ROANOKE, VA 24016

RE: Amendment No.2 to
Gas Transportation Agreement
Dated November 1, 1999
Service Package No.24376-FTATGP

Dear MIKE GAGNET:

TENNESSEE GAS PIPELINE COMPANY, L.L.C. and ROANOKE GAS COMPANY (ROANOKE GAS COMPANY) agree to amend the Agreement effective Nov 1, 2019, to renew the agreement through October 31, 2022 and discount the associated rate. The Primary Meters and Associated Meter Quantities will remain unchanged as reflected in the attached Exhibit A.

Except as amended herein, all terms and provisions of the Agreement shall remain in full force and effect as written.

If the foregoing is in accordance with your understanding of the Agreement, please so indicate by signing and returning to my attention both originals of this letter. Upon Tennessee's execution, an original will be forwarded to you for your files.

Should you have any questions, please do not hesitate to contact me at (713) 369-9871.

Best regards,

NaTarsua N. Player
Sr. Account Representative
Transportation Services

Date: **4/15/2016**

ROANOKE GAS COMPANY

Date:4/15/2016
Page 2
Contract number: 24376-FTATGP
Amendment number: 2
Amendment effective date: Nov 1, 2019

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

By: /s/ Sital Mody
Agent and Attorney in Fact

ROANOKE GAS COMPANY

By: /s/ John S. D'Orazio

Title: President & CEO

Date: 12 May 2016

GAS TRANSPORTATION AGREEMENT

(For Use Under FT-A Rate Schedule)

EXHIBIT A

AMENDMENT NO. 2

TO GAS TRANSPORTATION AGREEMENT

DATED December 1, 1999

BETWEEN

TENNESSEE GAS PIPELINE COMPANY, LLC

AND

ROANOKE GAS COMPANY

Amendment Effective Date: Nov 1, 2019

Service Package: 24376-FTATGP

Service Package: TQ:5267 Dth

BEGINNING DATE	ENDING DATE	TQ
11/1/2019	10/31/2022	5,267

BEGINNING DATE	ENDING DATE	METER	METER NAME	INTERCONNECT PARTY NAME	COUNTY	ST	ZONE	R/D	LEG	METER-TQ
11/1/2019	10/31/2022	420289	ETNG/TGP GREENBRIER TN 2 (DUEAL ROBE)	EAST TENNESSEE NATURAL GAS	ROBERTSON	TN	1	D	500	5267
11/1/2019	10/31/2022	420852	MIDWSTRN/ TGP MGT SMS SUMNER	MIDWESTERN GAS TRNSM.	SUMNER	TN	1	R	500	5267

Total Receipt TQ 5267

Total Delivery TQ 5267

Number of Receipt Points: 1

Number of Delivery Points: 1

Other Provisions Permitted By Tariff Under the Applicable Rate Schedule and/or General Terms and Conditions and Pursuant to Article XXXVI of the General Terms and Conditions of Tennessee's FERC Gas Tariff:

Contractual ROFR

Notwithstanding anything in Article V, Section 4.1of the General Terms and Conditions ("GT&C") of Transporter's Tariff to the contrary, Shipper shall have the right to extend this Agreement beyond the Primary Term pursuant to the right-of-first-refusal procedures set forth in Article V, Section 4.2 of the GT&C of Transporter 's Tariff; provided, however, that unless Shipper elects upon one year's prior written notice to Transporter to terminate this Agreement or to request a lesser extension term, this Agreement will automatically extend upon the expiration of the Primary Term for a term of five years at Transporter's then applicable maximum recourse rate.

Note: Exhibit A is a reflection of the contract and all amendments as of the amendment effective date.

Additional Information

April 15, 2016

Roanoke Gas Company
519 Kimball Avenue, N.E.
Roanoke, VA 24016

Attention: Mike Gagnet

RE: Discounted Rate Agreement
Rate Schedule FT-A Service Package No. 24376

Dear Mike:

In response to the request of Roanoke Gas Company ("Roanoke") and pursuant to Section 5.1 of Tennessee Gas Pipeline Company, L.L.C.'s ("Tennessee") Rate Schedule FT-A, Tennessee hereby agrees to adjust its then applicable Rate Schedule FT-A transportation rates for service provided under the above-referenced gas transportation agreement as follows:

1. a) If Roanoke attempts to apply this Discounted Rate Agreement to any volumes and/or to any points not eligible for the discount and thereby fails to pay correctly invoiced and undisputed amounts, then, if such failure is not cured within thirty days of provision of notice by Tennessee to Roanoke of such failure, Tennessee shall have the right, in its sole discretion, to immediately terminate this Discounted Rate Agreement with Roanoke and/or to assess, from the date of such violation of the terms of this Discounted Rate Agreement, the applicable maximum rate on all transactions occurring under the Service Package for the month(s) in which such limits were exceeded.

