

AGL RESOURCES INC
Form 10-Q
April 28, 2015

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2015

Commission File Number 1-14174

AGL RESOURCES INC.
Ten Peachtree Place NE, Atlanta, Georgia 30309
404-584-4000

Georgia
(State of incorporation)

58-2210952
(I.R.S. Employer Identification No.)

AGL Resources Inc. (1) has filed all reports required to be filed by Section 13 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.

AGL Resources Inc. has submitted electronically and posted on its corporate website every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months.

AGL Resources Inc. is a large accelerated filer and is not a shell company.

The number of shares of AGL Resources Inc.'s common stock, \$5.00 Par Value, outstanding as of April 23, 2015, was 119,934,611.

Glossary of Key Terms

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AGL RESOURCES INC.
 Quarterly Report on Form 10-Q
 For the Quarter Ended March 31, 2015

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GLOSSARY OF KEY TERMS

2014 Form 10-K	Our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the SEC on February 12, 2015
2014 Form 10-Q/A	Our Quarterly Report on Form 10-Q/A for the period ended March 31, 2014, filed with the SEC on November 26, 2014
AGL Capital	AGL Capital Corporation
AGL Credit Facility	\$1.3 billion credit agreement entered into by AGL Capital to support its commercial paper program
AGL Resources	AGL Resources Inc., together with its consolidated subsidiaries
Atlanta Gas Light	Atlanta Gas Light Company
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC
Bcf	Billion cubic feet
Central Valley	Central Valley Gas Storage, LLC
CUB	Citizens Utility Board
EBIT	Earnings before interest and taxes, the primary measure of our reportable segments' profit or loss, which includes operating income and other income and excludes financing costs, including interest on debt and income tax expense
ERC	Environmental remediation costs
FASB	Financial Accounting Standards Board
Fitch	Fitch Ratings
GAAP	Accounting principles generally accepted in the United States of America
Georgia Commission	Georgia Public Service Commission, the state regulatory agency for Atlanta Gas Light
Golden Triangle	Golden Triangle Storage, Inc.
Heating Degree Days	A measure of the effects of weather on our businesses, calculated when the average daily temperatures are less than 65 degrees Fahrenheit
Heating Season	The period from November through March when natural gas usage and operating revenues are generally higher
Horizon Pipeline	Horizon Pipeline Company, LLC
Illinois Commission	Illinois Commerce Commission, the state regulatory agency for Nicor Gas
Jefferson Island	Jefferson Island Storage & Hub, LLC
LIFO	Last-in, first-out
LNG	Liquefied natural gas
LOCOM	Lower of weighted average cost or current market price
Marketers	Marketers selling retail natural gas in Georgia and certificated by the Georgia Commission
MGP	Manufactured Gas Plant
Moody's	Moody's Investors Service
New Jersey BPU	New Jersey Board of Public Utilities, the state regulatory agency for Elizabethtown Gas
Nicor Gas	Northern Illinois Gas Company, doing business as Nicor Gas Company
Nicor Gas Credit Facility	\$700 million credit facility entered into by Nicor Gas to support its commercial paper program
NYMEX	New York Mercantile Exchange, Inc.
OCI	Other comprehensive income
Operating margin	A non-GAAP measure of income, calculated as operating revenues minus cost of goods sold and revenue tax expense

OTC	Over-the-counter
PBR	Performance-based rate
PennEast Pipeline	PennEast Pipeline Company, LLC
PGA	Purchased gas adjustment
Piedmont	Piedmont Natural Gas Company, Inc.
PP&E	Property, plant and equipment
S&P	Standard & Poor's Ratings Services
SEC	Securities and Exchange Commission
Sequent	Sequent Energy Management, L.P.
SouthStar	SouthStar Energy Services, LLC
STRIDE	Atlanta Gas Light's Strategic Infrastructure Development and Enhancement program
Triton	Triton Container Investments, LLC
Tropical Shipping	Tropical Shipping and Construction Company Limited
U.S.	United States
VaR	Value-at-risk
Virginia Commission	Virginia State Corporation Commission, the state regulatory agency for Virginia Natural Gas
Virginia Natural Gas	Virginia Natural Gas, Inc.
WACOG	Weighted average cost of gas

Glossary of Key Terms

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PART I – FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

