

AGL RESOURCES INC
Form U-13-60
May 01, 2003
#

Form U-13-60

Mutual and Subsidiary Service Companies

Revised February 7, 1980

ANNUAL REPORT

For the Year Ended

December 31, 2002

To The

U.S. SECURITIES AND EXCHANGE COMMISSION

OF

AGL SERVICES COMPANY

(Exact Name of Reporting Company)

Subsidiary Service Company

(Mutual or Subsidiary)

Date of Incorporation: July 25, 2000

If not Incorporated, Date of Organization _____

State or Sovereign Power Under Which Incorporated or Organized: State of Georgia

Location of Principal Executive Offices of Reporting Company:

Ten Peachtree Place, N.W.

Atlanta, Georgia 30309

Name, title, and address of officers to whom correspondence concerning this report should be addressed:

Richard T. O Brien

Executive Vice President and

Chief Financial Officer

Ten Peachtree Place, N.W.

Atlanta, Georgia 30309

Name of Principal Holding Company Whose Subsidiaries are served by Reporting Company:

AGL RESOURCES INC.

INSTRUCTIONS FOR USE OF FORM U-13-60

1. Time of Filing. Rule 94 provides that on or before the first day of May in each calendar year, each mutual service company and each subsidiary service company as to which the Commission shall have made a

favorable finding pursuant to Rule 88, and every service company whose application for approval or declaration pursuant to Rule 88 is pending shall file with the Commission an annual report on form U-13-60 and in accordance with the Instructions for that form.

2. Number of Copies. Each annual report shall be filed in duplicate. The company should prepare and retain at least one extra copy for itself in case correspondence with reference to the report become necessary.
3. Period Covered by Report. The first report filed by any company shall cover the period from the date the Uniform System of Accounts was required to be made effective as to that company under Rules 82 and 93 to the end of that calendar year. Subsequent reports should cover a calendar year.
4. Report Format. Reports shall be submitted on the forms prepared by the Commission. If the space provided on any sheet of such form is inadequate, additional sheets may be inserted of the same size as a sheet of the form or folded to such size.
5. Money Amounts Displayed. All money amounts required to be shown in financial statements may be expressed in whole dollars, in thousands of dollars or in hundred thousands of dollars, as appropriate and subject to provisions of Regulation S-X (210.3-01(b)).
6. Deficits Displayed. Deficits and other like entries shall be

indicated by the use of either brackets or a parenthesis with corresponding reference in footnotes. (Regulation S-X, 210.3-01(c))

7. Major Amendments or Corrections. Any company desiring to amend or correct a major omission or error in a report after it has been filed with the Commission shall submit an amended report including only those pages, schedules, and entries that are to be amended or corrected. A cover letter shall be submitted requesting the Commission to incorporate the amended report changes and shall be signed by a duly authorized officer of the company.
8. Definitions. Definitions contained in Instruction 01-8 to the Uniform System of Accounts for Mutual Service companies and Subsidiary Service companies, Public Utility Holding Company Act of 1935, as amended February 2, 1979 shall be applicable to words or terms used specifically within this Form U-13-60.
9. Organization Chart. The service company shall submit with each annual report a copy of its current organization chart.
10. Methods of Allocation. The service company shall submit with each annual report a listing of the currently effective methods of allocation being used by the service company and on file with the Securities and Exchange Commission pursuant to the Public Utility Holding Company Act of 1935.

11. Annual Statement of Compensation for Use of Capital Billed. The service company shall submit with each annual report a copy of the annual statement supplied to each associate company in support of the amount of compensation for use of capital billed during the calendar year.

