

AGL CAPITAL CORP
Form 424B3
June 27, 2006
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FILED PURSUANT TO
RULE 424(B)(3)
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333-119921-02

The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement relating to these securities has been declared effective by the Securities and Exchange Commission. We are not using this preliminary prospectus supplement and the accompanying prospectus to offer to sell these securities or to solicit offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated June 27, 2006

Preliminary Prospectus Supplement

(To Prospectus dated November 9, 2004)

AGL CAPITAL CORPORATION

\$

% Senior Notes Due

Interest payable and

Guaranteed fully and unconditionally by AGL Resources Inc.

Issue price:

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The senior notes will mature on _____, 20____. Interest will accrue from _____, 2006. We may redeem the senior notes in whole or in part at any time at the redemption price described on page S-11.

The senior notes will not be listed on any securities exchange. Currently, there is no public market for the senior notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the senior notes or determined that this prospectus supplement or the accompanying prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

	Price to		Underwriting		Proceeds
	Public	%	Discounts	%	to Us
	\$		\$		\$
Per Senior Note					
Total					

The senior notes will not be listed on any securities exchange. Currently, there is no public market for the senior notes.

We expect that delivery of the senior notes will be made to investors on or about June _____, 2006.

Joint Book-Running Managers

Calyon Securities (USA)

JPMorgan

RBS Greenwich Capital



Lazard Capital Markets

SunTrust Robinson Humphrey

June _____, 2006

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of the offering of senior notes. The second part is the accompanying prospectus, which contains a description of the senior notes and gives more general information, some of which will not apply to the senior notes.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus we send to you or file with the Securities and Exchange Commission. If the information in this prospectus supplement varies from the information contained or incorporated by reference in the accompanying prospectus, you should rely on the information in this prospectus supplement. No person is authorized to provide you with information that is different from the information provided or incorporated by reference in this prospectus supplement or to offer the senior notes in any jurisdiction where the offer is not permitted. It is important for you to read and consider all information contained in this prospectus supplement and the accompanying prospectus, including the information and documents incorporated by reference therein as well as any free writing prospectus we send to you or file with the SEC, in making your investment decision. See *Where You Can Find More Information* below. You should not assume that the information provided by this prospectus supplement, the accompanying prospectus, any such free writing prospectus or any document incorporated by reference is accurate as of any date other than the date of the document that contains the information.

Unless stated otherwise, references in this prospectus supplement to *AGL Capital*, *we*, *us* or *our* refer to AGL Capital Corporation. References in this prospectus supplement to *AGL Resources* refer to AGL Resources Inc. and its subsidiaries unless otherwise indicated or the context otherwise requires.

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FORWARD-LOOKING STATEMENTS

Certain expectations and projections regarding our future performance included or incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking statements. Forward-looking statements involve matters that are not historical facts, and because these statements involve anticipated events or conditions, forward-looking statements often include words such as anticipate, assume, can, could, estimate, expect, forecast, future, indicate, intend, may, predict, project, seek, should, target, will, would, or similar expressions. Our expectations are not guarantees and are based on currently available competitive, financial and economic data along with our operating plans. While we believe that our expectations are reasonable in view of the currently available information, our expectations are subject to future events, risks and uncertainties, and there are several factors - many beyond our control - that could cause results to differ significantly from our expectations. Such events, risks and uncertainties include, but are not limited to:

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

the impact of changes in state and federal legislation and regulation;

actions taken by government agencies on rates and other matters;

concentration of credit risk;

utility and energy industry consolidation;

the impact of acquisitions and divestitures;

direct or indirect effects on AGL Resources' business, financial condition or liquidity resulting from a change in AGL Resources' credit ratings 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;

the impact of changes in weather on the temperature-sensitive portions of AGL Resources' business;

the impact of natural disasters such as hurricanes on the supply and price of natural gas;

acts of war or terrorism; and

other factors that are described in detail in AGL Resources' filings with the SEC.

We caution readers that, in addition to the important factors described elsewhere in this prospectus supplement and the accompanying prospectus, the factors set forth in "Risk Factors" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" of AGL Resources' Annual Report on Form 10-K/A for the year ended December 31, 2005, among others, could cause AGL Resources' business, results of operations or financial condition in 2006 and thereafter to differ significantly from those expressed in any forward-

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looking statements. There also may be other factors that we and AGL Resources cannot anticipate or that are not described herein or in AGL Resources Form 10-K/A that could cause results to differ significantly from our and AGL Resources expectations.

