



Investor Presentation

December 2018

John S. D'Orazio, CEO
Paul W. Nester, CFO

Forward-Looking Statements

The statements in this presentation by RGC Resources, Inc. (the "company") that are not historical facts constitute "forward-looking statements" made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. These statements include the company's expectations regarding earnings per share, EBITDA, future expansion opportunities, natural gas reserves and potential discoverable natural gas reserves, technological advances in natural gas production, comparison of natural gas consumption and natural gas production, cost of natural gas, including relativity to other fuel sources, demand for natural gas, possibility of system expansion, general potential for customer growth, relationship of company with primary regulator, future capital expenditures, current and future economic growth, estimated completion dates for Mountain Valley Pipeline ("MVP") and MVP Southgate milestones, potential of MVP to provide an additional source of natural gas, additional capacity to meet future demands, increased capital spending and area expansion opportunity and, potential new customers and rate growth in potential expansion area. Management cautions the reader that these forward-looking statements are only predictions and are subject to a number of both known and unknown risks and uncertainties, and actual results may differ materially from those expressed or implied by these forward-looking statements as a result of a number of factors. These factors include, without limitation, financial challenges affecting expected earnings per share and EBITDA, technical, political or regulatory issues with natural gas exploration, production or transportation, impact of increased natural gas demand on natural gas price, relative cost of alternative fuel sources, lower demand for natural gas, regulatory, legal, technical, political or economic issues frustrating system or area expansion, regulatory, legal, technical, political or economic issues that may affect MVP, delay in completion of MVP, increase in cost to complete MVP, including by an increase in cost of raw materials or labor to due economic factors or regulatory issues such as tariffs, economic challenges that may affect the service area generally and customer growth or demand and deterioration of relationship with primary regulator, and those risk factors described in the company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, which is available at www.sec.gov and on the company's website at www.rgcresources.com. The statements made in this presentation are based on information available to the company as of the first day of the month set forth on the cover of this presentation and the company undertakes no obligation to update any of the forward-looking statements after the date of this presentation.

Non-GAAP Measures:

This presentation includes certain metrics that are based on TTM or estimated EBITDA, which are non-GAAP financial measures.

Agenda

- ❑ Company Overview
- ❑ Key Highlights
- ❑ Financial Highlights
- ❑ Operational Highlights
- ❑ Growth Strategy
- ❑ Outlook



Organizational Structure



NASDAQ: RGO

Regulated



Roanoke Gas

- ☐ Local Distribution Company (LDC), located in Roanoke, VA, founded in 1883
- ☐ Provided 98% of earnings in fiscal 2018

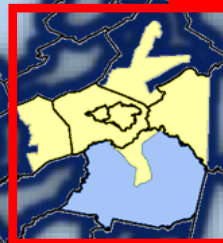
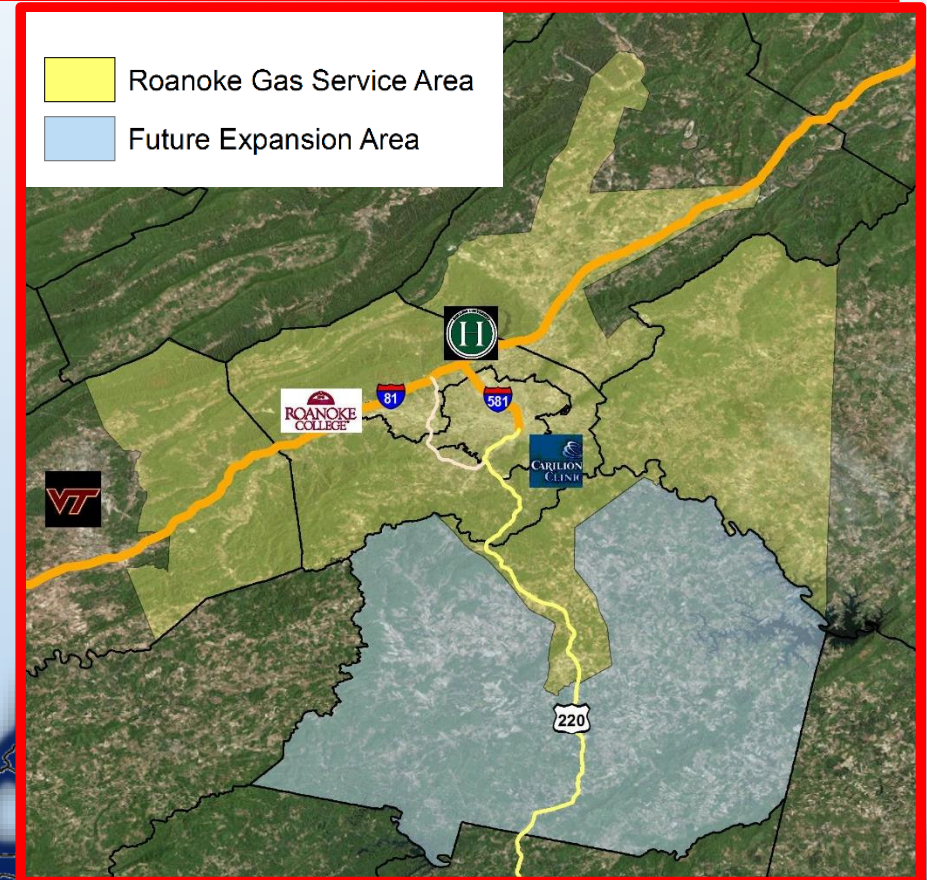
Non-Utility