LISTING OF SCHEDULES AND ANALYSIS OF ACCOUNTS

Description of Schedules and Accounts	Schedule or Account Number	Page Number
COMPARATIVE BALANCE SHEET	SCHEDULE I	4-5
SERVICES COMPANY PROPERTY	SCHEDULE II	6
ACCUMULATED PROVISION FOR DEPRECIATION AND AMORTIZATION OF SERVICES COMPANY PROPERTY	SCHEDULE III	7
INVESTMENTS	SCHEDULE IV	8
ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES	SCHEDULE V	9
FUEL STOCK EXPENSES UNDISTRIBUTED	SCHEDULE VI	10
STORES EXPENSE UNDISTRIBUTED	SCHEDULE VII	11
MISCELLANEOUS CURRENT AND ACCRUED ASSETS	SCHEDULE VIII	12
MISCELLANEOUS DEFERRED DEBITS	SCHEDULE IX	13
RESEARCH, DEVELOPMENT, OR DEMONSTRATION EXPENDITURES	SCHEDULE X	14
PROPRIETARY CAPITAL	SCHEDULE XI	15
LONG-TERM DEBT	SCHEDULE XII	16
CURRENT AND ACCRUED LIABILITIES	SCHEDULE XIII	17
NOTES TO FINANCIAL STATEMENTS	SCHEDULE XIV	18-21
COMPARATIVE INCOME STATEMENT	SCHEDULE XV	22-23
	ACCOUNT 457	24

ANALYSIS OF BILLING ASSOCIATE COMPANIES		
ANALYSIS OF BILLING NONASSOCIATE COMPANIES	ACCOUNT 458	25
ANALYSIS OF CHARGES FOR SERVICES ASSOCIATE AND NONASSOCIATE COMPANIES	SCHEDULE XVI	26-27
SCHEDULE OF EXPENSE BY DEPARTMENT OR SERVICE FUNCTION	SCHEDULE XVII	28-32
DEPARTMENTAL ANALYSIS OF SALARIES	ACCOUNT 920	33
OUTSIDE SERVICES EMPLOYED	ACCOUNT 923	34-35
EMPLOYEE PENSIONS AND BENEFITS	ACCOUNT 926	36
GENERAL ADVERTISING EXPENSES	ACCOUNT 930.1	37
MISCELLANEOUS GENERAL EXPENSES	ACCOUNT 930.2	38
RENTS	ACCOUNT 931	39
TAXES OTHER THAN INCOME TAXES	ACCOUNT 408	40
DONATIONS	ACCOUNT 426.1	41
OTHER DEDUCTIONS	ACCOUNT 426.5	42
NOTES TO STATEMENT OF INCOME	SCHEDULE XVIII	43
ORGANIZATION CHART		44
METHODS OF ALLOCATION		45-46
ANNUAL STATEMENT OF COMPENSATION FOR USE OF CAPITAL BILLED		47

ANNUAL REPORT OF AGL SERVICES COMPANY

SCHEDULE I

COMPARATIVE BALANCE SHEET

Give balance sheet of the Company as of December 31 of the current and prior year.

ACCOUNT	ASSETS AND OTHER DEBTS	Balance At 12/31/02	Balance At 12/31/01
	SERVICE COMPANY PROPERTY		
121	Nonutility Property (Schedule II)	89,116,530	75,981,386
107	Construction WIP	21,614,660	13,119,277
	Total Other Property & Investments	110,731,190	89,100,663
108	Less Accumulated provision for depreciation and amortization of service company property (Schedule III)		
		(40,442,682)	(33,853,046)
	Net Service Company Property	70,288,508	55,247,617
	INVESTMENTS		

123	Investments in associated companies (Schedule IV)	-	-
124	Other investments (Schedule IV)	-	-
	Total Investments		

CURRENT AND ACCRUED ASSETS

131	Cash	5,485,516	5,577,362
134	Special deposits	-	-
135	Working funds	-	-
136	Temporary cash investments (Schedule IV)	-	-
141	Notes receivable	-	-
143	Accounts receivable	4,098,872	376,040
144	(Less) Accum. Prov. For Uncollectible Acct.- Credit	-	-
146	Accounts Receivable from Assoc. Companies	-	-
152	Fuel stock expenses undistributed (Schedule VI)	-	-
154	Materials and supplies	36	-
163	Stores expense undistributed (Schedule VII)	1,800	-
165	Prepayments	4,608,482	1,952,649
174	Miscellaneous current and accrued assets (Schedule VIII)	-	-
	Total Current and Accrued Assets	14,194,706	7,906,051

DEFERRED DEBITS

181	Unamortized debt expense	-	-
182.3	Other Regulatory Assets	(1,244,910)	-
184	Clearing accounts	-	5,066
186	Miscellaneous deferred debits (Schedule IX)	338,739	10,017,221
188	Research, development, or demonstration expenditures (Schedule X)	-	-
190	Accumulated deferred income taxes	-	-

