

AGL RESOURCES INC  
Form S-3  
October 22, 2004  
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As filed with the Securities and Exchange Commission on October 22, 2004

Registration No. 333-

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM S-3**

**REGISTRATION STATEMENT**

Under

**THE SECURITIES ACT OF 1933**

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**AGL RESOURCES INC.**

Georgia

58-2210952

Ten Peachtree Place, N.E.,

Atlanta, Georgia 30309

(404) 584-4000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Richard T. O'Brien

Executive Vice President and

Chief Financial Officer

AGL Resources Inc.

Ten Peachtree Place, N.E.

Atlanta, Georgia 30309

(404) 584-4000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

---

**AGL CAPITAL CORPORATION**  
(Exact name of registrant as specified in its charter)

Nevada

(State of Incorporation)

88-80472393

(I.R.S. Employer Identification Number)

2325-B Renaissance Drive,

Las Vegas, Nevada 89119

(702) 967-2442

Paul R. Shlanta

President

AGL Capital Corporation

Ten Peachtree Place, N.E.

Atlanta, Georgia 30309

(404) 584-4000

**AGL CAPITAL TRUST III**

Delaware

20-6321730

c/o AGL Resources Inc.

Ten Peachtree Place, N.E.,

Atlanta, Georgia 30309

(404) 584-4000

c/o Paul R. Shlanta

President

AGL Capital Corporation

Ten Peachtree Place, N.E.

Atlanta, Georgia 30309

(404) 584-4000

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*Copy to:*

**M. Hill Jeffries, Esq.**

**Alston & Bird LLP**

**1201 West Peachtree Street**

**Atlanta, Georgia 30309**

**(404) 881-7000**

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**Approximate date of commencement of proposed sale of the securities to the public:** From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "  \_\_\_\_\_

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "  \_\_\_\_\_

If delivery of this prospectus is expected to be made pursuant to Rule 434, please check the following box. "  \_\_\_\_\_

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Title of each class of securities to be registered (1)	Amount to be registered (2)	Proposed maximum offering price per unit (3)	Proposed maximum aggregate offering price (2)	Amount of Registration Fee (4)
Debt Securities (5)				
Guarantee of Debt Securities (6)				
Trust Preferred Securities				
Junior Subordinated Debentures (5)				
Guarantee with respect to the Trust Preferred Securities (6)				
Guarantee with respect to the Junior Subordinated Debentures (6)				
Indenture (6)				
Amended and Restated Trust Agreement (6)				
Common Stock, \$5.00 par value per Share (5)(7)				
Preferred Stock (5)				
Purchase Contracts (8)				
Guarantee of Purchase Contracts (6)				
Warrants (9)				
Guarantee of Warrants (6)				
Units (10)				
Guarantee of Units (6)				
<b>TOTAL</b>	\$ 1,500,000,000		\$ 1,500,000,000	\$ 190,050(4)

