AGL RESOURCES INC
Form 424B5
February 12, 2003
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FILED PURSUANT TO

RULE 424(B)(5)

REGISTRATION NO. 333-69500

PROSPECTUS SUPPLEMENT

(To Prospectus dated January 7, 2003)

5,600,000 Shares

Common Stock

AGL Resources Inc. is offering 5,600,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the symbol ATG. On February 11, 2003, the last reported sale price of our common stock on the New York Stock Exchange was $22.16 per share.

Investing in our common stock involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement.

	Per Share	Total
Public offering price	$ 22.00	$ 123,200,000
Underwriting discounts and commissions	$ 0.77	$ 4,312,000
Proceeds, before expenses, to AGL Resources	$ 21.23	$ 118,888,000

We have granted the underwriters a 30-day option to purchase up to an additional 840,000 shares of our common stock to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on or about February 14, 2003.

Joint Book-Running Managers

Morgan Stanley	**Banc of America Securities LLC**

Credit Lyonnais Securities (USA) Inc.

Credit Suisse First Boston

JPMorgan

SunTrust Robinson Humphrey

The date of this prospectus supplement is February 11, 2003

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Prospectus Supplement

Prospectus

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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 common stock. The second part is the accompanying prospectus, which contains a description of the common stock and gives more general information, some of which will not apply to the common stock.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. 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 or to offer the common stock 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, in making your investment decision. You should not assume that the information provided by this prospectus supplement, the accompanying prospectus or in any document incorporated by reference is accurate as of any date other than the date of the document that contains the information. You should also read and consider the information in the documents we have referred you to in Where You Can Find More Information below.

Unless stated otherwise, references in this prospectus supplement and the accompanying prospectus to AGL Resources, we, us or our refer to AGL Resources Inc., a Georgia corporation, and its subsidiaries.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this prospectus supplement 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 c meaning. Although we believe that the expectations and assumptions reflected in these statements are reasonable in view of the information currently available to us, 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 the Risk Factors section in this prospectus supplement and our 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, including the impact of Atlanta Gas Light Company s performance-based rate plan;
- effects and uncertainties of deregulation and competition, particularly in markets where prices and providers historically have been regulated, unknown issues following deregulation such as the stability of certificated marketers, and unknown risks related to non-regulated businesses, including risks related to energy trading;
- market changes due to Georgia s Natural Gas Consumers Relief Act of 2002;
- concentration of credit risk in certificated marketers;

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- excess high-speed network capacity and demand for dark fiber in metropolitan network areas;
- market acceptance of new fiber optic technologies and products, as well as the adoption of new networking standards;
- our ability to negotiate new contracts with telecommunications providers for the provision of dark fiber services;
- utility and energy industry consolidation;
- impact of acquisitions and divestitures;
- 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 by the Financial Accounting Standards Board, or FASB, or the SEC that could impact the way we record revenues, assets and liabilities, which could lead to negative impacts on reported earnings or increases in liabilities, which in turn could affect our reported results of operations;
- performance of equity and bond markets and the impact on pension funding costs;
- direct or indirect effects on our business, financial condition or liquidity resulting from a change in our credit rating or the credit ratings of our competitors or counterparties;
- 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 our business;
- impact of litigation;
- impact of changes in prices on margins achievable in the non-regulated retail gas marketing business; and
- other risks described in our 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 for us 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.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights information contained elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the Risk Factors section contained in this prospectus supplement and the information incorporated by reference into these documents, before deciding to invest in our common stock.

AGL Resources Inc.

Overview

We are an energy services holding company whose principal business is the distribution of natural gas in Georgia, Tennessee and Virginia. We operate three utilities which, combined, serve approximately 1.8 million end-users, making us the largest gas utility in the southeastern United States and the second largest pure gas distribution utility in the country. We also are involved in various non-utility businesses including gas asset management, last-mile telecommunications infrastructure, retail gas marketing and propane services. For the year ended December 31, 2002, we had total operating revenues of $868.9 million, earnings before interest and taxes, or EBIT, of $247.0 million and net income of $103.0 million. During this period, approximately 91% of our EBIT was derived from our regulated natural gas distribution business. As of December 31, 2002 we had total assets of $3.7 billion, of which approximately 84% was attributable to our regulated natural gas distribution business.

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

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The following charts show our EBIT and total assets by business segment for and as of the year ended December 31, 2002:

Distribution Operations

Our distribution operations segment consists of three wholly-owned natural gas local distribution companies: Atlanta Gas Light Company, Chattanooga Gas Company and Virginia Natural Gas.

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.

Chattanooga Gas Company, or CGC, is a natural gas local distribution utility with distribution systems and related facilities serving 12 cities and surrounding areas in Tennessee, including the Chattanooga and Cleveland areas of Tennessee. CGC also has approximately 1.2 Bcf of LNG storage capacity in its LNG plant.

Virginia Natural Gas, or VNG, is a natural gas local distribution utility with distribution systems and related facilities serving the Hampton Roads region of 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 having been installed after 1980. VNG also 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.