Total Deferred Debits	(906,171)	10,022,287
TOTAL ASSETS AND OTHER DEBITS	83,577,043	73,175,955

ANNUAL REPORT OF AGL SERVICES COMPANY

SCHEDULE I

COMPARATIVE BALANCE SHEET (Continued)

ACCOUNT	LIABILITIES AND PROPRIETARY CAPITAL	Balance At 12/31/02	Balance At 12/31/01
PROPRIETARY CAPITAL			
201	Common stock issued (Schedule XI)	(100)	(100)
207	Premium on capital stock	-	-
208	Other Paid-In Capital	668,424	276,584
216 /2	Unappropriated retained earnings (Schedule XI)	49,186,353	(210,914)
	Total Proprietary Capital	49,854,677	65,570
OTHER NONCURRENT LIABILITIES			
228.3	Accumulated provisions for pensions and benefits	(66,948,455)	-
228.4	Accumulated miscellaneous operating provisions	-	20,430
	Total Other Noncurrent Liabilities	(66,948,455)	20,430
CURRENT AND ACCRUED LIABILITIES			
231	Notes payable		
232	Accounts payable	(41,625,939)	(18,501,771)
233	Notes payable to associated companies (Schedule XIII)	-	-
234 /3	Accounts payable to associated companies (Schedule XIII)	(70,511,359)	(50,729,911)
236	Taxes accrued	29,660,904	360,714

237	Interest accrued	-	-
238	Dividends declared	-	-
241	Tax collections payable	(1,110,629)	(720,414)
242	Miscellaneous current and accrued liabilities (Schedule (XIII))	(2,393,672)	(2,573,330)
	Total Current and Accrued Liabilities	(85,980,695)	(72,164,712)
DEFERRED CREDITS			
252	Customer advances for construction		
253	Other Deferred Credits	(1,057,100)	(662,912)
255	Accumulated deferred investment tax credits		
	Total Deferred Credits	(1,057,100)	(662,912)
ACCUMULATED DEFERRED INCOME TAXES			
281 /1	Accumulated deferred income taxes Accelerated amortization property	20,554,530	(373,675)
283 /1	Accumulated deferred income taxes other	-	(60,656)
	TOTAL LIABILITIES AND PROPRIETARY CAPITAL	(83,577,043)	(73,175,955)

/1 The FERC account #281 and #283 balances are accumulated deferred income tax assets for AGL Services Company. They are recorded in the liability section of the balance sheet because on a consolidated basis these accounts are liabilities for AGL Resources Inc.

/2 Significant change is due primarily to a loss resulting from unfunded pension obligation of \$48.5 million (net of tax benefit) in other comprehensive income plus and additional \$600k in dividends paid.

/3

FERC #234 (Accounts Payable to Associated companies) is net of Account Receivable.

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE II

SERVICE COMPANY PROPERTY

ACCOUNT	DESCRIPTION	BALANCE AT 12/31/01	ADDITIONS	RETIREMENTS OR SALE	OTHER CHANGES 1/	BALANCE AT 12/31/02
363.5	Other Equipment	27,929	936,283	-	-	964,212
379	Measuring & Reg. Station Equip.	71,904	-	-	-	71,904
390	Structures and Improvements	18,861,250	1,664,369	(1,685)	(401,008)	20,122,926
391	Office Furniture and Equipment	50,501,854	10,736,605	(208,092)	(447,401)	60,582,966
393	Stores Equipment	120,981	20,503	-	-	141,484
394	Tools, Shop, & Garage Equipment	1,285,185	5,274	(25,941)	(51,384)	1,213,134
395	Laboratory Equipment	44,755	-	-	-	44,755
396	Power Operated Equipment	5,046	-	-	-	5,046
397	Communication Equipment	2,566,389	18,629	-	-	2,585,018
398	Miscellaneous					

	Equipment	2,496,093	994,651	(152,472)	46,810	3,385,082
107	Construction Work In Progress	13,119,277	8,495,386	-	-	21,614,663
	TOTAL	89,100,663	22,871,700	(388,190)	(852,983)	110,731,190

1/

The totals in other represents transfers of assets from the services company to associated companies.