- (1) Any securities registered on this registration statement may be sold separately or as units with other securities registered on this registration statement.
- (2) Estimated in accordance with Rule 457(o) under the Securities Act of 1933, as amended, solely for the purpose of calculating the registration fee. Such amount in U.S. dollars or the equivalent thereof in other currencies, as shall result in an aggregate offering price for all securities of an amount not to exceed \$1,500,000,000.
- (3) Omitted pursuant to General Instruction II(D) of Form S-3 under the Securities Act.
- (4) A filing fee of \$187,500 was paid on September 17, 2001 in connection with the filing by the registrants of Registration Statement No. 333-69500, which registered an aggregate of \$750,000,000 of securities. Of this amount of registered securities, an aggregate of \$383,320,000 of unsold securities remained as of September 23, 2003 and was included pursuant to Rule 429 under the Securities Act in the registrant's Registration Statement No. 333-109061 filed on September 23, 2003. Pursuant to Rule 457(p) under the Securities Act, the amount of the filing fee associated with the \$383,320,000 of unsold securities was used to offset the amount of the registration fee due for Registration Statement No. 333-109061. The filing fee for Registration Statement No. 333-69500 was calculated at the then effective rate of \$250 per \$1,000,000 and the amount of such filing fee remaining available to offset the filing fee for Registration Statement No. 333-109061 was \$95,830. The fee rate in effect when Registration Statement No. 333-109061 was filed was \$80.90 per \$1,000,000, resulting in a registration fee of \$80,900 in connection with the registration of \$1,000,000,000 of securities on Registration Statement No. 333-109061. Therefore, the registrant had \$95,830 available via the unused portion of Registration Statement No. 333-69500 to offset the entire filing fee of \$80,900 for Registration Statement No. 333-109061, leaving \$14,930 available from Registration Statement No. 333-69500 to be applied to future registration statements. An aggregate of \$750,000,000 of unsold securities remains from Registration Statement No. 333-109061 as of the date hereof and is included in this registration statement pursuant to Rule 429 under the Securities Act. Pursuant to Rule 457(p) under the Securities Act, the \$60,675 filing fee associated with the \$750,000,000 of unsold securities from Registration Statement No. 333-109061 as well as the \$14,930 remaining filing fee associated with the \$383,320,000 of unsold securities from Registration Statement No. 333-69500 can be used to offset the amount of registration fee due for this registration statement. The registration fee due in connection with the filing of this registration statement has been calculated based on a fee rate in effect on the date hereof of \$126.70 per \$1,000,000, resulting in a registration fee of \$190,050. The registrant has \$75,605 available via the unused portions of Registration Statement No. 333-69500 and Registration Statement No. 333-109061 to offset against the registration fee due for this registration statement, leaving \$114,445 due in connection with this registration statement.
- (5) Also includes such indeterminate number of Debt Securities, Junior Subordinated Debentures and shares of Common Stock and Preferred Stock as may be issued upon conversion of or in exchange for any Debt Securities, Junior Subordinated Debentures or Preferred Stock that provide for conversion or exchange into other securities. No separate consideration will be received for the Debt Securities, Junior Subordinated Debentures or shares of Preferred Stock or Common Stock issuable upon conversion of or in exchange for Debt Securities, Junior Subordinated Debentures or Preferred Stock.
- (6) No separate consideration will be received for the Guarantee with respect to the Debt Securities, the Guarantee with respect to the Trust Preferred Securities, the Guarantee with respect to the Junior Subordinated Debentures, the Indenture, the Amended and Restated Trust Agreement, the Guarantee with respect to the Purchase Contracts, the Guarantee with respect to the Warrants or the Guarantee with respect to the Units, and, pursuant to Rule 457(n) under the Securities Act, no registration fee is required with respect to these guarantees.
- (7) Includes AGL Resources Inc. preferred share purchase rights. Prior to the occurrence of certain events, the preferred share purchase rights will not be evidenced separately from the AGL Resources Inc. Common Stock.
- (8) There are being registered hereby such indeterminate number of Purchase Contracts as may be issued at indeterminate prices. Such Purchase Contracts may be issued together with any of the other securities being registered hereby. Purchase Contracts may require the holder thereof to purchase or sell any of the other securities registered hereby or to purchase or sell securities of an entity unaffiliated with the registrant, a basket of such securities, an index or indices of such securities or any combination of the above.

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- (9) There are being registered hereby such indeterminate number of Warrants as may be issued at indeterminate prices. Such Warrants may be issued together with any of the securities registered hereby or separately. Warrants may be exercised to purchase any of the other securities registered hereby or to purchase or sell securities of an entity unaffiliated with the registrant, a basket of such securities, an index or indices of such securities or any combination of the above.
- (10) There are being registered hereby such indeterminate number of Units as may be issued at indeterminate prices. Units may consist of any combination of the securities being registered hereby.