- ☐ Partner in Mountain Valley Pipeline (MVP)
- ☐ Partner in proposed MVP Southgate project

Roanoke Gas Service Territory

- ❑ Serve over 60,800 natural gas customers
- ❑ Customer Count breakdown:
 - Residential 90%
 - C&I 10%
- ❑ Volume breakdown:
 - Residential 40%
 - C&I 60%

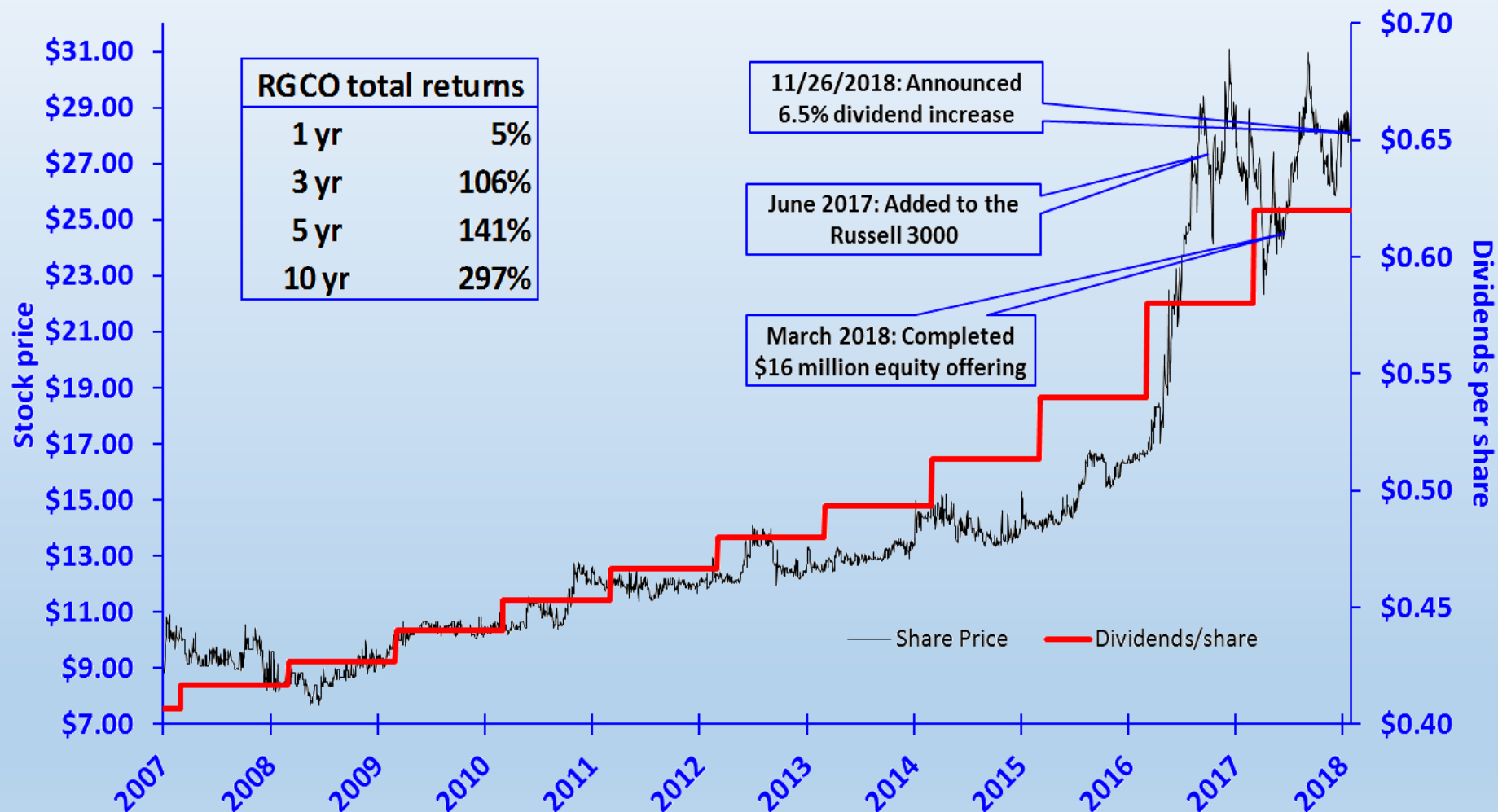


Key Highlights

Demonstrated Track Record of Delivering Shareholder Value

- ❑ Total shareholder return of 297% since 2008
- ❑ 75 years of consecutive dividend payments
- ❑ 15 years of consecutive dividend increases
- ❑ 6.5% annual dividend increase to \$0.66 per share
- ❑ 4th consecutive year of record earnings

Key Highlights



Key Highlights

Infrastructure Riders



System Expansion



Weather Normalization



Revenue Sharing



**Highly Stable
Business Model**



Regulated by VA State Corporate Commission (SCC)



