

AGL RESOURCES INC
Form 10-K/A
November 07, 2014

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

FORM 10-K/A
Amendment No. 1

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

For the fiscal year ended December 31, 2013

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.)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|-----------------------------|---|
| Common Stock, \$5 Par Value | New York Stock Exchange |

AGL Resources Inc. is a well-known seasoned issuer.

AGL Resources Inc. is required to file reports pursuant to Section 13 of the Securities Exchange Act.

AGL Resources Inc.: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the preceding 12 months, 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. believes that during the 2013 fiscal year, its executive officers, directors and 10% beneficial owners subject to Section 16(a) of the Securities Exchange Act complied with all applicable filing requirements, except as set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in AGL Resources Inc.'s Proxy Statement for the 2014 Annual Meeting of Shareholders.

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

The aggregate market value of AGL Resources Inc.'s common stock held by non-affiliates of the registrant (based on the closing sale price on June 29, 2013, as reported by the New York Stock Exchange), was \$5,081,511,045.

The number of shares of AGL Resources Inc.'s common stock outstanding as of January 31, 2014 was 118,901,889

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Unless the context requires otherwise, references to “we,” “us,” “our,” the “company” or “AGL Resources” mean consolidated AGL Resources Inc. and its subsidiaries.

Explanatory Note:

We are filing this Amendment No. 1 on Form 10-K/A (this “Amended Filing”) to our Annual Report on Form 10-K for the year ended December 31, 2013 (the “Original Filing”), to: (i) reissue the Report of Independent Registered Public Accounting Firm to update the firm’s opinion regarding the effectiveness of our internal control over financial reporting as of December 31, 2013; (ii) revise management’s conclusions regarding internal control over financial reporting and disclosure controls and procedures as of December 31, 2013; (iii) revise the financial statements to adjust certain amounts in the accounting for revenue recognition related to certain of our regulatory infrastructure programs since 1998 and adjust our amortization of intangible assets for our customer relationships and trade names for the years ended December 31, 2013 and 2012, as well as update other previously-identified immaterial adjustments. Accordingly, we hereby amend and replace in their entirety Items 6, 7, 8, 9A and 15 in the Original Filing.

Additionally, we are recasting certain prior period information in our Annual Report on Form 10-K for the year ended December 31, 2013 to conform with segment reporting changes made in connection with the sale of our Tropical Shipping business, as a result of entering into a definitive agreement to sell this business on April 4, 2014. We concluded that this divestiture qualified for discontinued operations treatment of this business during the second quarter of 2014. Accordingly, the operations and cash flows of this business were removed from our ongoing operations and the assets and liabilities of this business were classified as held for sale, as reported in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014.

We did not maintain effective controls to appropriately apply the accounting guidance related to the recognition of allowed versus incurred costs. Specifically, the Company did not have controls to address the recognition of allowed versus incurred costs, primarily related to an allowed equity return, applied to the accounting for our regulated infrastructure programs and related disclosures that operated at a level of precision to prevent or detect potential material misstatements to the Company’s consolidated financial statements. This control deficiency resulted in the misstatement of our regulatory assets and operating revenues and related financial disclosures and resulted in the revision of our consolidated financial statements for the years December 31, 2013, 2012 and 2011 and each of the quarters of March 31, 2014 and June 30, 2014. Additionally, this control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Accordingly, our management has concluded that the control deficiency constitutes a material weakness.

As required by Rule 12b-15, our principal executive officer and principal financial officer are providing updated certifications. In addition, we are filing a new consent of PricewaterhouseCoopers LLP. Accordingly, we hereby amend Item 15 in the Original Filing to reflect the filing of the new certifications and consent.

Except as indicated above, this Amended Filing does not purport to reflect any information or events subsequent to the filing date of the Original Filing. As such, this Amended Filing speaks only as of the date the Original Filing was filed, and we have not undertaken herein to amend, supplement or update any information contained in the Original Filing to give effect to any subsequent events. Accordingly, this Amended Filing should be read in conjunction with the Original Filing and any documents filed by us with the Securities and Exchange Commission (SEC) subsequent to the Original Filing, including our Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed with the SEC on April 29, 2014, and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, filed with the SEC on July 30, 2014.