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**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

Pursuant to Rule 429 under the Securities Act of 1933, the prospectus included in this registration statement also relates to an aggregate of \$750,000,000 of unsold securities registered under Registration Statement Nos. 333-69500 and 333-109061 for which a registration fee of \$75,605 was paid.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities in any place where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED OCTOBER 22, 2004**

**PROSPECTUS**

**\$1,500,000,000**

**AGL Resources Inc.**

**AGL Capital Corporation**

**AGL Capital Trust III**

**Debt Securities**

**Guarantee of Debt Securities**

**Trust Preferred Securities**

**Guarantee with respect to the Trust Preferred Securities**

**Junior Subordinated Debentures**

## **Guarantee with respect to the Junior Subordinated Debentures**

### **Common Stock**

### **Preferred Stock**

### **Preferred Stock Purchase Rights**

### **Purchase Contracts**

### **Guarantee of Purchase Contracts**

### **Warrants**

### **Guarantee of Warrants**

### **Units**

### **Guarantee of Units**

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We will provide the specific terms of these securities in supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest. This prospectus may not be used to sell securities unless accompanied by a prospectus supplement. The securities offered in this prospectus and the applicable prospectus supplement may be offered at a fixed public offering price or at varying prices determined at the time of sale. Our common stock trades on the New York Stock Exchange under the symbol ATG. There is no established public trading market for any of the other securities offered in this prospectus.

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Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. any representation to the contrary is a criminal offense.

**The date of this Prospectus is , 2004.**

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**RISK FACTORS**

Investing in our securities involves risk. Each time that we issue new securities, risk factors, if appropriate, will be included in the prospectus supplement relating to the new securities.

**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process. Under this shelf process, we may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$1,500,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Material United States federal income tax considerations applicable to the offered securities will also be discussed in the applicable prospectus supplement. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with additional information described under the headings **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference**. As used in this prospectus, the terms **we**, **our**, **ours**, **us** and similar references mean AGL Resources Inc., together with its subsidiaries, including AGL Capital Trust III and AGL Capital Corporation, or AGL Capital, unless otherwise indicated.

**PRINCIPAL EXECUTIVE OFFICES**

The address of AGL Resources' principal executive offices is Ten Peachtree Place, Atlanta, Georgia 30309, and its telephone number is (404) 584-4000. We maintain a website at <http://www.aglresources.com> where general information about us is available. We are not, however, incorporating the contents of our website into this prospectus. AGL Capital's principal address is 2325-B Renaissance Drive, Las Vegas, Nevada 89119, and its telephone number is (702) 967-2442. AGL Capital Trust III's registered office in the State of Delaware is c/o The Bank of New York (Delaware), White Clay Center, Route 273, Newark, Delaware 19711. The principal executive office of the trust is c/o AGL Resources Inc., Ten Peachtree Place, N.E., Atlanta, Georgia 30309 (telephone number 404-584-4000).

**WHERE YOU CAN FIND MORE INFORMATION**

We filed a registration statement under the Securities Act of 1933 with the SEC that registers the offer and sale of the securities described in this prospectus. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us.

In addition, we file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any information we file with the SEC at its public reference facility at 450 Fifth Street, N.W., Room 1300, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facility.

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The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, who file information electronically with the SEC. The address of that site is <http://www.sec.gov>.

You can also inspect annual, quarterly and special reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

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**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The SEC allows us to incorporate by reference information into this prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this prospectus, except for any information that is superseded by information that is included directly in this document or in a more recent incorporated document.

This prospectus incorporates by reference the documents listed below that we (or our predecessors) have previously filed with the SEC. We do not incorporate by reference documents that have been furnished to the SEC unless we expressly state otherwise in a prospectus supplement. The incorporated documents contain important information about us and our financial condition.