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year December 31, 2002

SCHEDULE III

ACCUMULATED PROVISION FOR DEPRECIATION AND
AMORTIZATION OF SERVICE COMPANY PROPERTY

ACCOUNT	DESCRIPTION	BALANCE AT 12/31/01	ADDITIONS CHARGES TO ACCT. #403	RETIREMENTS	OTHER CHARGES AND (DEDUCT)	BALANCE AT 12/31/02
					1/	
363.5	OTHER EQUIPMENT	-	17,385	-	-	17,385
379	MEASURING & REGULATING STATION EQUIPMENT	-	1,472	-	-	1,472
387	OTHER EQUIPMENT	-	-	-	-	-
390						

STRUCTURE AND IMPROVEMENTS	13,296,568	533,197	(1,246)	247,872	14,076,391
391 OFFICE FURNITURE AND EQUIPMENT	17,524,347	5,917,317	(164,513)	(3,550)	23,273,601
393 STORES EQUIPMENT	30,541	7,047	-	-	37,588
394 TOOLS, SHOP, & GARAGE EQUIPMENT	495,954	122,723	(5,269)	(196,731)	416,677
395 LABORATORY EQUIPMENT	19,922	2,772	-	-	22,694
396 POWER OPERATED EQUIPMENT	10,056	713	-	-	10,769
397 COMMUNICATION EQUIPMENT	1,704,406	91,533	-	-	1,795,939
398 MISCELLANEOUS EQUIPMENT	771,252	93,567	(74,653)	-	790,166
TOTAL	33,853,046	6,787,726	(245,681)	47,591	40,442,682

1/

The totals in other represents transfers of assets from the services company to associated companies.

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year December 31, 2002

SCHEDULE IV

INVESTMENTS

INSTRUCTIONS:

Complete the following schedule concerning investments.

Under Account 124, Other Investments , state each investment separately, with description, including the name of issuing company, number of shares or principal amount, etc.

Under Account 136, Temporary Cash Investments , List each investment separately.

	DESCRIPTION	BALANCE AT 12/31/02	BALANCE AT 12/31/01
ACCOUNT 123	INVESTMENT IN ASSOCIATE COMPANIES		
ACCOUNT 124	OTHER INVESTMENTS		
ACCOUNT 136	TEMPORARY CASH INVESTMENTS		

NOT APPLICABLE

For the Year Ended December 31, 2002

SCHEDULE V

ACCOUNTS RECEIVABLE FROM ASSOCIATE COMPANIES

INSTRUCTIONS:

Complete the following schedule listing accounts receivable from each associate company. Where the service company has provided accommodation or convenience payments for associate companies, a separate listing of total payments for each associate company by subaccount should be provided.

ACCOUNT	DESCRIPTION	BALANCE AT 12/31/02	BALANCE AT 12/31/01
146	ACCOUNT RECEIVABLE FROM ASSOCIATE COMPANIES Not Applicable		

ANALYSIS OF CONVENIENCE OR ACCOMMODATION PAYMENTS:	TOTAL PAYMENTS
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Not Applicable

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE VI

FUEL STOCK EXPENSES UNDISTRIBUTED

INSTRUCTIONS:

Report the amount of labor and expenses incurred with respect to fuel stock expenses during the year and indicate amount attributable to each associate company. Under the section headed Summary listed below give an overall report of the fuel functions performed by the service company.

DESCRIPTION	LABOR	EXPENSES	TOTAL
ACCOUNT 152 - FUEL STOCK EXPENSES UNDISTRIBUTED			

NOT APPLICABLE

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE VII

STORES EXPENSE UNDISTRIBUTED

INSTRUCTIONS:

Report the amount of labor and expenses incurred with respect to stores expense during the year and indicate amount attributable to each associate company.

DESCRIPTION	LABOR	EXPENSES
ACCOUNT 163 - STORES EXPENSE UNDISTRIBUTED		1,800

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE VIII

MISCELLANEOUS CURRENT AND ACCRUED ASSETS

INSTRUCTIONS:

Provide detail of items in this account. Items less than \$10,000 may be grouped, showing the number of items in each group.