Forward-looking statements are only as of the date they are made, and we and AGL Resources do not undertake any obligation to update these statements to reflect subsequent circumstances or events.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to purchase our senior notes. You should read this entire prospectus supplement and the accompanying prospectus carefully, as well as the information incorporated by reference into these documents, before deciding to invest in our senior notes.

AGL Capital Corporation

We are a wholly owned subsidiary of AGL Resources Inc. We were established to provide for the ongoing financing needs of AGL Resources through a commercial paper program, the issuance of various debt and hybrid securities and other financing arrangements. Our senior notes are guaranteed by AGL Resources Inc.

AGL Resources Inc.

Overview

AGL Resources is an energy services holding company, headquartered in Atlanta, Georgia, whose principal business is the distribution of natural gas in six states: Florida, Georgia, Maryland, New Jersey, Tennessee and Virginia. Our six utilities serve more than 2.2 million end-use customers, making us the largest distributor of natural gas in the southeastern and mid-Atlantic regions of the United States based on customer count. We also are involved in various related businesses, including retail natural gas marketing to end-use customers primarily in Georgia; natural gas asset management and related logistics activities for our own utilities as well as for other nonaffiliated companies; natural gas storage arbitrage and related activities; operation of high-deliverability underground natural gas storage assets; and construction and operation of telecommunications conduit and fiber infrastructure within selected metropolitan areas.

We manage these businesses through four operating segments—distribution operations, retail energy operations, wholesale services and energy investments—and a non-operating corporate segment.

Distribution Operations

The distribution operations segment consists of six natural gas local distribution utilities: Atlanta Gas Light Company, Elizabethtown Gas, Virginia Natural Gas, Inc., Florida City Gas, Chattanooga Gas Company and Elkton Gas.

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Atlanta Gas Light is the largest natural gas distributor in the Southeast in terms of customers, serving 237 communities in the state of Georgia. It provides gas delivery service to approximately 1.6 million residential, commercial and industrial customers and delivers approximately 232 million dekatherms (MMDth) of gas annually. It owns and operates more than 30,000 miles of pipeline and three liquefied natural gas (LNG) plants.

Elizabethtown Gas provides natural gas service to approximately 269,000 residential, commercial and industrial customers in northeastern and east central New Jersey. It delivers approximately 59 MMDth of gas annually through more than 4,900 miles of pipeline.

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Virginia Natural Gas provides natural gas service to approximately 266,000 residential, commercial and industrial customers in southeastern Virginia. It delivers approximately 36 MMDth of gas annually through more than 5,200 miles of pipeline. It also owns and operates a 156-mile high-pressure, large-diameter transmission pipeline serving major wholesale customers.

Florida City Gas provides natural gas service to approximately 104,000 residential, commercial and industrial customers in southeastern and east central Florida. It delivers approximately 10 MMDth of gas annually through more than 3,100 miles of pipeline.

Chattanooga Gas provides retail natural gas sales and transportation services to approximately 62,000 residential, commercial and industrial customers in Hamilton County and Bradley County, Tennessee. Chattanooga Gas delivers approximately 16 MMDth of gas annually. It also owns and operates more than 1,500 miles of pipeline and one LNG plant.

Elkton Gas provides natural gas service to approximately 6,000 residential, commercial and industrial customers in northeastern Maryland. Elkton Gas delivers approximately 1 MMDth of gas annually through more than 80 miles of pipeline.

The following table summarizes key statistics for the distribution operations segment as of March 31, 2006.

	AGLC	E town	VNG	FCG	CGC	Elkton	Total
Utility end-users (in 000s)	1,577	269	266	104	62	6	2,284
Miles of gas pipeline	30,284	4,978	5,235	3,161	1,521	87	45,266

Retail Energy Operations

SouthStar Energy Services LLC is a joint venture operating in Georgia under the trade name Georgia Natural Gas. This business markets natural gas and related services on an unregulated basis to more than 536,000 retail and commercial customers in Georgia and 300 industrial customers throughout the Southeast and, based on market share, is the largest marketer of natural gas in Georgia. 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, or Piedmont, owns the remaining 30% interest. SouthStar's partnership agreement provides that SouthStar's earnings and distributions are to be allocated 75% to Georgia Natural Gas and 25% to Piedmont's subsidiary.

Wholesale Services

The wholesale services segment consists of **Sequent Energy Management, L.P.**, which is AGL Resources' subsidiary involved in asset management, transportation, storage, producer and peaking services and wholesale marketing. Sequent's asset management business focuses on capturing economic 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 in this business by participating in transactions that balance the needs of varying markets and time horizons.