Annual Report on Form 10-K for the fiscal year ended December 31, 2003 filed on February 6, 2004 (SEC File No. 001-14174);

Quarterly Report on Form 10-Q for the quarter ended March 31, 2004 filed on April 28, 2004 (SEC File No. 001-14174);

Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 filed on July 29, 2004 (SEC File No. 001-14174);

Current Reports on Form 8-K dated January 26, April 26, July 15, July 26, September 9, September 22, and September 30, 2004 (SEC File No. 001-14174); and

Registration Statement on Form 8-A filed on March 6, 1996 (SEC File No. 001-11659), as amended by the Form 8-A/A filed on June 5, 2002 (SEC File No. 001-14174).

We also incorporate by reference all documents that we may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, or the Exchange Act, after the date of this prospectus and prior to the termination of the offering. Additionally, we incorporate by reference all documents that we may file with the SEC after the date of the filing of the registration statement of which this prospectus is a part and prior to the effectiveness of the registration statement. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents incorporated by reference in this prospectus from us, or from the SEC through the SEC's Internet website at the address described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents, unless the exhibit is also specifically incorporated by reference in this prospectus. You can obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address:

Investor Relations

AGL Resources Inc.

Ten Peachtree Place, N.E.

## Edgar Filing: AGL RESOURCES INC - Form S-3

Atlanta, Georgia 30309

Telephone: (404) 584-3801

We have not authorized anyone to give any information or make any representation about us that is different from, or in addition to, the information and representations contained in this prospectus or in any of the materials that we have incorporated into this prospectus. If anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this prospectus and the date of the prospectus supplement, unless the information specifically indicates that another date applies.

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**FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this registration statement reflect assumptions, expectations, projections, intentions or beliefs about future events. These statements, which may relate to such matters as future earnings, growth, supply and demand, costs, subsidiary performance, new technologies and strategic initiatives, are forward-looking statements within the meaning of the federal securities laws. These statements do not relate strictly to historical or current facts, and you can identify certain of these statements, but not necessarily all, by the use of the words anticipate, assume, indicate, estimate, believe, predict, forecast, rely, expect, continue, grow and other similar words. Although we believe that the expectations and assumptions reflected in these statements are reasonable in view of the information currently available, there can be no assurance that these expectations will prove to be correct. These forward-looking statements involve a number of risks and uncertainties, and actual results may differ materially from the results discussed in the forward-looking statements. In addition to the specific factors discussed in AGL Resources' reports that are incorporated by reference, the following are among the important factors that could cause actual results to differ materially from the forward-looking statements:

changes in industrial, commercial and residential growth in our service territories;

changes in price, supply and demand for natural gas and related products;

impact of changes in state and federal legislation and regulation, including orders of various state public service commissions and of the Federal Energy Regulatory Commission, or FERC, on the gas and electric industries and on us;

actions taken by government agencies, including decisions on base rate increase requests by state regulators;

the ultimate impact of the Sarbanes-Oxley Act of 2002 and any future changes in accounting regulations or practices in general with respect to public companies, the energy industry or our operations specifically;

the enactment of new accounting standards, or interpretations of existing accounting standards, by the Financial Accounting Standards Board, or FASB, or the SEC, that could impact the way we record revenues, assets and liabilities, which in turn could adversely affect reported results of operations;

the enactment of new auditing standards, or interpretations of existing auditing standards, by the Public Company Accounting Oversight Board, or PCAOB, which could adversely affect our ability to comply with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002.

effects and uncertainties of deregulation and competition, particularly in markets where prices and providers historically have been regulated, and unknown issues following deregulation such as the stability of the Georgia retail gas market, including risks related to energy marketing and risk management;

concentration of credit risk in marketers who are certificated by the Georgia Public Service Commission, or GPSC, to sell retail natural gas in Georgia, as well as concentration of credit risk in customers of AGL Resources' wholesale services segment;

excess high-speed network capacity and demand for dark fiber in metropolitan network areas;