   b) For the period commencing November 1, 2019, and extending through October 31, 2022, for gas delivered by Tennessee on behalf of Roanoke to any Zone U1delivery meter under the above referenced gas transportation agreement, the applicable Rate Schedule FT-A rates for volumes received by Tennessee from any Zone L/1 meter will be:

      i) A monthly reservation rate equal to the lesser of (i) $3.9542 per Dth, or (ii) Tennessee's maximum applicable monthly reservation rate.

      ii) A daily commodity rate of Tennessee's maximum applicable commodity rate.

c) These rates apply to all secondary receipts and deliveries in the paths and zones described above. In addition, Shipper shall also pay ACA , applicable Fuel and Loss Retention (F&LR) and Electric Power Cost Recovery (EPCR) charges and all applicable surcharges specified in Tennessee's FERC Gas Tariff, as may be in *effect* from time to time ("Tariff').

d) Receipts from and/or deliveries to points other than those listed above during the term of this Discounted Rate Agreement shall result in Roanoke being assessed Tennessee's maximum reservation rate under Rate Schedule FT-A for the primary path divided by the number of days in the month for the entire gas transportation agreement TQ on the day(s) of such deliveries and Tennessee's maximum daily commodity rates under Rate Schedule FT-A as well as the applicable F&LR and EPCR charges and all surcharges under Rate Schedule FT-A.

2. If any terms of this Discounted Rate Agreement are disallowed by any order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee may immediately terminate this Discounted Rate Agreement. If any terms of this Discounted Rate Agreement are in any way modified by order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee and Roanoke may mutually agree to amend this Discounted Rate Agreement in order to ensure that the original commercial intent of the parties is preserved. In the event that the parties cannot achieve mutual agreement, Tennessee reserves the right to immediately terminate this Discounted Rate Agreement.

If Roanoke is interested in entering into the Discounted Rate Agreement for firm capacity in accordance with the terms proposed above, please have the authorized representative of Roanoke execute this Discounted Rate Agreement, and return to the undersigned. This Discounted Rate Agreement will become binding upon the parties only after it then is accepted and executed by Tennessee's authorized representative on the below "Agreed to and Accepted" portion. One fully executed copy will be returned for your records.

If an executed Discounted Rate Agreement is not returned via mail, email to Alison_Stringerindermorgan.com or facsimile to 713-369-9305 on or before May 31, 2016, then the Discounted Rate Agreement is nullified, and Roanoke will be billed Tennessee's maximum reservation and commodity rates under Rate Schedule FT-A.

Sincerely,

/s/ Alison G. Stringer
Alison G. Stringer
Account Director, Marketing

AGREED TO AND ACCEPTED
This 17 Day of May, 2016

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

By: /s/ Sital Mody
Name: Sital Mody
Title: Vice President & Business Development

AGREED TO AND ACCEPTED
This 12th Day of May, 2016

ROANOKE GAS COMPANY

By: /s/ John S. D’Orazio
Name: John S. D’Orazio
Title: President and CEO

Exhibit 10.4

Sequent Energy Management
An AGL Resources Company

1200 Smith Street, Suite 900
Houston, TX 77002
832-397-1700
www.sequentenergy.com

May 13, 2016

Roanoke Gas Company
519 Kimball Ave., N.E.
Roanoke, VA 24016
Attn: Michael Gagnet

RE: Notice of Renewal of Natural Gas Asset Management Agreement

Ladies and Gentlemen:

Reference is made to that certain Natural Gas Asset Management Agreement (the "Agreement"), dated November 1, 2013, by and between Roanoke Gas Company ("Counterparty") and Sequent Energy Management, L.P. ("Manager"), pursuant to which Manager provides natural gas supply and asset management services to Counterparty for a Term that is currently set to expire March 31, 2017. Capitalized terms used herein and not defined shall have the meanings set forth in the Agreement.

Pursuant to Section 9.01 of the Agreement, the Agreement may be renewed for twelve (12) months at the end of the Term, when both Parties notify the other in writing at least ninety (90) days before the end of the Term of its intent to renew. The purpose of this letter agreement (this "Letter Agreement") is to provide such written notice by each party to the other of its intent and agreement to renew the Agreement for an additional twelve (12) months at the end of the current Term. Based on such agreement the Term of the Agreement is hereby extended through March 31, 2018.

The parties hereby acknowledge and agree that all other terms, provisions, covenants and conditions of the Agreement shall remain in full force and effect. This Letter Agreement may be executed in one or more counterparts. Please have this Letter Agreement executed on behalf of Counterparty in the space provided below to indicate Counterparty's agreement with the foregoing and return one fully executed copy of this Letter Agreement to the undersigned.