The following table summarizes key statistics for our distribution operations as of December 31, 2002:

	AGLC/CGC	VNG	Total
Utility end-users (in 000s)	1,573	251	1,824
Gas throughput (in Bcf) for 12 months ended December 31, 2002	270	35	305
Miles of gas pipeline	29,912	4,946	34,858

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Wholesale Services

Our wholesale services segment includes Sequent Energy Management LP, our energy asset optimization, gas supply services and wholesale energy marketing and risk management subsidiary. Our asset optimization activities focus on capturing the value from idle or underutilized energy assets, typically by participating in transactions that balance the needs of various markets and time horizons. Sequent also aggregates gas from other marketers and producers and sells it to third parties. In addition, Sequent bundles this commodity with transportation and storage service and redelivers short and long-term transported commodity. Risk parameters are established by our risk management committee, which oversees risk management policies for the entire corporation. We use mark-to-market and position-limit methodologies as an integral part of managing the risk associated with our commodity, basis and storage positions. Additionally, we employ value-at-risk, or VaR, methodologies to evaluate our exposure to open positions. Based on a 95% confidence interval and employing a one-day and a 20-day holding period for all positions, as of December 31, 2002, Sequent s positions had a VaR of $0.1 million and $0.3 million, respectively. As of December 31, 2002, Sequent had outstanding trades with approximately 120 approved counterparties with an average credit rating of BBB+.

Although Sequent is a non-regulated business, under varying agreements and practices, Sequent acts as asset manager for our regulated utilities. In its capacity as asset manager, Sequent captures value from idle or underutilized assets of the utilities by arbitraging pricing differences across different locations and differences in commodity prices over time. Profits from these activities are shared under varying agreements with the various utilities customers.

Energy Investments

Our energy investments segment includes our investments in SouthStar Energy Services LLC, AGL Networks, LLC and US Propane LP.

SouthStar is a joint venture formed in 1998 by subsidiaries of AGL Resources, Piedmont Natural Gas Company and Dynegy Inc. to market retail natural gas and related services to industrial, commercial and residential customers, principally in Georgia. SouthStar is the largest marketer in Georgia with a market share of 38% and operates under the trade name Georgia Natural Gas. Initially, our subsidiary owned a 50% interest, Piedmont s subsidiary owned 30% and Dynegy s subsidiary owned the remaining 20%. In January 2003, we announced our intention to purchase the 20% interest owned by the Dynegy subsidiary. The purchase price is $20 million and the transaction is expected to close in March 2003. Upon closing, our subsidiary will own a 70%, non-controlling financial interest in the partnership.

AGL Networks, our wholly owned subsidiary, is a carrier-neutral provider of last-mile infrastructure and dark fiber solutions to a variety of customers in the Atlanta, Georgia and Phoenix, Arizona metropolitan areas, including local, regional and national telecommunication companies, wireless service providers, educational institutions and other commercial entities. AGL Networks typically provides conduit and dark fiber to its customers under long-term lease arrangements with terms that vary from three to 20 years. In addition to conduit and dark fiber leasing, AGL Networks also provides turnkey telecommunications network construction services.

US Propane owns all of the general partnership interests, directly or indirectly, and approximately 29% of the limited partnership interests in Heritage Propane Partners, L.P., a publicly traded marketer of propane. Heritage is the fourth largest retail marketer of propane in the United States, delivering approximately 350 million gallons per year to approximately 600,000 customers in 28 states. We own 22.36% of the limited partnership interests in US Propane and 22.36% of the limited liability company that serves as US Propane s general partner. The other limited partners are subsidiaries of TECO Energy, Inc., Piedmont Natural Gas Company and Atmos Energy Corporation. These companies also are the owners of US Propane s general partner.

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Corporate Services

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

Competitive Strengths

We believe our competitive strengths have enabled us to grow our business profitably and create significant shareholder value. These strengths include:

Distribution assets located in an attractive geographic region. Our operations are concentrated in the southern United States, one of the fastest growing regions in the country in terms of both population and energy demand. We believe that the population growth in the southern United States should result in increased demand for natural gas and related infrastructure.

Proven track record of continuous improvement in EBIT. We have continued to focus our efforts on reducing operating expenses and improving EBIT. As a result, since 2000, we have reduced our operational and maintenance expense per customer from $141 in 2000 to $135 in 2002 for AGLC/CGC and from $202 in 2000 to $173 in 2002 for VNG. In addition, during this period we have reduced operating expenses as a percentage of operating margin from 54% in 2000 to 49% in 2002 for AGLC/CGC and from 49% in 2000 to 46% in 2002 for VNG. The improvements to our operations have been achieved in part through increased investments in technology and automation as well as the implementation of best practices in our utility operations and workforce reductions.

Improved revenue stability. Recent changes with respect to the regulation of AGLC in Georgia should provide us with greater stability in our revenues and cash flow. In April 2002, we reached an agreement with the Georgia Public Service Commission on its earnings review of AGLC that enabled us to implement a three-year performance-based rate plan. The order, effective May 1, 2002, reduced AGLC customers base rates by $10 million annually. This reduction in operating revenue will be largely offset by a reduction in depreciation expense. The performance-based rate plan allows AGLC to continue to earn a return on equity of 11%, while establishing an earnings band of between 10% and 12%. Three-quarters of any earnings above 12% will be shared with the natural gas customers of Georgia, and the remaining quarter will be retained by AGLC.