VA regulatory climate ranked among best states for business¹



9.75% authorized ROE



Attractive cost of recovery mechanisms



SAVE infrastructure replacement rider approved through 2021



\$21 million availability on Prudential shelf agreement

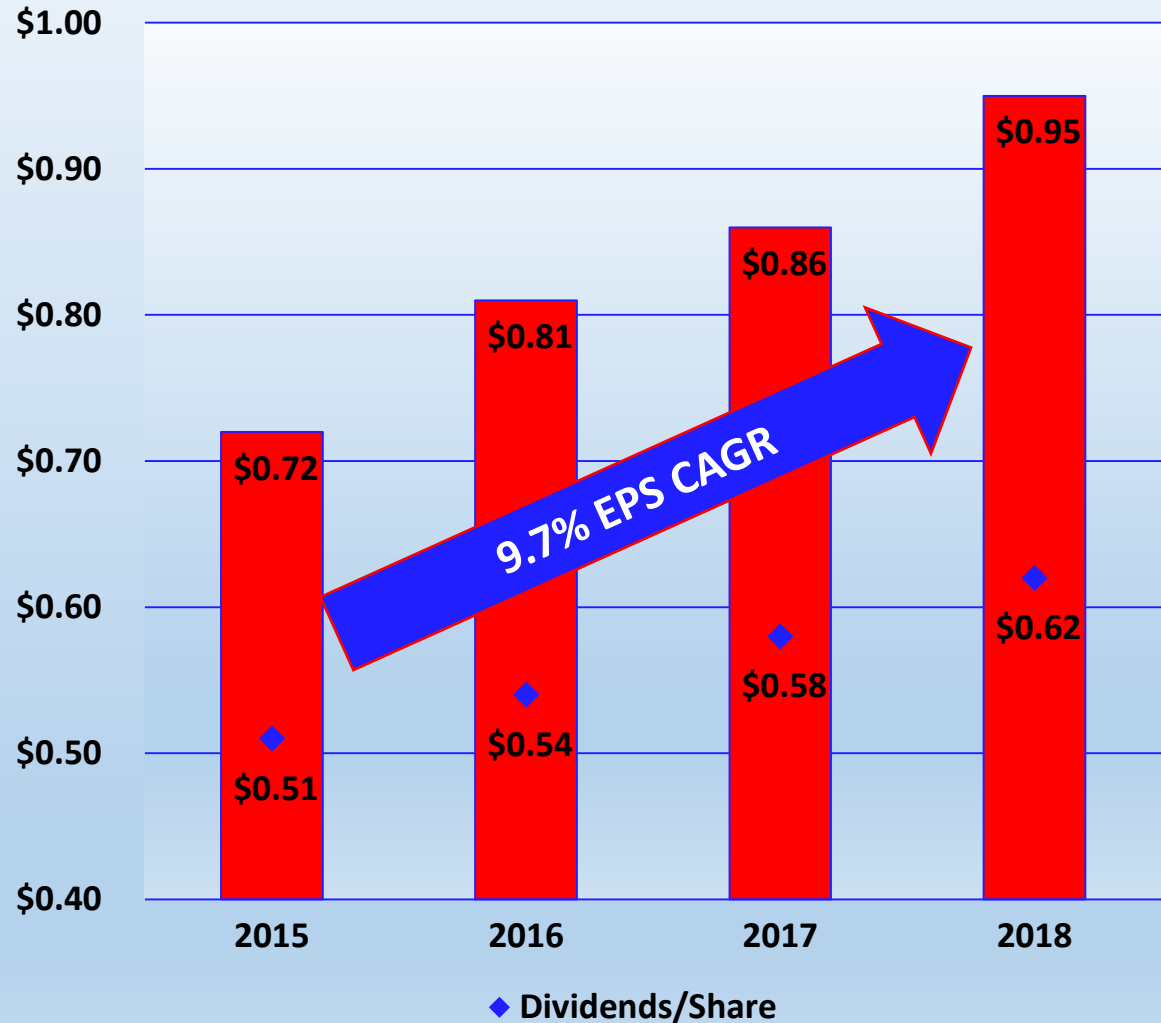


\$34 million availability on registered equity shelf filing for issuance of common stock