Sincerely,

Sequent Energy Management, L.P.

By: /s/ James J. Goerig
Name: James J. Goerig
Title: Vice President, Risk Control

ACCEPTED AND AGREED:

Roanoke Gas Company

By: /s/ John S. D'Orazio
Name: John S. D'Orazio
Title: President and CEO

Exhibit 10.5

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty") is between *RGC RESOURCES INC.* ("Resources") and Sequent Energy Management, LP. (the "Company") and is effective from and after June 7, 2016 (the "Effective Date").

WHEREAS, on or after the Effective Date of this Guaranty, Roanoke Gas Company, wholly-owned subsidiary of Resources (the "RGC Subsidiaries") and the Company have entered or may enter into (i) one or more agreements for the purchase, sale or exchange of natural gas or other hydrocarbons or non-combustible gases, which transactions will be evidenced by one or more base contracts and the general terms and conditions stated therein (the "NAESB Gas Contracts") and (ii) one or more swap, option or other financially-settled derivative transactions, which transactions will be evidenced by one or more swap agreements, confirmations and/or master agreements (the "ISDA Agreements" and collectively with the NAESB Gas Contracts, referred to herein as the "Agreements").

WHEREAS, the RGC Subsidiaries have undertaken or will undertake certain payment obligations under the Agreements (the "Obligations") and the Company has requested that Resources guarantee the Obligations of the RGC Subsidiaries as provided in this Guaranty.

WHEREAS, Resources has determined that it will derive significant economic benefits from the RGC Subsidiaries entering into the Agreements; and Resources desires to enter into this Guaranty with the Company as an inducement to the Company to enter into the Agreements with the RGC Subsidiaries.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, and subject to the terms hereof and intending to be legally bound, Resources covenants and agrees as follows:

Section 1. *Guaranty.* Resources hereby absolutely and unconditionally guarantees to the Company the due and punctual payment of the Obligations of the RGC Subsidiaries under the Agreements. This is a guaranty of payment and not of collection or performance. Each and every default by RGC Subsidiaries in the payment of the Obligations under the Agreements will give rise to a separate cause of action hereunder, and separate suits may be brought hereunder as each cause of action arises. Notwithstanding the foregoing, Resources will not be liable hereunder for consequential, incidental, punitive, exemplary or indirect damages, in tort, contract or otherwise, or any penalties or charges assessed by any person or entity.

Section 2. *Termination.* This Guaranty shall remain in full force and effect through March 31, 2018 or the tenth (10) business day after this Guaranty is terminated by written notice as set forth in Section 10 hereunder. No termination shall affect, release or discharge Resources' liability with respect to any Obligations existing or arising under the Agreements prior to the effective date of termination.

Section 3. *Demand for Payment.* As a condition precedent to each payment under this Guaranty, a demand by Company for payment hereunder shall be in writing, signed by a duly authorized representative of Company and delivered to Resources pursuant to "Notices" hereof, and shall (a) reference this Guaranty, (b) specifically identify Company, the nature of the default, the Obligations to be paid and (c) set forth payment instructions, including bank name, routing number and bank account number. There are no other requirements of notice, presentment or demand. Resources shall pay, or cause to be paid, such Obligations within ten (10) business days of receipt of such demand.

Section 4. *Obligation Absolute.* The obligations of Resources under this Guaranty will remain in full force and effect until the Obligations of the RGC Subsidiaries under the Agreements have been fully discharged and terminated. If any payment by an AGL Subsidiary in respect of any Obligation is rescinded or recovered from the Company as a preference or fraudulent transfer under federal or state bankruptcy laws, Resources will remain liable under this Guaranty with respect to such Obligations as if such payment had not been made.

Section 5. *Reservation of Defense*. Notwithstanding any other provision of this Guaranty, in any action brought with respect to this Guaranty, Resources expressly reserves to itself and will be entitled to raise as a complete or partial defense to any liability it may otherwise have hereunder, any defenses to the same extent as such defenses could have been raised by the RGC Subsidiaries, except those arising out of the bankruptcy, insolvency, dissolution or liquidation of the RGC Subsidiaries.

Section 6. *Expenses.* In the event this Guaranty is collected by or through an attorney at law, Resources will reimburse the Company for all costs of collection, including reasonable attorneys' fees and expenses actually incurred. Any amounts received by the Company hereunder may be applied to the Obligations or the costs of collection under this Guaranty in such order and manner as the Company may deem appropriate.

