

AGL RESOURCES INC
Form 10-Q
August 02, 2007

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2007

OR

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

For the transition period from to

Commission File Number 1-14174

AGL RESOURCES INC.

(Exact name of registrant as specified in its charter)

Georgia

58-2210952

(State or other jurisdiction of incorporation (I.R.S. Employer Identification No.)
or organization)

Ten Peachtree Place NE, Atlanta, Georgia 30309

(Address and zip code of principal executive offices)

404-584-4000

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). 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 as of July 26, 2007
Common Stock, \$5.00 Par Value	77,695,018

AGL RESOURCES INC.

Quarterly Report on Form 10-Q

For the Quarter Ended June 30, 2007

TABLE OF CONTENTS

Item Number	Page(s)
PART I - FINANCIAL INFORMATION	3
1 Condensed Consolidated Financial Statements (Unaudited)	3-6
<u>Condensed Consolidated Balance Sheets</u>	3
<u>Condensed Consolidated Statements of Income</u>	4
<u>Condensed Consolidated Statements of Common Shareholders' Equity</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u>	6
Notes to Condensed Consolidated Financial Statements	7-16
<u>Note 1 - Accounting Policies and Methods of Application</u>	7-9
<u>Note 2 - Risk Management</u>	9
<u>Note 3 - Regulatory Assets and Liabilities</u>	10
<u>Note 4 - Employee Benefit Plans</u>	10-11
<u>Note 5 - Common Shareholders' Equity</u>	11
<u>Note 6 - Debt</u>	12
<u>Note 7 - Commitments and Contingencies</u>	13
<u>Note 8 - Income Taxes</u>	13
<u>Note 9 - Segment Information</u>	14-16
2 Management's Discussion and Analysis of Financial Condition and Results of Operations	17-30
<u>Forward-Looking Statements</u>	17
<u>Overview</u>	17
<u>Distribution Operations</u>	17-18
<u>Retail Energy Operations</u>	18
<u>Wholesale Services</u>	18-19
<u>Energy Investments</u>	19

<u>Corporate</u>	19
<u>Executive Summary</u>	19-20
<u>Results of Operations</u>	20-25
<u>Liquidity and Capital Resources</u>	26-28
<u>Critical Accounting Policies and Estimates</u>	29
<u>Accounting Developments</u>	29
<u>3Quantitative and Qualitative Disclosures About Market Risk</u>	29-32
<u>4Controls and Procedures</u>	32
PART II - OTHER INFORMATION	
<u>1Legal Proceedings</u>	
<u>2Unregistered Sales of Equity Securities and Use of Proceeds</u>	32
<u>4Submission of Matters to a Vote of Security Holders</u>	33
<u>5Other Information</u>	33
<u>6Exhibits</u>	34
<u>SIGNATURE</u>	35

PART I - Financial Information**Item 1. Financial Statements**

AGL RESOURCES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

<i>In millions, except share data</i>	June 30, 2007	As of December 31, 2006	June 30, 2006
Current assets			
Cash and cash equivalents	\$ 17	\$ 20	\$ 37
Inventories	608	597	642
Energy marketing receivables	423	505	401
Receivables (less allowance for uncollectible accounts of \$19 at June 30, 2007, \$15 at Dec. 31, 2006 and \$21 at June 30, 2006)	178	375	183
Energy marketing and risk management assets	69	159	96
Unrecovered pipeline replacement program costs	27	27	27
Unrecovered environmental remediation costs	25	27	30
Other	86	112	92
Total current assets	1,433	1,822	1,508
Property, plant and equipment			
Property, plant and equipment	5,100	4,976	4,876
Less accumulated depreciation	1,598	1,540	1,510
Property, plant and equipment-net	3,502	3,436	3,366
Deferred debits and other assets			
Goodwill	420	420	420
Unrecovered pipeline replacement program costs	236	247	259
Unrecovered environmental remediation costs	139	143	155
Other	67	79	80
Total deferred debits and other assets	862	889	914
Total assets	\$ 5,797	\$ 6,147	\$ 5,788
Current liabilities			
Energy marketing trade payables	\$ 510	\$ 510	\$ 431
Short-term debt	339	539	455
Payables	145	213	135
Accrued expenses	127	120	108
Customer deposits	42	42	38
Accrued pipeline replacement program costs	39	35	32
	22	41	46

Energy marketing and risk management liabilities			
Deferred purchased gas adjustment	16	24	19
Accrued environmental remediation costs	11	13	12
Other	70	129	96
Total current liabilities	1,321	1,666	1,372
Accumulated deferred income taxes	507	505	422
Long-term liabilities			
Accrued pipeline replacement program costs	187	202	217
Accumulated removal costs	166	162	159
Accrued environmental remediation costs	90	83	89
Accrued pension obligations	82	78	92
Accrued postretirement benefit costs	27	32	45
Other	161	146	153
Total long-term liabilities	713	703	755
Commitments and contingencies (Note 7)			
Minority interest	40	42	34
Capitalization			
Long-term debt	1,544	1,622	1,632
Common shareholders' equity, \$5 par value; 750,000,000 shares authorized	1,672	1,609	1,573
Total capitalization	3,216	3,231	3,205
Total liabilities and capitalization	\$ 5,797	\$ 6,147	\$ 5,788

See Notes to Condensed Consolidated Financial Statements (Unaudited).

AGL RESOURCES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

<i>In millions, except per share amounts</i>	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Operating revenues	\$ 467	\$ 436	\$ 1,440	\$ 1,480
Operating expenses				
Cost of gas	233	219	828	874
Operation and maintenance	111	113	227	230
Depreciation and amortization	36	34	71	68
Taxes other than income	9	10	20	20
Total operating expenses	389	376	1,146	1,192
Operating income	78	60	294	288
Other income (expense)	-	-	1	(2)
Interest expense, net	(27)	(29)	(58)	(59)
Minority interest	(2)	-	(24)	(19)
Earnings before income taxes	49	31	213	208
Income taxes	19	12	81	79
Net income	\$ 30	\$ 19	\$ 132	\$ 129
Basic earnings per common share	\$ 0.40	\$ 0.25	\$ 1.71	\$ 1.66
Diluted earnings per common share	\$ 0.40	\$ 0.25	\$ 1.70	\$ 1.65
Cash dividends paid per common share	\$ 0.41			