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Sequent provides its customers with natural gas from the major producing regions and market hubs primarily in the eastern and mid-continental United States. Sequent also purchases transportation and storage capacity to meet its delivery requirements and customer obligations in the marketplace. Sequent's customers benefit from Sequent's logistics expertise and the ability to deliver natural gas at prices that are advantageous relative to the other alternatives available to its end-use customers.

Energy Investments

The energy investments segment consists of AGL Resources' subsidiaries Pivotal Jefferson Island Storage & Hub, LLC, Pivotal Propane of Virginia, Inc., and AGL Networks, LLC. Currently, substantially all of the revenues earned by the energy investments segment are generated by Pivotal Jefferson Island and AGL Networks.

Pivotal Jefferson Island operates a storage and hub facility in Louisiana, approximately eight miles from the Henry Hub, which is the largest centralized point for natural gas spot and futures trading in the United States. Pivotal Jefferson Island's facility consists of two salt-dome gas storage caverns with approximately 10 MMDth of total capacity and approximately 7.2 MMDth of working gas capacity. The facility has approximately 720,000 dekatherms/day withdrawal capacity and 360,000 dekatherms/day injection capacity.

AGL Networks leases telecommunications conduit and dark fiber to a variety of customers primarily in the Atlanta, Georgia and Phoenix, Arizona metropolitan areas. AGL Networks also offers telecommunications construction services to companies.

Corporate

The corporate segment includes AGL Resources' non-operating business units, principally AGL Services Company and AGL Capital Corporation. AGL Services Company is a service company that provides business services to AGL Resources' various operations. AGL Capital Corporation provides for AGL Resources' ongoing financing needs through a commercial paper program, the issuance of various debt and hybrid securities and other financing arrangements.

The address of AGL Resources' principal executive offices is Ten Peachtree Place NE, Atlanta, Georgia 30309, and its telephone number is (404) 584-4000. AGL Capital Corporation's principal address is 2325-B Renaissance Drive, Las Vegas, Nevada 89119.

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The Offering

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the senior notes, see "Description of the Senior Notes" in this prospectus supplement.

Issuer	AGL Capital Corporation.
Guarantor	AGL Resources Inc.
Aggregate Principal Amount	\$.
Interest Rate	% per year.
Maturity Date	, 20 .
Interest Payment Dates	and of each year, beginning , 2006.
Use of Proceeds	The net proceeds from the sale of the senior notes will be used to repay a portion of our existing short-term indebtedness.
Record Dates	and of each year.
Interest Calculations	Based on a 360-day year of twelve 30-day months.
Ranking	The senior notes will rank equally with all of our other unsecured and unsubordinated indebtedness from time to time outstanding.
Sinking Fund	None.
Form and Denomination	The senior notes initially will be issued in book-entry form and will be represented by one or more registered senior notes in global form deposited with or on behalf of, and registered in the name of, a nominee of The Depository Trust Company. The senior notes will be issued in denominations of \$1,000 and integral multiples of \$1,000.
Redemption	The senior notes may be redeemed, in whole or in part, at our option, at any time, at the redemption price described on page S-11.
Issuance of Additional Notes	We may, without the consent of the holders of the senior notes, increase the principal amount of the senior notes by issuing additional senior notes in the future on the

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same terms and conditions, except for any differences in the issue price and interest accrued prior to the issue date of the additional senior notes, and with the same CUSIP number as the senior notes offered hereby. The senior notes offered by this prospectus supplement and any additional senior notes would rank equally and ratably and would be treated as a single class for all purposes under the Indenture. No additional senior notes may be issued if any event of default has occurred with respect to the senior notes.

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Set forth in the table below are summary financial and other data about AGL Resources. We derived the data in the tables as of and for the years ended December 31, 2005, 2004 and 2003 from AGL Resources' audited financial statements, and the three-month periods ended March 31, 2006 and 2005 from AGL Resources' unaudited financial statements. The unaudited financial statements were prepared on the same basis as the audited financial statements and in management's opinion include all adjustments, consisting of normal recurring entries, which we consider necessary for a fair presentation of AGL Resources' financial position and results of operations for these periods. You should read the following financial information in conjunction with the consolidated financial statements and related notes that have been incorporated by reference in this prospectus supplement and the accompanying prospectus.