Earnings Per Share

**Fiscal Year ended
September 30:**

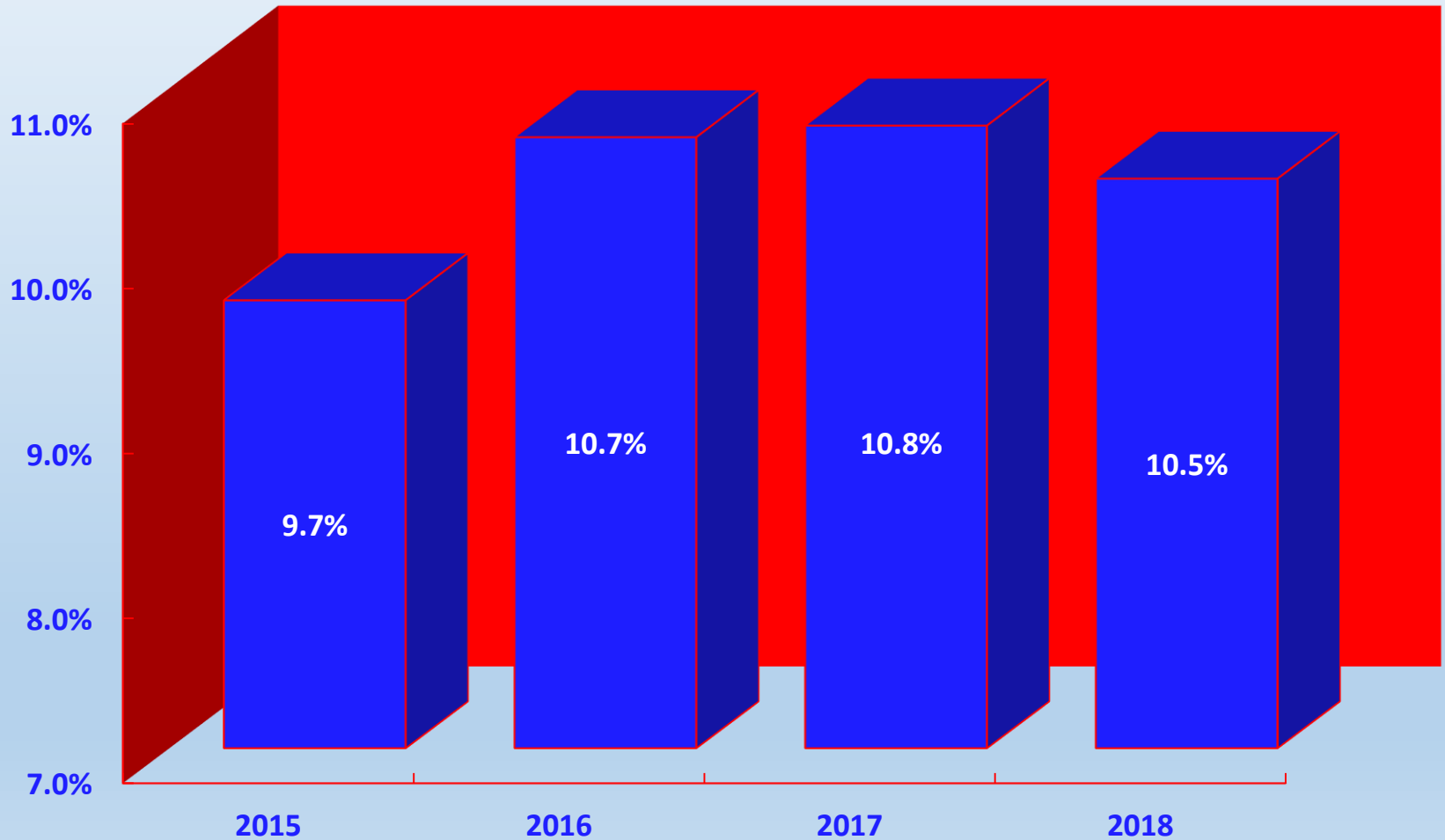
	<u>2018</u>	<u>2017</u>
Basic:	\$0.95	\$0.86
Diluted:	\$0.95	\$0.86