DESCRIPTION	BALANCE AT 12/31/02	BALANCE AT 12/31/01
--------------------	--------------------------------	--------------------------------

ACCOUNT 174 -

MISCELLANEOUS CURRENT AND ACCRUED ASSETS

NOT APPLICABLE

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

(Thousands of Dollars)

SCHEDULE IX

MISCELLANEOUS DEFERRED DEBIT

INSTRUCTIONS:

Provide detail of items in this account. Items less than \$10,000 may be grouped, showing the number of items in each class.

ACCOUNT	DESCRIPTION	BALANCE AT 12/31/02	BALANCE AT 12/31/01
186	MISCELLANEOUS DEFERRED DEBITS		
	Pension asset	-	10,302,811
	Software License	1,598	-
	Unrecovered Accrued Vacation Cost	-	-
	PCB Research	12,983	-
	Coop Mktg TRANSCO	(21,695)	(170,695)
	Coop Mktg SONAT	(347,276)	(111,429)
	Robur Commercialization Project	(90,850)	(90,850)
	Caroline Street Facility Project	247,814	12,683
	Other Work in Progress-Misc	532,415	72,369
	other item	3,750	2,332
	TOTAL	338,739	10,017,221

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE X

RESEARCH, DEVELOPMENT OR DEMONSTRATION EXPENDITURES

INSTRUCTIONS:

Provide a description of each material research, development, or demonstration project that incurred cost by the service company during year.

DESCRIPTION	AMOUNT
ACCOUNT 188 - RESEARCH, DEVELOPMENT OR DEMONSTRATION EXPENDITURES	NOT APPLICABLE

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE XI

PROPRIETARY CAPITAL

ACCOUNT	CLASS OF STOCK	NUMBER OF SHARES AUTHORIZED	PAR OR STATED VALUE PER SHARE	OUTSTANDING AT 12/31/02
201	Common Stock Issued	100	1	100
	TOTAL	100	1	100

INSTRUCTIONS:

Classify amounts in each account with brief explanation, disclosing the general nature of transactions that gave rise to the reported amounts.

	DESCRIPTION	AMOUNT
ACCOUNT 211	MISCELLANEOUS PAID-IN-CAPITAL	
ACCOUNT 215	APPROPRIATED RETAINED EARNINGS	

NOT APPLICABLE

INSTRUCTIONS:

Give particulars concerning net income or (loss) during the year, distinguishing between compensation for the use of capital owed or net loss remaining from servicing non-associates per the General Instructions of the Uniform System of Accounts. For dividends paid during the year in cash or otherwise, provide rate percentage, amount of dividend,

date declared and date paid.

ACCOUNT	DESCRIPTION	BALANCE AT 12/31/01	NET INCOME OR (LOSS)	OTHER CHANGES	DIVIDENDS PAID	BALANCE AT 12/31/02
				1/		
216	Unappropriated retained earnings	(210,914)	(390,462)	49,159,530	628,199	49,186,353
	TOTAL					

1/

Primarily represents the loss resulting from unfunded pension obligation of \$48.5 million net of tax benefit of \$30.8 million.

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE XII

LONG-TERM DEBT

INSTRUCTION:

Advances from associate companies should be reported separately for advances on notes, and advances on open account. Name of associate .companies from which advances were received shall be shown under the class and series of obligation column. For Account 224 Other Long-Term Debt provide the name of creditor company or organization, terms of the obligation, date of maturity, interest rate, and the amount authorized and outstanding.

ACCOUNT 223 ADVANCES FROM ASSOCIATE COMPANIES

ACCOUNT 224 OTHER LONG TERM DEBT

NOT APPLICABLE

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE XIII

CURRENT AND ACCRUED LIABILITIES

INSTRUCTIONS:

Provide balance of notes and accounts payable to each associate company. Give description and amount of miscellaneous current and accrued liabilities. Items less than \$10,000 may be grouped, showing the number of items in each group.