In Virginia, the Virginia State Corporation Commission, or VSCC, approved a two-year experimental weather normalization adjustment, or WNA, program effective November 2002 to reduce the effect of weather on customer bills. CGC operates under a WNA under the authority of the Tennessee Regulatory Authority. These WNAs should reduce customer bills when winter weather is colder than normal and surcharge customer bills when weather is warmer than normal. A factor based on customer usage and weather conditions during each billing cycle is used to determine the credit or surcharge. The WNA should provide customers with less volatile bills and VNG and CGC with more stable operating margins and less exposure to weather risk. As part of the VSCC approval, VNG agreed not to file for a general rate increase for at least two years.

Experienced management team. Our senior management team is highly experienced in the natural gas, utility and energy industries. Our Chairman, President and CEO, Paula Rosput, has more than 20 years of utility and energy industry experience. Our senior management team, which averages over 20 years experience in industry and regulatory positions, has been strengthened over the past 18 months with the additions of a number of industry experts in asset optimization, operations, finance and regulatory and legal affairs.

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Business Strategy

Our business strategy is focused on effectively managing our gas distribution operations, optimizing our return on our assets and selectively growing our portfolio of closely related, unregulated businesses with an emphasis on risk management and earnings visibility. Key elements of our strategy include:

Enhance the value and growth potential of our regulated utility operations. We will continue to seek to enhance the value and growth of our existing utility operations by:

- maximizing our return on invested capital and managing our capital spending;
- pursuing growth opportunities in the service areas for each operating utility to expand our customer base;
- providing efficient service while aggressively managing operating costs;
- working to achieve authorized returns and share the benefits with our customers; and
- maintaining stability through regulatory compacts.

Selectively evaluate the acquisition of natural gas assets. We will selectively examine and evaluate the acquisition of gas distribution, gas pipeline or other gas assets in the Southeast and related markets. Our acquisition criteria include our ability to generate operational synergies, value from near-term earnings accretion and adequate returns on invested capital, while maintaining or improving our investment grade ratings.

Expand our wholesale services business. We will continue to selectively expand our wholesale services business to provide disciplined earnings growth. We will seek to grow this business by providing producers with markets for their gas commodity, providing end-users with gas supply and arbitraging pipeline and storage assets across various gas markets and time horizons. We will continue to maintain limited open position risk as we expand the business to ensure limited downside to our earnings.

Explore opportunities to expand our telecommunications business. We will continue to explore opportunities to expand our telecommunications business into strategic and carefully selected target markets. Our focus will be on major metropolitan areas, and we generally pursue those opportunities that improve our cash flow and/or contribute positively to earnings. Moreover, we will generally only move into a new market when we have an anchor tenant who will contribute to the capital required to expand into such market. We also will continue to sell additional network capacity on, and offer new services to enhance the value of, our existing assets.

Focus on maintaining a strong investment grade profile and high level of liquidity. Our senior unsecured debt ratings are BBB+, Baa1 and BBB+ from Standard and Poor s Ratings Group, Moody s Investor Service, Inc. and Fitch, Inc., respectively. We combine a disciplined approach to capital spending with our continuous focus on improving operating margins to optimize our cash flow generation. Additionally, we seek to reduce, over time, our ratio of total debt to total capitalization to strengthen our balance sheet and allow us to better respond to both temporary reductions in cash flow and potential opportunities to invest capital in projects closely related to our businesses that provide attractive returns.

The address of our principal executive offices is 817 West Peachtree Street, N.W., 10th Floor, Atlanta, Georgia 30308, and our telephone number is (404) 584-9470.

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THE OFFERING

Common stock offered	5,600,000 shares
Common stock to be outstanding after the offering	62,316,797 shares
Use of proceeds	Repayment of a portion of our outstanding short-term indebtedness and general corporate purposes.
New York Stock Exchange symbol	ATG

The number of shares of common stock to be outstanding after this offering is based on 56,716,797 shares outstanding as of December 31, 2002. The number of shares of common stock offered and to be outstanding after this offering does not include:

- 840,000 additional shares of common stock that the underwriters have a right to purchase from us within 30 days after the date of this prospectus supplement to cover over-allotments;
- 2,483,756 shares issuable upon the exercise of stock options outstanding as of December 31, 2002 and having a weighted average exercise price of $20.07 per share; and
- 8,867,269 additional shares available for issuance under our equity incentive plans as of December 31, 2002.

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SUMMARY FINANCIAL AND OTHER DATA