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

In millions, except share amounts	As of March 31, 2015	December 31, 2014	March 31, 2014
Current assets			
Cash and cash equivalents	\$ 41	\$ 31	\$ 267
Short-term investments	8	8	49
Receivables			
Natural gas, unbilled and other	834	797	1,075
Energy marketing	611	779	1,226
Less allowance for uncollectible accounts	48	35	49
Total receivables, net	1,397	1,541	2,252
Inventories, net	302	716	253
Derivative instruments	189	245	127
Regulatory assets	63	83	250
Assets held for sale	-	-	264
Other	79	266	127
Total current assets	2,079	2,890	3,589
Long-term assets and other deferred debits			
Property, plant and equipment	11,689	11,552	11,054
Less accumulated depreciation	2,515	2,462	2,367
Property, plant and equipment, net	9,174	9,090	8,687
Goodwill	1,827	1,827	1,827
Regulatory assets	634	631	696
Intangible assets	116	125	140
Derivative instruments	24	42	11
Other	284	304	314
Total long-term assets and other deferred debits	12,059	12,019	11,675
Total assets	\$ 14,138	\$ 14,909	\$ 15,264
Current liabilities			
Energy marketing trade payables	\$ 586	\$ 777	\$ 1,119
Short-term debt	526	1,175	741
Other accounts payable – trade	285	312	434
Accrued expenses	259	229	385
Regulatory liabilities	168	112	161
Customer deposits and credit balances	109	125	104
Accrued environmental remediation liabilities	93	87	82
Temporary LIFO liquidation	87	-	252
Current portion of long-term debt	75	200	200
Derivative instruments	48	88	63
Liabilities held for sale	-	-	36
Other	135	114	177

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Total current liabilities	2,371	3,219	3,754
Long-term liabilities and other deferred credits			
Long-term debt	3,524	3,602	3,610
Accumulated deferred income taxes	1,738	1,724	1,655
Regulatory liabilities	1,612	1,601	1,550
Accrued pension and retiree welfare benefits	526	525	405
Accrued environmental remediation liabilities	326	327	358
Derivative instruments	4	5	19
Other	73	78	70
Total long-term liabilities and other deferred credits	7,803	7,862	7,667
Total liabilities and other deferred credits	10,174	11,081	11,421
Commitments, guarantees and contingencies (see Note 10)			
Equity			
Common stock, \$5 par value; 750,000,000 shares authorized: outstanding: 119,927,459 shares at March 31, 2015, 119,647,149 shares at December 31, 2014, and 119,247,421 shares at March 31, 2014	601	599	597
Additional paid-in capital	2,090	2,087	2,060
Retained earnings	1,444	1,312	1,289
Accumulated other comprehensive loss	(201)	(206)	(135)
Treasury shares, at cost: 216,523 shares at March 31, 2015, December 31, 2014, and March 31, 2014	(8)	(8)	(8)
Total common shareholders' equity	3,926	3,784	3,803
Noncontrolling interest	38	44	40
Total equity	3,964	3,828	3,843
Total liabilities and equity	\$ 14,138	\$ 14,909	\$ 15,264

See Notes to condensed consolidated financial statements (unaudited).

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

In millions, except per share amounts	Three months ended March 31,	
	2015	2014
Operating revenues (includes revenue taxes of \$56 for the three months in 2015 and \$68 for the three months in 2014)	\$ 1,721	\$ 2,462
Operating expenses		
Cost of goods sold	935	1,400
Operation and maintenance	249	289
Depreciation and amortization	97	93
Taxes other than income taxes	76	88
Total operating expenses	1,357	1,870
Operating income	364	592
Other income	3	3
Interest expense, net	(44)	(46)
Income before income taxes	323	549
Income tax expense	118	203
Income from continuing operations	205	346
Loss from discontinued operations, net of tax	-	(50)
Net income	205	296
Less net income attributable to the noncontrolling interest	12	12
Net income attributable to AGL Resources Inc.	\$ 193	\$ 284
Amounts attributable to AGL Resources Inc.		
Income from continuing operations attributable to AGL Resources Inc.	\$ 193	\$ 334
Loss from discontinued operations, net of tax	-	(50)
Net income attributable to AGL Resources Inc.	\$ 193	\$ 284
Per common share information		
Basic earnings (loss) per common share		
Continuing operations	\$ 1.62	\$ 2.82
Discontinued operations	-	(0.43)
Basic earnings per common share attributable to AGL Resources Inc.	\$ 1.62	\$ 2.39
Diluted earnings (loss) per common share		
Continuing operations	\$ 1.62	\$ 2.81
Discontinued operations	-	(0.43)
Diluted earnings per common share attributable to AGL Resources Inc.	\$ 1.62	\$ 2.38
Cash dividends declared per common share	\$ 0.51	\$ 0.49
Weighted average number of common shares outstanding		
Basic	119.3	118.5
Diluted	119.6	118.9

See Notes to condensed consolidated financial statements (unaudited).

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

In millions	Three months ended	
	2015	March 31, 2014
Net income	\$ 205	\$ 296
Other comprehensive income (loss), net of tax		
Retirement benefit plans, net of tax		
Reclassification of actuarial losses to net benefit cost (net of income tax of \$2 and \$1 for the three months ended March 31, 2015 and 2014, respectively)	3	1
Reclassification of prior service cost to net benefit cost	-	-
Retirement benefit plans, net	3	1
Cash flow hedges, net of tax		
Net derivative instrument gain arising during the period (net of income tax of \$1 for the three months ended March 31, 2015)	2	4
Reclassification of realized derivative instrument gain to net income		