ACCOUNT	DESCRIPTION	BALANCE AT 12/31/02	BALANCE AT 12/31/01
----------------	--------------------	--------------------------------	--------------------------------

233	Note Payable to Associate Companies		
	NOT APPLICABLE	-	-
234	Account Payable to Associate Companies		
	AGL Investments, Inc.	20,429,225	(22,321,715)
	Chattanooga Gas Company	5,080,798	1,787,192
	Atlanta Gas Light Company	(23,312,489)	62,868,020
	Virginia Natural Gas Company	(29,625)	1,229,580
	Sequent Energy Services	-	3,189,111
	Georgia Natural Gas Company	(16,695,532)	20,490,038
	AGL Energy Wise Services, Inc.	-	(4,455)
	AGL Consumer Services, Inc.	-	81,945
	Trustees Investments, Inc.	220,195	(180,100)
	Georgia Gas Company	386,002	(384,220)
	Utilipro, Inc	1,851,466	3,654,529
	Georgia Energy Company	-	63,674
	AGL Peaking Services	(2,920,562)	2,803,209
	AGL Capital Trust	(359,701)	207,575
	AGL Rome Holding, Inc.	(17,735)	2,467
	AGL Energy Corporation	(17,092)	(4,544)
	AGL Propane Services, Inc.	1,475,261	1,236,336
	Southeastern LNG, Inc.	532,536	(64,891)
	Customer Care Services, Inc.	(8,048,980)	(1,530,011)
	Networks Energies, Inc.	-	1,364
	Network Energies, LP	-	85
	Retired Main LLC	-	309,318
	Global Energy Resources Insurance Company	(62,852)	482,779
	AGL Capital Trust II	(5,702,692)	5,343,920
	Sequent Energy Management, LP	25,930,151	(15,347,085)
	Sequent LLC	(3,122,719)	-
	Pivotal Energy Services, Inc.	88	(100)
	Distribution Operations Corporation	(211,631)	205,921
	AGL Capital Corporation	(65,915,471)	(114,849,853)
1/	TOTAL	(70,511,359)	(50,729,911)
242	Miscellaneous Current and Accrued Liabilities		
	Unclaimed Customer Credit & Checks	23,249	23,249
	Accrued Relocation Liability	(333,674)	(647,384)
	Escheat- Deposit Balance- 2001	(721,331)	-
	Retired Savings Plus Company Matching	(116,698)	(320,671)
	Retired Savings Plus Employee Matching	(225,837)	(535,253)

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Retired Savings Plus General Loan	(24,586)	(118,174)
NSP Employee Contribution	(736,745)	(777,221)
NSP Company Contribution	(258,050)	(197,876)
TOTAL	(2,393,672)	(2,573,330)

1/

Ending balance represents the net payable owed to associate companies by the services company.

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE XIV

NOTES TO FINANCIAL STATEMENTS

INSTRUCTIONS:

The space below is provided for important notes regarding the financial statements or any account thereof. Furnish particulars as to any significant contingent assets or liabilities existing at the end of the year. Notes relating to financial statements shown elsewhere in this report may be indicated here by reference.

1.

SIGNIFICANT ACCOUNTING POLICIES

General

AGL Services Company (the Company) is a subsidiary of AGL Resources Inc. (AGL Resources) which renders services to AGL Resources and its subsidiaries. The Company was established in accordance with the Public Utility Holding Company Act of 1935 (PUHCA). All the costs associated with the Company are allocated to the operating segments in accordance with PUHCA. The financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

Property, Plant and Equipment

Property, plant and equipment includes property that is in use and under construction, and is reported at cost. A gain or loss is recorded for retired or otherwise disposed of property.

Depreciation Expense

Depreciation expense for the Company is computed on a straight-line basis over a period of 1 to 35 years.

Use of Accounting Estimates

Management makes estimates and assumptions when preparing financial statements under the accounting principles generally accepted in the United States of America. Those estimates and assumptions affect various matters, including:

-

reported amounts of certain assets and liabilities in the Company's balance sheets as of the dates of the financial statements

-

disclosure of contingent assets and liabilities as of the dates of the financial statements

•

reported amounts of certain expenses in the Company's statement of income during the reported periods

Those estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict and are beyond management's control. Consequently, actual amounts could differ from estimates.

Change in Fiscal Year End

On September 20, 2001, the board of directors of AGL Resources elected to change AGL Resources' fiscal year ended from September 30 to December 31 effective October 1, 2001.

2.