We have provided selected financial and other data in the tables below. The income statement data, common stock data and balance sheet data as of and for each of the years ended September 30, 2000 and 2001, the three months ended December 31, 2001 and the year ended December 31, 2002 have been derived from our audited financial statements, and such data for the twelve-month period ended December 31, 2001 have been derived from our unaudited financial statements. In our management s opinion, the unaudited financial statements were prepared on the same basis as our audited financial statements. You should read the following financial information in conjunction with our consolidated financial statements and related notes that we have incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Years Ended September 30, 2000	Years Ended September 30, 2001	Three Months Ended December 31, 2001	Twelve Months Ended December 31, 2001	Year Ended December 31, 2002
	(In millions, except per share data)				
Income Statement Data:					
Operating revenues	$ 607.4	$ 940.9	$ 201.0	$ 847.1	$ 868.9
Cost of sales	111.9	327.3	49.1	245.6	268.2
Operating margin	495.5	613.6	151.9	601.5	600.7
Operating expenses:					
Operations and maintenance	247.8	267.2	68.1	263.1	274.1
Depreciation and amortization	83.2	100.0	23.2	97.1	89.1
Taxes other than income taxes	26.7	32.8	6.0	28.4	29.3
Total operating expenses	357.7	400.0	97.3	388.6	392.5
Operating income	137.8	213.6	54.6	212.9	208.2
Other income	28.2	22.6	7.7	25.1	38.8
Earnings before interest and taxes (EBIT)(1)	166.0	236.2	62.3	238.0	247.0
Interest expense and preferred stock dividends	57.7	97.4	23.8	96.5	86.0
Earnings before income taxes	108.3	138.8	38.5	141.5	161.0
Income taxes	37.2	49.9	13.6	50.2	58.0
Net income	$ 71.1	$ 88.9	$ 24.9	$ 91.3	$ 103.0
Common Stock Data:					
Weighted average shares outstanding basic	55.2	54.5	55.3	54.8	56.1
Weighted average shares outstanding diluted	55.2	54.9	55.6	55.2	56.6
Earnings per share basic	$ 1.29	$ 1.63	$ 0.45	$ 1.67	$ 1.84
Earnings per share diluted	$ 1.29	$ 1.62	$ 0.45	$ 1.65	$ 1.82
Other Data:					
Capital expenditures	$ 157.8	$ 155.7	$ 51.9	$ 173.0	$ 187.0
Core earnings(2)	68.6	81.8	24.9	84.2	103.0
Core earnings per share basic(2)	1.24	1.50	0.45	1.54	1.84
Core earnings per share diluted(2)	1.24	1.49	0.45	1.53	1.82
Dividends per share	$ 1.08	$ 1.08	$ 0.27	$ 1.08	$ 1.08
Dividend payout ratio (on core earnings)	87.1%	72.0%		70.1%	58.7%

(1) As an indicator of our operating performance or liquidity, EBIT should not be considered an alternative to, or more meaningful than, net income or cash flow as determined in accordance with generally accepted accounting principles, or GAAP. Our EBIT may not be comparable to a similarly titled measure of another company.

(2) Reflects a non-GAAP measure of net income excluding significant gains or losses on the sale or disposal of assets and/or subsidiaries. Core earnings, as an indicator of operating performance or liquidity, should not be considered an alternative to, or more meaningful than, net income or cash flow as determined in accordance with GAAP. Our core earnings may not be comparable to a similarly titled measure of another company.

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	As of September 30,		As of December 31,	
	2000	2001	2001	2002
Balance Sheet Data:				
Total assets	$ 2,587.9	$ 3,368.1	$ 3,454.3	$ 3,742.0
Short-term debt and current portion of long-term debt	161.2	348.4	477.7	418.6
Long-term debt	590.0	845.0	797.0	767.0
Subsidiaries obligated mandatorily redeemable preferred securities	74.3	219.9	218.0	227.2
Common shareholders equity	$ 620.9	$ 671.4	$ 690.1	$ 710.1

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RISK FACTORS

Investing in our common stock involves risks. In deciding whether to invest in our common stock, you should carefully consider the following risk factors, in addition to the other information contained in this prospectus supplement and the accompanying prospectus and the information incorporated by reference herein. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently deem immaterial, also may become important factors that affect us. If any of the following risks occurs, our business, financial condition or results of operations could be materially and adversely affected. In that case, the value of our common stock and your investment could decline.

Risks Related to Our Business

Risks related to the regulation of our businesses could impact the rates we are able to charge, our costs and our profitability.

Our businesses are subject to regulation by federal, state and local regulatory authorities. In particular, our distribution business is regulated by the SEC under the Public Utility Holding Company Act, FERC, the Georgia Public Service Commission, the Tennessee Regulatory Authority and the Virginia State Corporation Commission. These authorities regulate many aspects of our distribution operations, including construction and maintenance of facilities, operations, safety, the rates that we can charge customers and the rate of return that we are allowed to realize. Our ability to obtain rate increases and rate supplements to maintain our current rate of return depends upon regulatory discretion, and there can be no assurance that we will be able to obtain rate increases or rate supplements or continue receiving our current authorized rates of return.

Deregulation in the natural gas industry is the separation of the provision and pricing of local distribution gas services into discrete components. Deregulation typically focuses on the separation of the gas distribution business from the gas sales business and is intended to cause the opening of the formerly regulated sales services to alternative unregulated suppliers of those services. In 1997, the Georgia legislature enacted the Natural Gas Competition and Deregulation Act. To date, Georgia is the only state in the Southeast that has fully deregulated gas distribution operations, which ultimately resulted in AGLC exiting the retail natural gas sales business while retaining its gas distribution operations. Gas marketers then assumed the retail gas sales responsibility at deregulated prices. The deregulation process required AGLC to completely reorganize its operations and personnel at significant expense. It is possible that the legislature could reverse the deregulation process and require or permit AGLC to provide retail gas sales service once again. In addition, the Georgia Public Service Commission has statutory authority on an emergency basis to order AGLC to provide temporarily the same retail gas service that it provided prior to deregulation. If either of these events were to occur, we would incur costs to reverse the reorganization process.