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market acceptance of new technologies and products, as well as the adoption of new networking standards;

the ability to negotiate new fiber optic contracts with telecommunications providers for the provision of dark fiber services;

utility and energy industry consolidation;

performance of equity and bond markets and the impact on pension and post-retirement funding costs;

impact of acquisitions and divestitures, including:

the risk that the businesses of NUI Corporation, or NUI, and/or Jefferson Island Storage & Hub, L.L.C. will not be integrated successfully with AGL Resources or that such integrations may be more difficult, time-consuming or costly than expected;

revenues following the acquisitions may be lower than expected;

expected revenue synergies and cost savings from these two acquisitions may not be fully realized or realized within the expected time frame;

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the ability to obtain governmental approvals of the NUI acquisition on the proposed terms and schedule;

the failure of NUI's shareholders to approve the transaction;

the risk that AGL Resources may be unable to obtain financing necessary to consummate the acquisition of NUI or that the terms of such financing may be onerous; and

the risk that any financing plan may have the effect of diluting AGL Resources' shareholder value in the near term;

direct or indirect effects on AGL Resources' business, financial condition or liquidity resulting from a change in its credit rating or the credit ratings of its counterparties or competitors;

interest rate fluctuations, financial market conditions and general economic conditions;

uncertainties about environmental issues and the related impact of such issues;

impact of changes in weather upon the temperature-sensitive portions of the business;

impact of litigation;

impact of changes in prices on the margins achievable in the unregulated retail gas marketing business; and

other risks described in AGL Resources' documents on file with the SEC.

Any forward-looking statements should be considered in light of such important factors.

New factors that could cause actual results to differ materially from those described above emerge from time to time, and it is not possible to predict all of such factors, or the extent to which any such factor or combination of factors may cause actual results to differ from those contained in any forward-looking statement. Any forward-looking statement speaks only as of the date on which such statement is made, and we do not undertake any obligation to update the information contained in such statement to reflect subsequent developments or information except as required by law.

**AGL RESOURCES INC.**

**Overview**



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AGL Resources is an energy services holding company, headquartered in Atlanta, Georgia, whose principal business is the distribution of natural gas in Georgia, Tennessee and Virginia. AGL Resources operates three utilities which, combined, serve more than 1.8 million end-use customers. AGL Resources is also involved in various non-utility businesses including natural gas asset management and optimization, producer services and wholesale marketing, gas storage and hub services, risk management activities, retail natural gas marketing and operating telecommunications conduit and fiber infrastructure within select metropolitan areas.

AGL Resources is a holding company with no independent business operations or source of income of its own. It conducts substantially all of its operations through its subsidiaries and, as a result, AGL Resources depends on the earnings and cash flow of and dividends or distributions from its subsidiaries to provide the funds necessary to meet its debt and contractual obligations. Furthermore, a substantial portion of AGL Resources consolidated assets, earnings and cash flow is derived from the operation of its regulated utility subsidiaries, whose legal authority to pay dividends or make other distributions to AGL Resources is subject to regulation.

AGL Resources' holding company status also means that the right of AGL Resources to participate in any distribution of the assets of any of its subsidiaries upon liquidation, reorganization or otherwise is subject to the prior claims of the creditors of each of the subsidiaries, except to the extent that the claims of AGL Resources itself as a creditor of a subsidiary may be recognized. Since this is true for AGL Resources, it is also true for the creditors of AGL Resources, including the holders of the debt securities. The right of AGL Resources' creditors, including the holders of the debt securities, to participate in any distribution of the stock owned by AGL Resources in its regulated subsidiaries is also subject to state and federal regulation applicable to regulated

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utilities, such as regulation by state public service commissions and the FERC and the SEC pursuant to the Public Utility Holding Company Act of 1935, as amended.

AGL Resources manages its business in three operating segments and one non-operating segment. The following chart shows AGL Resources, its business segments and principal subsidiaries:

### **Distribution Operations**

Distribution Operations consists of three wholly owned natural gas local distribution companies: Atlanta Gas Light Company, Chattanooga Gas Company and Virginia Natural Gas, Inc.