INCOME TAX

The Company has two categories of income taxes in its statements of income: current and deferred. The Company's current income tax expense consists of federal and state income tax less applicable tax credits. The Company's deferred income tax expense generally is equal to the changes in the deferred income tax liability during the year.

Accumulated Deferred Income Tax Assets and Liabilities

The Company reports some of its assets and liabilities differently for financial accounting purposes than it does for income tax purposes. The tax effects of the difference in those items are reported as deferred income tax assets or liabilities in The Company's balance sheets. The assets and liabilities are measured utilizing income tax rates that are currently in effect.

Components of income tax expense shown in the Comparative Income statement for the year ended December 31, 2002 are as follows:

Included in Expenses:	Amount
Current Income Taxes	
Federal	(13,070,783)
State	(1,946,886)
Deferred Income Taxes	
Federal	12,422,448
State	1,841,646
TOTAL	(753,575)

Reconciliation between the statutory federal income tax rate and the effective rate for the three months ended December 31, 2001 is as follows:

Income Tax Expense:	Amount
Computed tax expense	(127,090)
State income tax, net of federal income tax benefit	(68,405)
Other net	(558,080)
Total income tax expense	(753,575)

Components that give rise to the net accumulated deferred income tax liability, as of December 31, 2001 are as follows:

Accumulated Deferred income tax assets:	Amount
Federal	(17,533,638)
State	(3,020,892)

TOTAL (20,554,530)

3.

SERVICE AGREEMENTS

The Company has entered into agreements under which it renders services at cost, to AGL Resources and its subsidiaries. The Company's affiliates include the following: AGL Resources Inc., Trustees Investment, Inc., AGL Peaking Services, Inc., AGL Rome Holdings, Inc., AGL Energy Corporation, AGL Propane Services, Inc., Virginia Natural Gas, Inc., AGL Investments, Inc., AGL Networks, LLC, AGL Capital Corporation, Southeastern LNG, Inc., Customer Care Services, Inc., Global Energy Resources Corporation, Sequent Energy Management, LP, Sequent Energy Marketing, LP, Georgia Natural Gas Company, Atlanta Gas Light Company, Chattanooga Gas Company. The Company's services include Engineering, Finance, Treasury, Tax, Accounting, Audit, Public Relations, Employee Relations, Marketing, Information Resources, Purchasing, and other services with respect to business and operations.

4.

EMPLOYEE BENEFIT PLANS

Substantially all of The Company's employees are eligible to participate in its employee benefit plans.

Pension Benefit

All employees of The Company are covered under a defined benefit retirement plan (Retirement Plan) sponsored by AGL Resources Inc. A defined benefit plan specifies the amount of benefits an eligible plan participant eventually will receive using information about the participant. The Company generally calculates the benefits under the Retirement Plan based on age, years of service, and pay. The Company's employees do not contribute to the Retirement Plan. The Company funds the plan by contributing annually the amount required by applicable regulations and as recommended by its actuary. The Company calculates the amount of funding using an actuarial method called the projected unit credit cost method. The Retirement Plan's assets consist primarily of marketable securities, corporate obligations, U.S. government obligations, insurance contracts, mutual funds, and cash equivalents.

Effective July 1, 2000, the benefit formula for the Retirement Plan was amended and changed from a final average earnings formula to a career average earnings formula for participants under age 50. The final average earnings plan will continue 10 years for participants over age 50, and then will convert to a career average earnings formula. Due to

the above amendment, AGL Resources' projected benefit obligation has been reduced.

Employee Savings Plan Benefits

The Company participates in an AGL Resources Inc. sponsored RSP Plan, a defined contribution benefit plan. In a defined contribution benefit plan, the benefits a participant ultimately receives come from regular contributions to a participant account. Under the RSP Plan, The Company made matching contributions to participant accounts in the amount of \$3,836,628.

AGL Resources Inc. NSP, an unfunded, nonqualified plan similar to the RSP Plan, in which The Company participates, provides an opportunity for eligible employees to contribute additional amounts for retirement savings once they have reached the maximum contribution amount in the RSP Plan. The Company contributions to the NSP were not significant.

Postretirement Benefits

The Company also participates in an AGL Resources Inc. sponsored defined benefit postretirement health care and life insurance plans, which cover nearly all employees if they reach retirement age while working for The Company. The benefits under these plans are generally calculated based on age and years of service.