GLOSSARY OF KEY TERMS

| | |
|-----------------------|---|
| AFUDC | Allowance for funds used during construction, which represents the estimated cost of funds, from both debt and equity sources, used to finance the construction of major projects and is capitalized in rate base for ratemaking purposes when the completed projects are placed in service |
| AGL Capital | AGL Capital Corporation |
| AGL Credit Facility | \$1.3 billion credit agreement entered into by AGL Capital to support the AGL Capital commercial paper program |
| AGL Resources | AGL Resources Inc., together with its consolidated subsidiaries |
| Atlanta Gas Light | Atlanta Gas Light Company |
| Bcf | Billion cubic feet |
| Central Valley | Central Valley Gas Storage, LLC |
| Chattanooga Gas | Chattanooga Gas Company |
| Chicago Hub | A venture of Nicor Gas, which provides natural gas storage and transmission-related services to marketers and gas distribution companies |
| California Commission | California Public Utilities Commission, the state regulatory agency for Central Valley |
| Compass Energy | Compass Energy Services, Inc., which was sold in 2013 |
| EBIT | Earnings before interest and taxes, the primary measure of our operating segments' profit or loss, which includes operating income and other income and excludes financing costs, including interest on debt and income tax expense |
| EPA | U.S. Environmental Protection Agency |
| ERC | Environmental remediation costs associated with our distribution operations segment that are generally recoverable through rate mechanisms |
| FASB | Financial Accounting Standards Board |
| FERC | Federal Energy Regulatory Commission |
| 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 |
| Georgia Natural Gas | The trade name under which SouthStar does business in Georgia |
| 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 |
| Henry Hub | A major interconnection point of natural gas pipelines in Erath, Louisiana where NYMEX natural gas future contracts are priced |
| Illinois Commission | Illinois Commerce Commission, the state regulatory agency for Nicor Gas |
| Jefferson Island | Jefferson Island Storage & Hub, LLC |
| LIBOR | London Inter-Bank Offered Rate |
| LIFO | Last-in, first-out |
| LNG | Liquefied natural gas |
| LOCOM | Lower of weighted average cost or current market price |
| Marketers | |

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|---------------------------|---|
| | 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 | Nicor Inc. - an acquisition completed in December 2011 and former holding company of Nicor 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 |
| NUI | NUI Corporation |
| 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 |
| Pad gas | Volumes of non-working natural gas used to maintain the operational integrity of the natural gas storage facility, also known as base gas |
| PBR | Performance-based rate, a regulatory plan at Nicor Gas that provided economic incentives based on natural gas cost performance. The plan terminated in 2003 |
| PGA | Purchased Gas Adjustment |
| Piedmont | Piedmont Natural Gas Company, Inc. |
| Pivotal Home Solutions | Nicor Energy Services Company, doing business as Pivotal Home Solutions |
| Pivotal Utility | Pivotal Utility Holdings, Inc., doing business as Elizabethtown Gas, Elkton Gas and Florida City Gas |
| PP&E | Property, plant and equipment |
| S&P | Standard & Poor's Ratings Services |
| Sawgrass Storage | Sawgrass Storage, LLC |
| SEC | Securities and Exchange Commission |
| Sequent | Sequent Energy Management, L.P. |
| Seven Seas | Seven Seas Insurance Company, Inc. |
| SNG | Substitute natural gas, a synthetic form of gas manufactured from coal |
| SouthStar | SouthStar Energy Services LLC |
| STRIDE | Atlanta Gas Light's Strategic Infrastructure Development and Enhancement program |
| Tennessee Authority | Tennessee Regulatory Authority, the state regulatory agency for Chattanooga Gas |
| Term Loan Facility | \$300 million credit agreement entered into by AGL Capital to repay the \$300 million senior notes that matured in 2011 |
| TEU | Twenty-foot equivalent unit, a measure of volume in containerized shipping equal to one 20-foot-long container |
| Triton | Triton Container Investments LLC |
| Tropical Shipping | Tropical Shipping and Construction Company Limited, and also the name used throughout this filing to describe the business operations of our former cargo shipping segment (excluding Triton), which now has been classified as discontinued operations and held for sale |
| U.S. | United States |
| VaR | Value-at-risk is the maximum potential loss in portfolio value over a specified time period that is not expected to be exceeded within a given |

| | |
|----------------------|---|
| | degree of probability. |
| Virginia Natural Gas | Virginia Natural Gas, Inc. |
| Virginia Commission | Virginia State Corporation Commission, the state regulatory agency for Virginia Natural Gas |
| WACOG | Weighted average cost of gas |
| WNA | Weather normalization adjustment |