In April 2002, the Georgia legislature enacted the Natural Gas Consumers Relief Act in part to correct problems that arose during the implementation of the 1997 act. As a result of this new legislation, the Georgia Public Service Commission has the authority to set minimum acceptable standards for services provided by AGLC such as meter reading, disconnections and reconnections, gas demand forecasting, lost and unaccounted-for natural gas, managing interstate capacity assets, responsiveness to natural gas leaks and general customer and marketer calls. Performance by AGLC that falls below standards that are being set in a pending Georgia Public Service Commission proceeding could result in significant financial penalties to AGLC, which could negatively affect our profitability.

Our revenues, operating results and financial condition may fluctuate with the economy and its corresponding impact on our customers.

Our business is influenced by fluctuations in the economy. As a result, adverse changes in the economy can have negative effects on our revenues, operating results and financial condition. The level of economic and population growth in our regulated operations service territories, particularly new housing starts, directly affects our potential for growing our revenues.

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We face increasing competition, and if we are unable to compete effectively, our revenues, operating results and financial condition will be adversely affected.

The natural gas business is highly competitive, and we are facing increasing competition from other companies that supply energy, including electric companies and, in some cases, energy marketing and trading companies. In particular, the success of our investment in SouthStar is affected by the competition SouthStar faces from other energy marketers providing retail gas services in the Southeast.

Natural gas competes with other forms of energy, including electricity, coal and fuel oils. The primary competitive factor is price. Changes in the price or availability of natural gas relative to other forms of energy and the ability of end-users to convert to alternative fuels affect the demand for natural gas.

Our wholesale services segment competes with larger, full-service energy providers, which may limit our ability to grow our business.

Our wholesale services segment competes with national and regional full-service energy providers, energy merchants, and producers and pipelines for sales based on our ability to aggregate competitively priced commodities with transportation and storage capacity. Some of our competitors are larger and better capitalized than we are and have more national and global exposure than we do. This competition, and the addition of any new competitors, could negatively impact our wholesale services segment and our ability to grow our business.

We have a concentration of credit risk in Georgia, which could expose a significant portion of our accounts receivable to collection risks.

We have a concentration of credit risk related to the provision of natural gas services to Georgia s certificated marketers. At September 30, 1998 (prior to deregulation), AGLC had approximately 1.4 million end-use customers in Georgia. In contrast, at December 31, 2002, AGLC had only ten certificated and active marketers in Georgia, four of which (based on customer count and including SouthStar), accounted for approximately 59% of our total operating margin for calendar year 2002. As a result, AGLC now depends on a very limited number of customers for revenues. The failure of these certificated marketers to pay AGLC could adversely affect AGLC s business and results of operations and expose it to difficulties in collecting its AGLC accounts receivable. AGLC obtains security support in an amount equal to a minimum of two times a marketer s highest month s estimated bill from AGLC and also bills intrastate delivery service in advance rather than in arrears.

Additionally, SouthStar markets directly to end use customers and has periodically experienced credit losses as a result of cold weather, variable prices and customers inability to pay.

Our profitability may decline if the counterparties to our transactions fail to perform in accordance with our agreements with them.

Our wholesale services segment focuses on capturing the value from idle or underutilized energy assets, typically by executing transactions that balance the needs of various markets and time horizons. Our wholesale services segment is exposed to the risk that counterparties to our transactions will not perform their obligations. Should the counterparties to these arrangements fail to perform, we might be forced to enter into alternative hedging arrangements, honor the underlying commitment at then-current market prices or return a significant portion of the consideration received for gas under a long-term contract. In such events, we might incur additional losses to the extent of amounts, if any, already paid to, or received from, counterparties. In addition, in our activities, we often extend credit to our counterparties. Despite performing credit analysis prior to extending credit and seeking to effectuate netting agreements, we are exposed to the risk that we may not be able to collect

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amounts owed to us. If the counterparty to such a transaction fails to perform and any collateral we have secured is inadequate, we could experience material financial losses.

We are exposed to market risk and may incur losses in our wholesale services segment.

The commodity, storage and transportation portfolios of our wholesale services segment consist of contracts to buy and sell natural gas commodities, including contracts that are settled by the delivery of the commodity or cash. If the values of these contracts change in a direction or manner that we do not anticipate, we could experience financial losses from our trading activities. Based on a 95% confidence interval and employing a one-day and a 20-day holding period for all positions, Sequent s portfolio of positions as of December 31, 2002 had a one-day holding period VaR and 20-day holding period VaR of $0.1 million and $0.3 million, respectively.

Our hedging procedures may not fully protect our sales and net income from volatility.

To lower our financial exposure related to commodity price fluctuations, our wholesale services segment may enter into contracts to hedge the value of our energy assets and operations. As part of this strategy, we may utilize fixed-price, forward, physical purchase and sales contracts, futures, financial swaps and option contracts traded in the over-the-counter markets or on exchanges. However, we do not always hedge the entire exposure of our energy assets or our positions to market price volatility, and the coverage will vary over time. To the extent we have unhedged positions or our hedging procedures do not work as planned, fluctuating commodity prices could cause our net income to be volatile.

Our business is subject to environmental regulation in all jurisdictions in which we operate and our costs to comply are significant, and any changes in existing environmental regulation could negatively affect our results of operations and financial condition.