Key Financial Metrics

Return on Equity

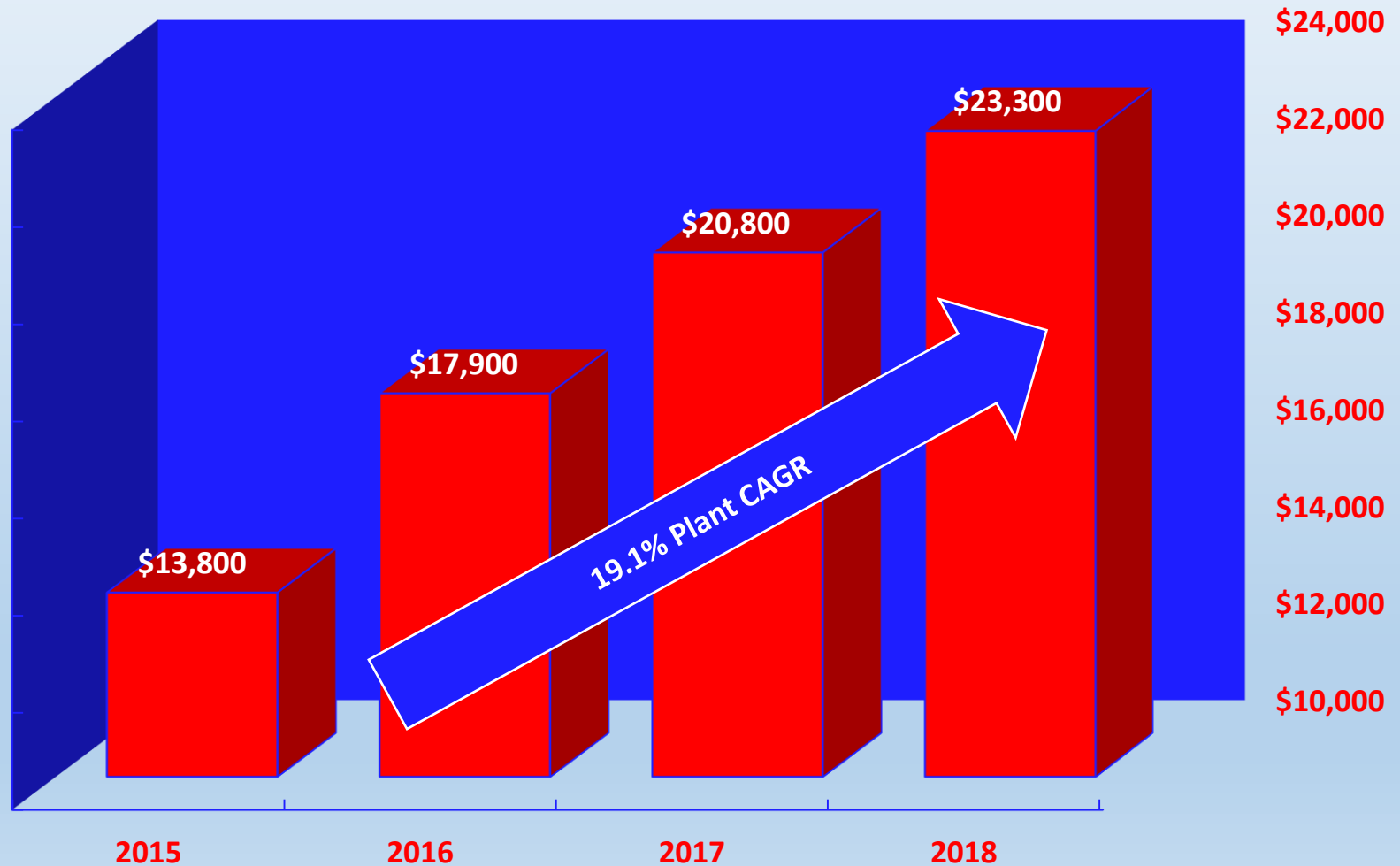
Fiscal Year ended September 30:



Key Financial Metrics

Roanoke Gas CapEx (\$000's)

Fiscal Year ended September 30:

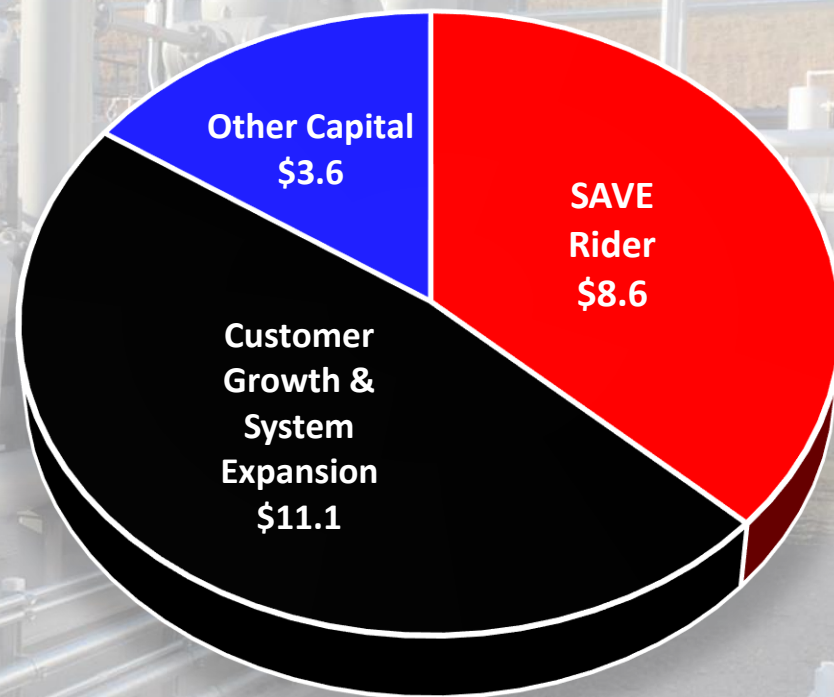
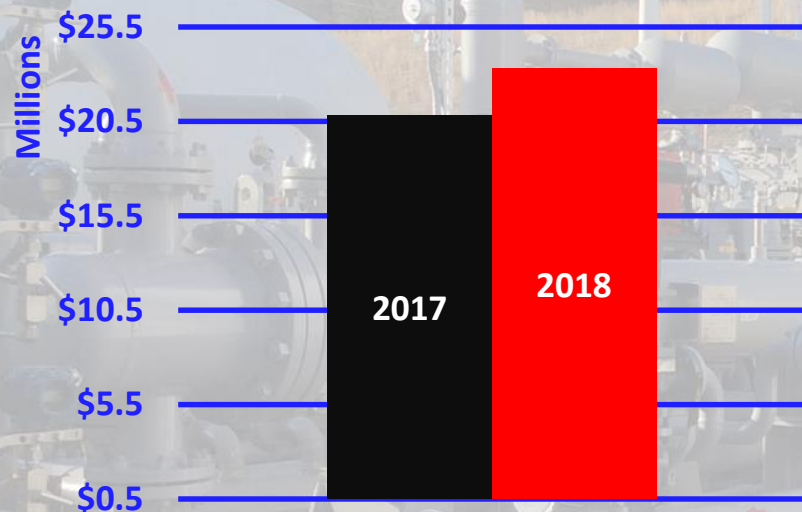