PART II

ITEM 6. REVISED SELECTED FINANCIAL DATA

Selected financial data about AGL Resources for the last five years is set forth in the table below. You should read the data in the table in conjunction with the consolidated financial statements and related notes set forth in Item 8, "Financial Statements and Supplementary Data." Material changes from 2011 to 2012 are primarily due to the Nicor merger which closed on December 9, 2011.

| | 2013(1) | 2012 (1) | 2011 (1)(2) | 2010 (2)(3) | 2009 (2)(3) |
|--|---------|----------|-------------|-------------|-------------|
| Dollars and shares in millions, except per share amounts | Revised | Revised | Revised | | |
| Income statement data | | | | | |
| Operating revenues | \$4,209 | \$3,562 | \$2,305 | \$2,373 | \$2,317 |
| Operating expenses | | | | | |
| Cost of goods sold | 2,110 | 1,583 | 1,085 | 1,164 | 1,142 |
| Operation and maintenance (4) | 887 | 816 | 497 | 497 | 497 |
| Depreciation and amortization | 397 | 394 | 182 | 160 | 158 |
| Nicor merger expenses (4) | - | 20 | 57 | 6 | - |
| Taxes other than income taxes | 187 | 159 | 57 | 46 | 44 |
| Total operating expenses | 3,581 | 2,972 | 1,878 | 1,873 | 1,841 |
| Gain on disposition of assets | 11 | - | - | - | - |
| Operating income | 639 | 590 | 427 | 500 | 476 |
| Other income (expense) | 16 | 24 | 7 | (1) | 9 |
| EBIT | 655 | 614 | 434 | 499 | 485 |
| Interest expense, net | 170 | 183 | 134 | 109 | 101 |
| Income before income taxes | 485 | 431 | 300 | 390 | 384 |
| Income tax expense | 177 | 157 | 121 | 140 | 135 |
| Income from continuing operations | 308 | 274 | 179 | 250 | 249 |
| Income from discontinued operations, net of tax | 5 | 1 | - | - | - |
| Net income | 313 | 275 | 179 | 250 | 249 |
| Less net income attributable to the noncontrolling interest | 18 | 15 | 14 | 16 | 27 |
| Net income attributable to AGL Resources Inc. | \$295 | \$260 | \$165 | \$234 | \$222 |
| Per common share information | | | | | |
| Diluted weighted average common shares outstanding | 118.3 | 117.5 | 80.9 | 77.8 | 77.1 |
| Diluted earnings per common share (5) | | | | | |
| Continuing operations | \$2.45 | \$2.20 | \$2.04 | \$3.00 | \$2.88 |
| Discontinued operations | 0.04 | 0.01 | - | - | - |
| Diluted earnings per common share attributable to AGL Resources Inc. common shareholders | \$2.49 | \$2.21 | \$2.04 | \$3.00 | \$2.88 |
| Dividends declared per common share | \$1.88 | \$1.74 | \$1.90 | \$1.76 | \$1.72 |
| Dividend payout ratio | 76 | % 79 | % 93 | % 58 | % 60 |
| Dividend yield (6) | 4.0 | % 4.4 | % 4.5 | % 4.9 | % 4.7 |
| Price range: | | | | | |

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|---|----------|----------|----------|---------|---------|
| High | \$49.31 | \$42.88 | \$43.69 | \$40.08 | \$37.52 |
| Low | \$38.86 | \$36.59 | \$34.08 | \$34.21 | \$24.02 |
| Close (7) | \$47.23 | \$39.97 | \$42.26 | \$35.85 | \$36.47 |
| Market value (7) | \$5,615 | \$4,711 | \$4,946 | \$2,800 | \$2,826 |
| Statements of Financial Position data (7) | | | | | |
| Total assets | \$14,550 | \$14,070 | \$13,862 | \$7,481 | \$7,045 |
| Property, plant and equipment – net | 8,643 | 8,205 | 7,741 | 4,396 | 4,146 |
| Short-term debt | 1,171 | 1,377 | 1,321 | 733 | 602 |
| Long-term debt | 3,813 | 3,553 | 3,578 | 1,971 | 1,974 |
| Total debt | 4,984 | 4,930 | 4,899 | 2,704 | 2,576 |
| Total equity | 3,613 | 3,391 | 3,305 | 1,836 | 1,819 |
| Financial ratios (7) | | | | | |
| Debt | 58 | % 59 | % 60 | % 60 | % 59 |
| Equity | 42 | % 41 | % 40 | % 40 | % 41 |