Our operations and properties are subject to extensive environmental regulation pursuant to a variety of federal, state and municipal laws and regulations. Such environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances into the environment. Environmental legislation also requires that our facilities, sites and other properties associated with our operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Our current costs to comply with these laws and regulations are significant to our results of operations and financial condition. In addition, claims against us under environmental laws and regulations could result in material costs and liabilities to us.

Existing environmental regulations could also be revised or reinterpreted, new laws and regulations could be adopted or become applicable to us or our facilities, and future changes in environmental laws and regulations could occur. With the trend toward stricter standards, greater regulation, more extensive permit requirements and an increase in the number and types of assets operated by us subject to environmental regulation, our environmental expenditures could increase in the future. Additionally, the discovery of presently unknown environmental conditions could give rise to expenditures and liabilities, including fines or penalties, that could have a material adverse effect on our business, results of operations or financial condition.

We could incur additional material costs for the environmental condition of some of our assets, including former manufactured gas plants.

We are generally responsible for all on-site and certain off-site liabilities associated with the environmental condition of the natural gas assets that we have operated, acquired or developed, regardless of when the liabilities arose and whether they are or were known or unknown. In addition, in connection with certain acquisitions and sales of assets, we may obtain, or be required to provide, indemnification against certain environmental liabilities.

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Before natural gas was widely available in the Southeast, we manufactured gas from coal and other fuels. Those manufacturing operations were known as manufactured gas plants, or MGPs, which we ceased operating in the 1950s. We have identified ten sites in Georgia and three in Florida where we, or our predecessors, own or owned all or part of a MGP site. We are required to investigate possible environmental contamination at those MGP sites and, if necessary, clean up any contamination. To date, we believe that some cleanup is likely at most of the sites and, as of December 2002, the remediation program was approximately 60% complete. As of December 31, 2002, projected costs associated with our engineering estimates and in-place contracts are $109.2 million. For those remaining elements of the MGP program where we still cannot perform engineering cost estimates, there remains variability in available future cost estimates.

Future acquisitions and expansions, if any, may affect our business by increasing the level of our indebtedness and contingent liabilities and creating integration difficulties.

From time to time, we will evaluate and acquire assets or businesses, or enter into joint venture arrangements, that we believe complement our existing businesses and related assets. These acquisitions and joint ventures may require substantial capital or the incurrence of additional indebtedness. Further, acquired operations or joint ventures may not achieve levels of revenues, operating income or productivity comparable to those of our existing operations, or otherwise perform as expected. Acquisitions or joint ventures may also involve a number of risks, including:

- our inability to integrate operations, systems and procedures;
- the assumption of unknown risks and liabilities;
- diversion of management s attention and resources; and
- difficulty retaining and training acquired key personnel.

The success of our telecommunications business strategy may be adversely affected by uncertain market conditions.

The current strategy of our telecommunications business is based upon our ability to lease conduit and dark fiber optic cable in the Atlanta, Georgia and Phoenix, Arizona metropolitan areas. The market for these services, like the telecommunications industry in general, is very competitive, is rapidly changing and is currently suffering from over-supply in certain areas. We cannot be certain that growth in demand for these services will occur as expected. If the market for these services fails to grow as anticipated or becomes saturated with competitors, including competitors using alternative technologies, our investment in the telecommunications business may be adversely affected.

Risks Related to Our Corporate and Financial Structure

If we breach any of the material financial covenants under our various indentures, credit facilities or guarantees, our debt service obligations could be accelerated.

Our existing debt and the debt of certain of our subsidiaries contain a number of significant financial covenants. If we or any of these subsidiaries breach any of the financial covenants under these agreements, our debt repayment obligations under these agreements could be accelerated. In such event, we may not be able to refinance or repay all of our indebtedness, which would result in a material adverse effect on our business, results of operations and financial condition.

We depend on our ability to successfully access the financial markets. Any inability to access the capital or financial markets may limit our ability to execute our business plan or pursue improvements that we may rely on for future growth.

We rely on access to both short-term money markets in the form of commercial paper and long-term capital markets as a source of liquidity for capital and operating requirements not satisfied by the cash flow from our operations. If we are not able to access financial markets at competitive rates, our ability to implement our

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business plan and strategy will be affected. Certain market disruptions may increase our cost of borrowing or affect our ability to access one or more financial markets. Such market disruptions could result from:

- adverse economic conditions;
- adverse general capital market conditions;
- poor performance and health of the utility industry in general;
- bankruptcy or financial distress of unrelated energy companies or certificated marketers in Georgia;
- decreases in the market price of and demand for natural gas;
- adverse regulatory actions that affect our local gas distribution companies; or
- terrorist attacks on our facilities or our suppliers.

Increases in our leverage could adversely affect our competitive position and financial condition.

An increase in our debt relative to our total capitalization could adversely affect us by:

- increasing the cost of future debt financing;
- limiting our ability to obtain additional financing, if we need it, for working capital, acquisitions, debt service requirements or other purposes;
- making it more difficult for us to satisfy our existing financial obligations;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, which would reduce funds available to us for operations, future business opportunities or other purposes;
- prohibiting the payment of dividends on our common stock or adversely impacting our ability to pay such dividends at the current rate;
- increasing our vulnerability to adverse economic and industry conditions; and
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete.