Section 7. *Waivers and Consents.* Resources hereby waives notice of (a) acceptance of this Guaranty, (b) presentment and demand for payment concerning the liabilities of Resources hereunder, except as specifically provided herein and (c) any dishonor or default by, or disputes with, any AGL Subsidiary. Resources consents to the renewal, compromise, extension or modification to the terms of the Obligations and to any change, modification or waiver of the terms of the Agreements without impairing or releasing the obligations of Resources hereunder.

Section 8. *Representations and Warranties.* Resources represents and warrants that:

(a) It is a corporation duly organized and validly existing under the laws of the jurisdiction of its incorporation and has the corporate power and authority to execute, deliver and perform this Guaranty;

(b) The execution, delivery and performance of this Guaranty have been and remain duly authorized by all necessary corporate action and do not contravene any contractual restriction binding on Resources or its assets;

(c) This Guaranty constitutes the legal, valid and binding obligation of Resources enforceable against Resources in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditor's rights and to general equity principles.

Section 9. *Revocation*. This Guaranty will not apply to Obligations under any Agreements (or under any transactions under any Agreements) entered into by RGC Subsidiaries after the date of actual receipt by the Company of written notice from Resources of the revocation of this Guaranty, but such revocation will not affect liability for any obligations arising from transactions entered into prior to the effectiveness of any revocation.

Section 10. *Notices.* All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law must be in writing and will be deemed to have been validly given or served by delivery of the same in person to the intended addressee; or by depositing the same with Federal Express or another reputable private courier service for next business day delivery or by depositing the same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, in either case

addressed to the intended addressee at its address set forth below or at such other address as may be designated by such party as herein provided or sent by fax at the number designated below with a copy sent via mail or overnight courier. All notices, demands and requests will be effective upon receipt if delivered by fax or by personal delivery, or one business day after being deposited with the private courier service, or two business days after being deposited in the United States mail as required above. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as herein required will be deemed to be receipt of the notice, demand or request sent. The parties hereto will have the right from time to time to change their respective addresses and each will have the right to specify as its address any other address within the United States of America.

Address of the Company:
Sequent Energy Management, L.P.
1200 Smith Street, Suite 900
Houston, TX 77002
Attention: Credit Department
Phone: 832-397-1782
Fax: 832-397-3885

Address of Resources:

RGC Resources Inc.
PO Box 13007
Roanoke, VA 24030
Attention: Paul W. Nester
VP, Treasurer and CFO
Phone: (540) 777-3837
Fax: (540) 777-2636

with a copy to:

RGC Resources Inc.
PO Box 13007
Roanoke, VA 24030
Attention: Paul W. Nester
VP, Treasurer and CFO
Phone: (540) 777-3837
Fax: (540) 777-2636

Section 11. *Assignment*. This Guaranty will inure to the benefit of and may be enforced by the Company and its successors and assigns, and will be binding upon and enforceable against Resources and its successors and assigns.

Section 12. *Governing Law, Severability; Entire Agreement.* This Guaranty is to be interpreted, construed and governed by and in accordance with the laws of the State of Virginia. The invalidity of any portion, provision or paragraph of this Guaranty will not affect or render invalid any other portion, provision or paragraph of this Guaranty. This Guaranty constitutes the entire agreement between Resources and the Company with respect to the subject matter hereof and supersedes all prior agreements, whether written or oral, between the parties respecting such matters. No modification of this Guaranty and no waiver of any right or remedy hereunder, will be binding unless it is in writing and signed by Resources and the Company.

No delay or failure by the Company to exercise any right or remedy will operate as a waiver thereof, and no single or partial exercise by the Company of any right or remedy will preclude other or future exercise thereof or the exercise of any other right or remedy.

IN WITNESS WHEREOF, Resources has caused this Guaranty to be executed by its duly authorized officer or representative.

RGC Resources Inc.

By: /s/ Paul W. Nester
Name: Paul W. Nester
Title: Vice President, Treasurer and CFO

EXHIBIT 31.1

CERTIFICATION

I, John S. D'Orazio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RGC Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 4, 2016

/s/ John S. D'Orazio

President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Paul W. Nester, certify that:

1. I have reviewed this quarterly report on Form 10-Q of RGC Resources, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2016

/s/ Paul W. Nester

Vice President, Secretary, Treasurer
and Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of RGC Resources, Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John S. D'Orazio, President and Chief Executive Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ John S. D'Orazio
John S. D'Orazio
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 4, 2016

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of RGC Resources, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paul W. Nester, Vice President, Secretary, Treasurer and Chief Financial Officer of the Company, certify to my knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Paul W. Nester

Paul W. Nester
Vice President, Secretary, Treasurer
and Chief Financial Officer
(Principal Financial Officer)

Date: August 4, 2016