Growth Strategy

- ❑ Regulated Utility Investment
 - CapEx
- ❑ Ongoing Regulated Utility Growth
 - Volumes Delivered
 - Customer Growth
- ❑ Non-Utility Investments
 - MVP
 - MVP Southgate
- ❑ Strategic Opportunities

Regulated Utility Investment: CapEx

Fiscal Year ending September 30:



\$2.5 million or
12% increase

Regulated Utility Growth: Volumes

Volumes Delivered (DTH)

Fiscal Year ending September 30:



2018 vs 2017

Commercial	20%
Industrial	4%
Top 10 Customers	7%



Regulated Utility Growth: Customers

Average Customers

(twelve-months ended September 30)



- Consistent customer growth year over year since 2015
- 108 new customers in fiscal Q4
- 597 total new customers fiscal year ended September 30, 2018

Regulated Utility Growth: Economy



Ballast Point's industrial-scale brewery for its East Coast operations is up and brewing in Roanoke, VA

The Roanoke Times – 8.9.17

Ballast Point entered Roanoke Gas' Top 30 Customers in Fiscal 2018



General Shale recently converted operations from 66% coal to 100% natural gas

General Shale increased to 4th largest Roanoke Gas customer in Fiscal 2018 (from 11th in Fiscal 2017)



Steel Dynamics to invest \$28 million at the Roanoke Bar Division

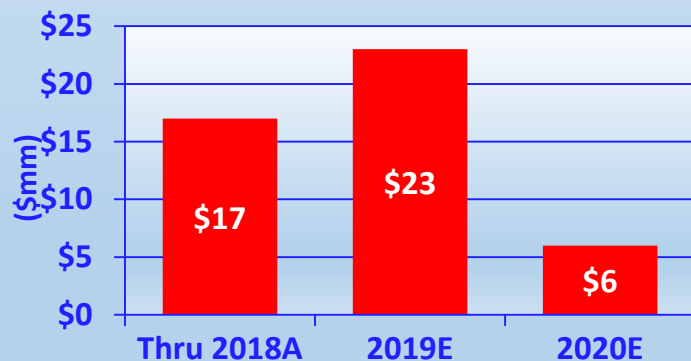
The Roanoke Times – 2.2.17

Investment to expand Roanoke production completed in Fiscal 2018

Update

- RGC Midstream investment up to \$46 million
- FERC approved and construction in progress
- Targeted in-service late calendar 2019
- Estimated \$4.4 million annual EBITDA contribution

RGC Midstream CapEx



Outlook

- ☐ Rate Case Update
- ☐ Economic Development and System Expansion
- ☐ CapEx Forecast
- ☐ EPS

Outlook: Rate Case

- ❑ Last rate case 2013
- ❑ Primary drivers:
 - Incorporate tax reform
 - Recover non-SAVE CapEx investments through 2018
 - Embed SAVE surcharges into base rates
- ❑ Filed October 2018
 - Prospective rate year Calendar 2019

Outlook: Economic Development



Eldor began production last week on its ignition systems, electronic control units and hybrid and electric vehicle systems that will be shipped to its customers around the world.

The company has hired about 120 people with plans to grow to 350 in the next four to five years.

The Roanoke Times – 10.04.18



**U.S. Department
of Veterans Affairs**

VA Medical Center contracted with ConEd Solutions to build a Combined Heating and Power Plant (CHP), expected to be completed by January 1, 2019.

ConEd Solutions announcement



BOTETOVRT, Va. - Botetourt County could soon become a household name. Local leaders say it's one of the fastest growing areas in southwest Virginia and they're promoting all that it has to offer in a series of national TV commercials.

The Roanoke Times – 8.28.18



Altec Industries announces \$30 million expansion to increase its existing plant by 65,000 square feet The Roanoke Times – 10.24.17



Packaging firm plans to expand, add up to 60 new jobs in Franklin County's Summit View

The Roanoke Times – 5.17.18

Outlook: Economic Development

VTC | Virginia Tech Carilion
Research Institute

Economist says Tech, Carilion Roanoke campus will contribute at least \$465 million to economy within 8 years.

The addition of a second building for the research institute alone will create 828 new jobs and generate \$150 million in additional spending by 2026.

The Roanoke Times – 5.23.18



The Virginia Tech Carilion Research Institute (VTCRI) in Roanoke expands its biomedical research facilities with the addition of a new \$90 million building, known as the Virginia Tech Carilion Biomedical Research Expansion. The project broke ground on Tuesday, Oct. 24.