(Dollars in millions, except per share data)	Three Months Ended		Year Ended		
	March, 31		December, 31		
	2006	2005	2005	2004	2003(1)
Income Statement Data:					
Operating revenues	\$1,047	\$ 912	\$2,718	\$1,832	\$ 983
Operating expenses	819	731	2,276	1,500	741
One-time gain					16
Operating income	228	181	442	332	258
Equity in earnings of SouthStar					46
Other (expense) income	(2)	1	(1)		(6)
Minority interest	(19)	(13)	(22)	(18)	
Earnings before interest and taxes (EBIT) (2)	207	169	419	314	298
Interest expense	30	26	109	71	75
Income taxes	67	55	117	90	87
Income before cumulative effect of change in accounting principle	110	88	193	153	136
Cumulative effect of change in accounting principle, net of \$5 in income taxes					(8)
Net income	\$ 110	\$ 88	\$ 193	\$ 153	\$ 128
Balance Sheet Data:					
Total assets	\$5,736	\$5,500	\$6,313	\$5,637	\$3,972
Short-term debt (3)	472	38	522	334	383
Long-term debt	1,458	1,618	1,615	1,623	956
Total debt	\$1,930	\$1,656	\$2,137	\$1,957	\$1,340
Shareholders' equity	\$1,585	\$1,446	\$1,499	\$1,385	\$ 945
Other Data:					
Property, plant & equipment expenditures	\$ 47	\$ 81	\$ 267	\$ 264	\$ 158
Dividends per share	\$ 0.37	\$ 0.31	\$ 1.30	\$ 1.15	\$ 1.11
Dividend payout ratio	26%	27%	52%	50%	55%

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- (1) As of January 1, 2004, AGL Resources consolidated all of SouthStar's accounts with the accounts of AGL Resources' subsidiaries and eliminated any intercompany balances between segments in accordance with Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities. We record Piedmont's portion of SouthStar's earnings as a minority interest in our consolidated statements of income.
- (2) EBIT reflects a non-GAAP financial measure. As an indicator of AGL Resources' operating performance or liquidity, EBIT should not be considered as an alternative to, or more meaningful than, net income or cash flow as determined in accordance with GAAP. EBIT is reconciled to net income in the table above. AGL Resources' EBIT may not be comparable to a similarly titled measure of another company. AGL Resources believes EBIT is a useful measurement of its operating segments' performance because it provides information that can be used to evaluate the effectiveness of its businesses from an operational perspective, exclusive of costs to finance those activities and exclusive of income taxes, neither of which is directly relevant to the efficiency of those operations.
- (3) Short-term debt includes current portion of long-term debt.

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USE OF PROCEEDS

We estimate that the net proceeds to be received from the sale of the senior notes, after deducting the underwriting discount and our estimated offering expenses of \$, will be approximately \$ million. We intend to use the net proceeds from the sale of the senior notes to repay approximately \$ million of short-term indebtedness, of which \$150 million was incurred to redeem \$150 million principal amount of notes payable to trusts plus accrued interest on May 21, 2006. As of March 31, 2006, the short-term indebtedness being repaid had an interest rate of 4.9%.

RATIO OF EARNINGS TO FIXED CHARGES

The following table shows AGL Resources consolidated ratio of earnings to fixed charges for the periods indicated:

	Three Months Ended	Year Ended		
		December 31,		
		2005	2004	2003
	March 31, 2006			
Ratio of earnings to fixed charges (1)	6.51	3.60	3.98	3.57

(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of the sum of pretax income from continuing operations, before adjustment for minority interests in consolidated subsidiaries or income or loss from equity investees, interest expense and the portion of rent expense deemed to represent interest. Fixed charges consist of interest incurred, whether expensed or capitalized, including amortization of debt issuance costs, if applicable, and the portion of rent expense deemed to represent interest.

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CAPITALIZATION

The following table sets forth the consolidated capitalization of AGL Resources as of March 31, 2006:

on an actual basis;

on an as adjusted basis giving effect to the May 21, 2006 redemption of \$150 million principal amount of notes payable to trusts and the repayment of a related \$5 million note representing AGL Resources' investment in the trusts (all of which is reflected as current portion of long-term debt as of March 31, 2006) plus accrued interest in each case, all of which was funded through short-term indebtedness, as if the redemption, repayment and funding had occurred on March 31, 2006; and

on an as further adjusted basis giving effect to the application of the approximately \$ million estimated net proceeds from this offering to repay approximately \$ million of short-term indebtedness, as if the offering and debt repayment had occurred on March 31, 2006.

(Dollars in millions)

	As of March 31, 2006		
	As		
	Actual	Adjusted	As Further Adjusted
	Amount	Amount	Amount
	Percent	Percent	Percent
Short-term debt	\$ 316(1)		