*Atlanta Gas Light Company*, or AGLC, is a natural gas local distribution utility with distribution systems and related facilities serving 237 cities throughout Georgia, including Atlanta, Athens, Augusta, Brunswick, Macon, Rome, Savannah and Valdosta. AGLC also has approximately 6.0 billion cubic feet, or Bcf, of liquefied natural gas, or LNG, storage capacity in three LNG plants to supplement the supply of natural gas during peak usage periods.

*Virginia Natural Gas, Inc.*, or VNG, is a natural gas local distribution utility with distribution systems and related facilities serving southeastern Virginia. VNG is one of the most modern natural gas local distribution companies in the United States, with approximately 50% of its main piping installed after 1980. VNG also owns and operates approximately 155 miles of a separate high-pressure pipeline that provides delivery of gas to customers under firm transportation agreements within the state of Virginia. VNG also has approximately five million gallons of propane storage capacity in its two propane facilities to supplement the supply of natural gas during peak usage periods.

*Chattanooga Gas Company*, or CGC, is a natural gas local distribution utility with distribution systems and related facilities serving the Chattanooga and Cleveland areas of Tennessee. CGC has approximately 1.2 Bcf of LNG storage capacity in its LNG plant.

### **Wholesale Services**

Wholesale Services includes Sequent Energy Management, LP, or Sequent, which is AGL Resources' gas asset management and optimization, producer services and wholesale energy marketing and risk management

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subsidiary. Asset optimization focuses on capturing value from idle or underutilized natural gas assets, which are typically amassed by companies via investments in or contractual rights to natural gas transportation and storage assets. Margin is typically created by participating in transactions that balance the needs of varying markets and time horizons. Sequent's asset management customers, mainly utilities, must contract for transportation and storage services to meet their peak day demands. These customers typically contract for these services on a 365 day basis even though they may only need these services to meet their peak demands for a much shorter period. Sequent enters into agreements with these customers, either through contract assignment or agency arrangement, in order to utilize these transportation and storage services during the customers' off-peak periods. Sequent captures margin through the optimization of the purchasing, transporting, storing and selling of the natural gas and typically either shares the profits with the customer or pays a fee to the customer for using its assets.

Sequent also contracts for its own transportation and storage services by participating in transactions that combine the natural gas commodity and transportation costs that will result in the lowest cost path to serve its markets. Sequent then seeks to optimize this value chain on a daily basis as market conditions change by evaluating all of the natural gas supply, transportation and markets to which they have access and seeking out the lowest-cost alternatives to serve its markets. This enables Sequent to capture locational pricing differences as they change.

Sequent also focuses on aggregating gas supply from the major producing regions and market hubs primarily in the Eastern and Mid-Continental United States. Sequent provides the natural gas producers price transparency and certain risk management services that gives the producers alternatives to the prices they can achieve for the commodity. By aggregating volumes of natural gas from these producers, Sequent is able to provide ready outlets to the producers who are interested in securing a reliable outlet for their natural gas production. Sequent captures value by being able to efficiently procure a reliable pool of natural gas at reasonable prices to service our marketing portfolio.

## **Energy Investments**

Energy Investments includes AGL Resources' investments in SouthStar Energy Services, LLC, or SouthStar, Pivotal Jefferson Island Storage & Hub, LLC, or Pivotal Jefferson Island, and AGL Networks, LLC.

*SouthStar*, a joint venture formed in 1998, markets natural gas and related services to retail, commercial and industrial customers, principally in Georgia. SouthStar, which operates under the trade name Georgia Natural Gas, is the largest marketer in Georgia, with a market share of approximately 38%. AGL Resources' wholly owned subsidiary, Georgia Natural Gas Company, owns a non-controlling 70% financial interest in SouthStar, and a subsidiary of Piedmont Natural Gas Company owns the remaining 30% interest. AGL Resources' 70% interest is non-controlling because all significant management decisions require approval by both owners.