Changing rating agency requirements could negatively affect our growth and business strategy, and a downgrade in our credit rating could negatively affect our ability to access capital.

Standard & Poor s Ratings Group, Moody s Investor Service, Inc. and Fitch, Inc. have recently implemented new requirements for various ratings levels. In order to maintain our current credit ratings in light of these or future new requirements, we may find it necessary to take steps or change our business plans in ways that may affect our growth and earnings per share.

Standard & Poor s and Fitch currently assign our senior unsecured debt a rating of BBB+, and Moody s currently assigns our senior unsecured debt a rating of Baa1. Our commercial paper currently is rated A-2 and P-2 by Standard & Poor s and Moody s, respectively. If the rating agencies downgraded our ratings, particularly below investment grade, it may significantly limit our access to the commercial paper market and our borrowing costs would increase. In addition, we would likely be required to pay a higher interest rate in future financings, and our potential pool of investors and funding sources would likely decrease. Additionally, if our credit rating falls to non-investment grade status by either Standard & Poor s or Moody s, we will be required to provide additional support for certain customers of our wholesale business. As of December 31, 2002, if our credit rating falls below investment grade, we would need to provide collateral of approximately $37.6 million to continue conducting our wholesale services business with certain counterparties.

The use of derivative contracts in the normal course of our business could result in financial losses that negatively impact our results of operation.

We use derivatives, including futures, forwards and swaps, to manage our commodity and financial market risks. We could recognize financial losses on these contracts as a result of volatility in the market values of the underlying commodities or if a counterparty fails to perform under a contract. In the absence of actively quoted

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market prices and pricing information from external sources, the valuation of these financial instruments can involve management s judgment or use of estimates. As a result, changes in the underlying assumptions or use of alternative valuation methods could adversely affect the value of the reported fair value of these contracts.

We depend on cash flow from our operations to pay dividends on our common stock.

We depend on dividends or other distributions of funds from our subsidiaries to pay dividends on our common stock. Payments of our dividends will depend on our subsidiaries earnings and other business considerations and may be subject to statutory or contractual obligations. Additionally, payment of dividends on our common stock is at the sole discretion of our board of directors.

Risks Related to Our Industry

Transporting and storing natural gas involves numerous risks that may result in accidents and other operating risks and costs.

There are inherent in our gas distribution activities a variety of hazards and operating risks, such as leaks, explosions and mechanical problems, that could cause substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution, impairment of our operations and substantial losses to us. In accordance with customary industry practice, we maintain insurance against some, but not all, of these risks and losses. The location of pipelines and storage facilities near populated areas, including residential areas, commercial business centers and industrial sites, could increase the level of damages resulting from these risks. The occurrence of any of these events not fully covered by insurance could adversely affect our financial position and results of operations.

Terrorist activities and the potential for military and other actions could adversely affect our businesses.

The threat of terrorism and the impact of retaliatory military and other action by the United States and its allies may lead to increased political, economic and financial market instability and volatility in the price of natural gas that could affect our operations. In addition, future acts of terrorism could be directed against companies operating in the United States, and companies in the energy industry may face a heightened risk of exposure to acts of terrorism. These developments have subjected our operations to increased risks.

The insurance industry has also been disrupted by these events. As a result, the availability of insurance covering risks that we and our competitors typically insure against may be limited. In addition, the insurance we are able to obtain may have higher deductibles, higher premiums and more restrictive policy terms.

Recent investigations and events involving the energy markets have resulted in an increased level of public and regulatory scrutiny in the energy industry and in the capital markets, resulting in increased regulation and new accounting standards.

As a result of the bankruptcy and adverse financial condition affecting several entities, particularly the bankruptcy filing by Enron, recently discovered accounting irregularities of various public companies and investigations by governmental authorities into energy trading activities, public companies have been under an increased amount of public and regulatory scrutiny. Recently discovered practices and accounting irregularities have caused regulators and legislators to review current accounting practices, financial disclosures and relationships between companies and their independent auditors. New laws, such as the Sarbanes-Oxley Act of 2002, and regulations to address these concerns have been and continue to be adopted, and capital markets and rating agencies have increased their level of scrutiny. Costs related to increased scrutiny may have an adverse effect on our business, financial condition and access to capital markets.

In addition, the FASB or the SEC could enact new accounting standards that could impact the way we are required to record revenues, assets and liabilities. These changes in accounting standards could lead to negative impacts on our reported earnings or increases in our liabilities.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering after deducting the underwriting discounts and commissions and estimated offering expenses payable by us will be approximately $118.6 million (or approximately $136.5 million if the over-allotment option is exercised in full). We intend to use the net proceeds from this offering to repay a portion of our short-term indebtedness and for general corporate purposes. As of December 31, 2002, we had short-term debt of $388.6 million, with an average interest rate of 1.74%. Pending application of the net proceeds as described above, we may invest the net proceeds of the offering in short-term interest-bearing securities.

PRICE RANGE OF COMMON STOCK

Our common stock trades on the New York Stock Exchange under the symbol ATG. The following table sets forth, for the periods indicated, the range of high and low sale prices for our common stock.