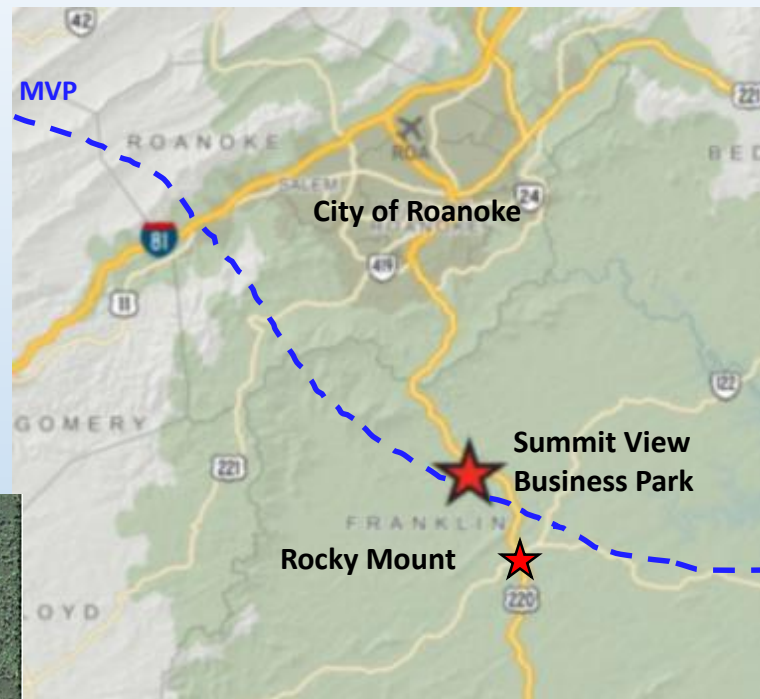
At left: A rendering of the Virginia Tech Carilion Biomedical Research Expansion. Courtesy of VT News

The Roanoke Times – 11.03.17

Outlook: System Expansion

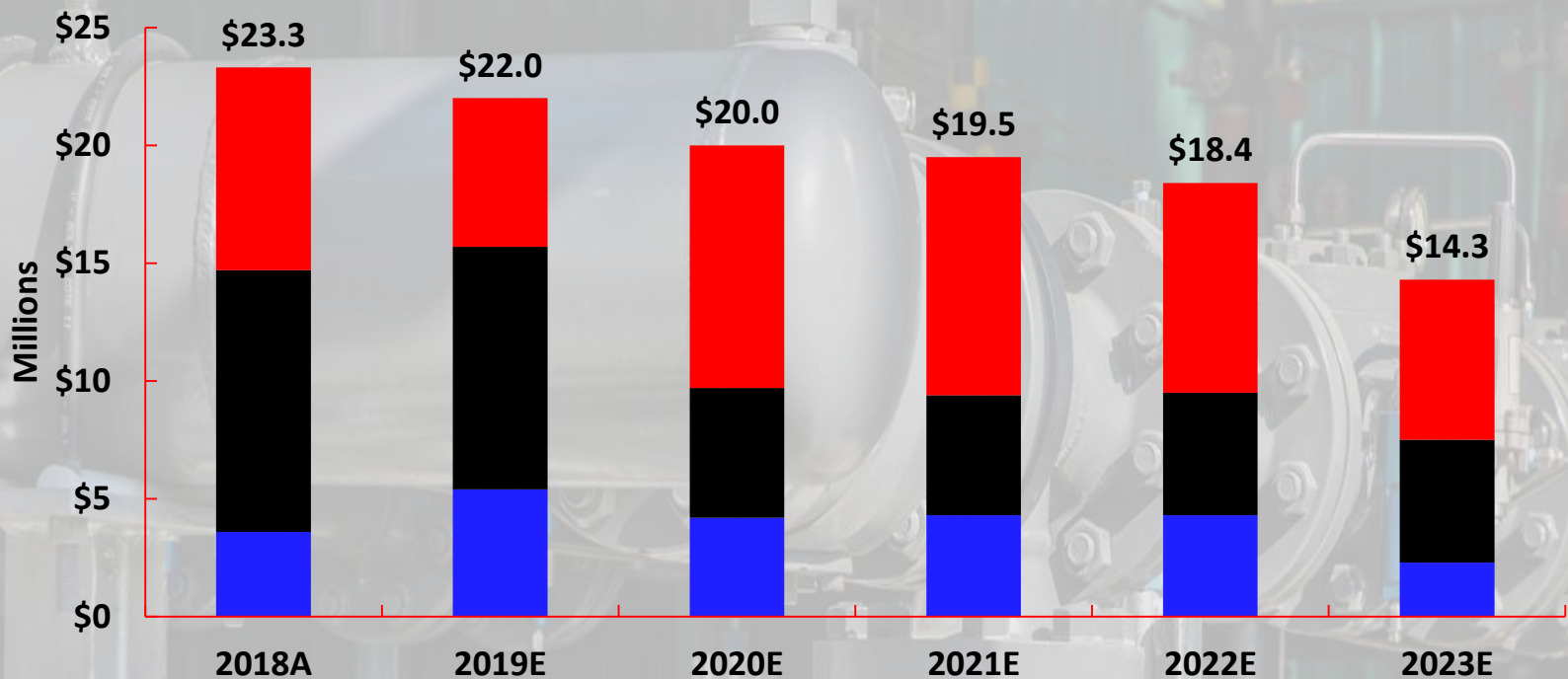
Franklin County Expansion:

- ☐ Summit View Business Park
 - 500 acre industrial along MVP path
 - RGC interconnect and distribution system under construction
- ☐ Potential to add 1,500 new customers
- ☐ Rate base growth of \$10 million



Estimated \$0.4 million annual EBITDA contribution from Franklin County Expansion

Outlook: Roanoke Gas Capital Budget



Forecast totals through 2023:

SAVE Infrastructure Replacement **\$42.4**

Customer Growth & System Expansion **\$31.3**

Utility Maintenance **\$20.5**

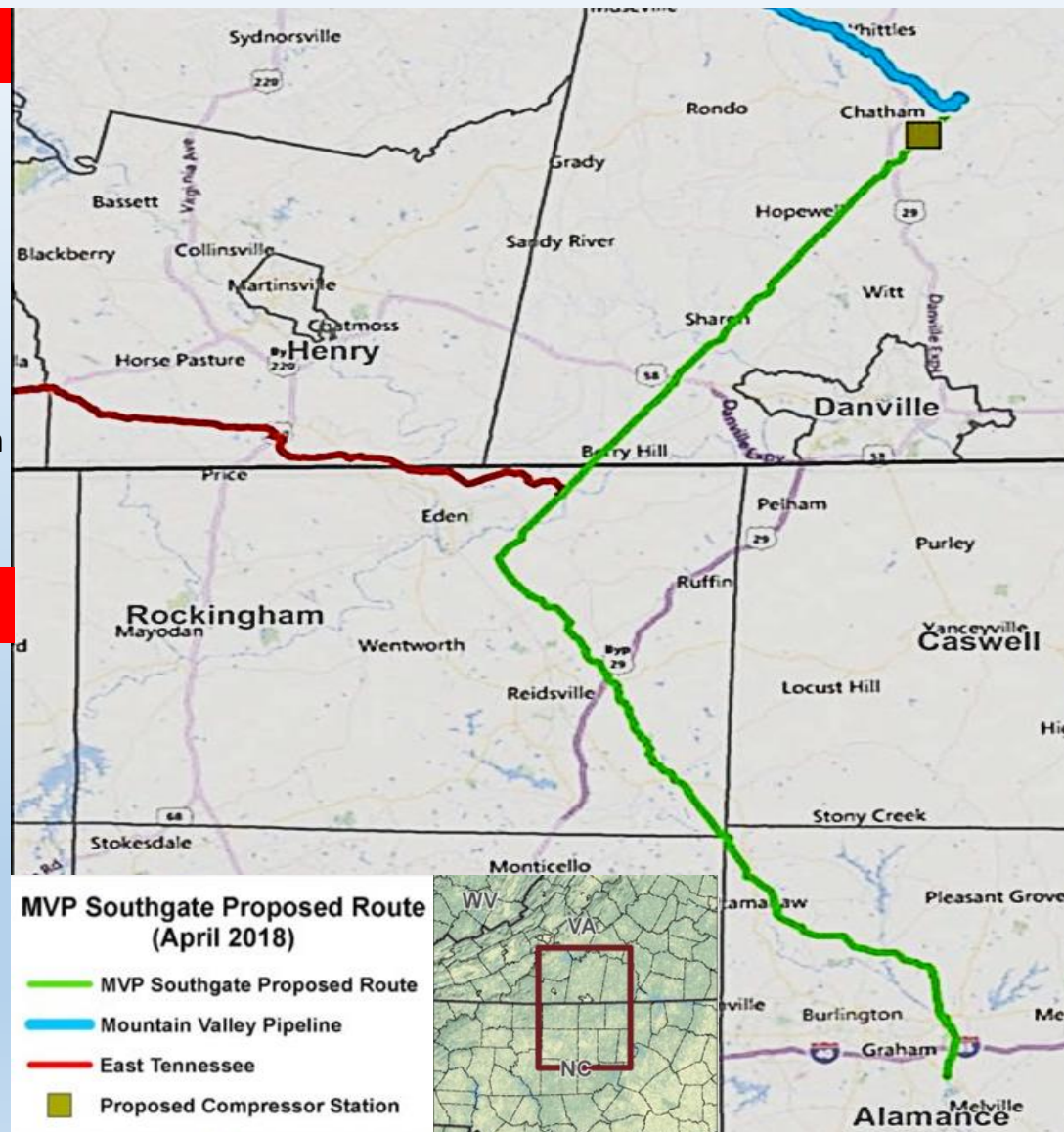
Total **\$94.2**

Southgate

- 70 mile natural gas pipeline system
- 24 and 16 inch steel underground pipe
- Starts at TRANSCO 165 and extends into central NC
- Anchored by firm capacity commitment from PSNC Energy

Schedule

- Ongoing: Public Participation
- Completed:
 - May 3, 2018: FERC Pre-filing filed
 - Nov 6, 2018: FERC Application filed
- Proposed:
 - Calendar Q1 2020: Begin Construction
 - Calendar Q4 2020: In-Service Date



Outlook: EPS

☐ 2019: \$1.00 to \$1.04

☐ 2020: \$1.07 to \$1.11



Questions