	Common Stock Price	
	High	**Low**
Year Ended September 30, 2001		
First Quarter	$ 23.00	$ 19.25
Second Quarter	21.92	19.88
Third Quarter	24.09	21.22
Fourth Quarter	24.48	19.17
Transition Quarter Ended December 31, 2001	23.16	20.00
Year Ended December 31, 2002		
First Quarter	23.66	21.08
Second Quarter	24.23	21.74
Third Quarter	23.59	17.94
Fourth Quarter	25.00	20.62
Year Ending December 31, 2003		
First Quarter (through February 11, 2003)	$ 25.18	$ 22.16

On February 11, 2003, the last reported sale price for our common stock was $22.16 per share. As of February 10, 2003, there were 12,678 holders of record of our common stock.

DIVIDEND POLICY

We have paid quarterly cash dividends on our common stock without interruption since 1948. We paid annual dividends of $1.08 per share in 2002 and in 2001. Future dividends, declared at the discretion of our board of directors, will depend upon future earnings, financial requirements and other factors.

On January 27, 2003, our board of directors declared a quarterly dividend of $0.27 per share of AGL Resources common stock. Payment of the dividend will be made on March 1, 2003, to shareholders of record on February 14, 2003.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of December 31, 2002 (1) on an actual basis and (2) on an as adjusted basis to reflect the sale of 5,600,000 shares of our common stock and the application of the estimated net proceeds to repay short-term debt. This table should be read in conjunction with the detailed information and financial statements appearing in documents incorporated by reference in this prospectus supplement and the accompanying prospectus.

	As of December 31, 2002	
	Actual	As Adjusted
	(In millions, except share data)	
Cash and cash equivalents	$ 8.4	$ 8.4
Short-term debt and current portion of long-term debt	$ 418.6	$ 300.0
Long-term debt	767.0	767.0
Total debt	1,185.6	1,067.0
Subsidiaries obligated mandatorily redeemable preferred securities	227.2	227.2
Common shareholders equity	710.1	828.7
Total capitalization	$ 2,122.9	$ 2,122.9

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus supplement, the underwriters named below, for whom Morgan Stanley & Co. Incorporated and Banc of America Securities LLC are acting as the representatives, have severally agreed to purchase, and we have agreed to sell to them, severally, the number of shares of our common stock indicated below:

Name	Number of Shares
Morgan Stanley & Co. Incorporated	1,611,556
Banc of America Securities LLC	1,611,556
Credit Lyonnais Securities (USA) Inc.	547,555
Credit Suisse First Boston LLC	547,555
J.P. Morgan Securities Inc.	547,555
SunTrust Capital Markets, Inc.	547,555
Gabelli & Company, Inc.	93,334
Tokyo-Mitsubishi International plc	93,334
Total	5,600,000

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus supplement are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are obligated to take and pay for all of the shares of common stock offered by this prospectus supplement if any such shares are purchased. However, the underwriters are not required to take or pay for the shares covered by the underwriters over-allotment option described below.

The underwriters initially propose to offer part of the shares of common stock directly to the public at the public offering price listed on the cover page of this prospectus supplement and part to certain dealers at a price that represents a concession not in excess of $0.46 a share under the public offering price. After the initial offering of the shares of our common stock, the offering price and other selling terms may from time to time be varied by the representatives.

The following table shows the public offering price, underwriting discounts and commissions and proceeds, before expenses, to AGL Resources. This information assumes either no exercise or full exercise by the underwriters of their over-allotment option.

		Total	
	Per Share	Without Option	With Option
Public offering price	$ 22.00	$ 123,200,000	$ 141,680,000
Underwriting discounts and commissions	$ 0.77	$ 4,312,000	$ 4,958,800
Proceeds, before expenses, to AGL Resources	$ 21.23	$ 118,888,000	$ 136,721,200

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to an aggregate of 840,000 additional shares of common stock at the public offering price listed on the cover page of this prospectus supplement, less underwriting discounts. The underwriters may exercise this option solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock hereby. To the extent the option is exercised, each underwriter will become obligated, subject to certain conditions, to purchase approximately the same percentage of the additional shares of common stock as the number listed next to the underwriter s name in the next preceding table bears to the total number of shares of common stock listed next to the name of all underwriters in the next preceding table.

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The expenses of this offering payable by us, not including the underwriting discounts and commissions, are estimated at $250,000. In addition, in the event that the underwriters exercise their option to purchase up to an aggregate of 840,000 additional shares of common stock to cover over-allotments, we will reimburse the underwriters for expenses actually incurred by the underwriters up to $226,800 to cover the $0.27 per share quarterly dividend payable in connection with the over-allotment of shares. See Dividend Policy on page S-19 of this prospectus supplement.

We and our executive officers have agreed that, without the prior written consent of Morgan Stanley & Co. Incorporated and Banc of America Securities LLC on behalf of the underwriters, we, he or she will not, during the period ending 90 days after the date of this prospectus supplement:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock; or

- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock;

whether any transaction described above is to be settled by delivery of common stock or such other securities, in cash or otherwise. In addition, our executive officers have agreed that, without the prior consent of Morgan Stanley & Co. Incorporated and Banc of America Securities LLC on behalf of the underwriters, they will not, during the period ending 90 days after the date of this prospectus supplement, make any demand for, or exercise any right with respect to, the registration of any shares of our common stock or any securities convertible into or exercisable or exchangeable for our com