Some retirees contribute a portion of health care plan costs. Retirees do not contribute toward the cost of the life insurance plan. The Company's contribution to the Postretirement benefit plan was in the amount \$10,230,800.

On July 1, 2002, AGL Resources announced changes to the medical and dental benefits for all retirees. AGL Resources will no longer offer retiree medical benefits for anyone hired after July 1, 2002. Effective August 1, 2002, the retiree medical plan requires a 20% contribution by the retiree to the medical premium and a 50% contribution of the medical premium for spousal coverage. Effective September 1, 2002, the retirees will be required to contribute 100% of the dental premium.

5.

MONEY POOL

The parent Company and its subsidiaries participate in the System Money Pool (Pool), which is administered by the Services Company on behalf of the participants. The operation of the Pool was authorized by the Securities and Exchange Commission in PUCHA release No. 35-27243 (File No. 70-9707).

Participants contribute the amount of their available funds each day to the Pool. The funds requirements of the participants, with the exception of the Parent Company, are satisfied by advances from the Pool.

At December 31, 2002, the detail of the Pool was as follows:

INVESTMENTS IN POOL:

AGL Investments, Inc.	20,429,225
Trustees Investments, Inc.	220,195
AGL Propane Services, Inc.	1,475,261
AGL Capital Corporation	75,107,247
Sequent Energy Management, LP	25,930,151
Georgia Gas Company	386,002
Southeastern LNG, Inc.	532,536
Chattanooga Gas Company	5,080,798
Pivotal Energy Services, Inc.	88
Utilipro, Inc.	1,851,466

Sub Total **131,012,969**

LESS BORROWINGS FROM POOL:

Sequent LLC	3,122,719
Atlanta Gas Light Company	23,312,489
AGL Services Company	70,511,359
Virginia Natural Gas Company	29,625
Customer Care Services Inc.	8,048,980
Georgia Natural Gas	16,695,532
AGL Peaking Services	2,920,562
AGL Capital Trust	359,701
AGL Rome Holding, Inc.	17,735
AGL Energy Corporation	17,092
Global Energy Resources Insurance	
Company	62,852
AGL Capital Trust II	5,702,692
Distribution Operations Corporation	211,631

Sub Total **131,012,969**

TOTAL

0

6.

RENTAL EXPENSES

Rental expenses that The Company incurred were primarily for office space, computer equipment and fleet leasing. The total rent expense for the twelve months ended December 31, 2002 was \$3,591,146.

The minimum annual rentals under noncancelable operating leases are as follows:

- fiscal 2003 - \$11,610,543
- fiscal 2004 \$11,624,768
- fiscal 2005 \$11,793,942
- fiscal 2006 \$11,697,753
- fiscal 2007 - \$7,613,628
- thereafter - \$37,529,505

ANNUAL REPORT OF AGL SERVICES COMPANY

For Year December 31, 2002

SCHEDULE XV

COMPARATIVE INCOME STATEMENT

ACCOUNT	DESCRIPTION	12 Months Ending 12/31/02	3 Months Ending 12/31/01	9 Months Ending 09/30/01
INCOME				
488	Miscellaneous service revenue	150,763	77,745	215,516
493	Rent from gas property	4,500	1,350	4,050
421	Miscellaneous income or loss	(11,276)	(217,372)	107,407
457	Services rendered to associate companies	135,569,391	31,152,308	103,784,279
	Operating Revenues	135,713,378	31,014,031	104,111,252
EXPENSES				
403	Depreciation Expense	6,787,726	1,941,492	6,547,171
404.3	Amortization of other limited-term gas plant	207,626	49,374	157,381
408.1	Taxes other than income taxes, utility operating income	3,584,043	725,672	3,309,504
409.1	Income taxes, utility operating income	(15,017,669)	(5,157,714)	4,963,849
410.1	Provision for deferred income taxes, utility operating income	14,264,094	5,178,263	(4,743,932)
414	Other utility operating income	-	-	(22,252)

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419	Interest and dividend income	(39,426)	(19,882)	(115,634)
426.1	Donations	771,084	349,627	439,772
426.3	Penalties	-	-	15,589
426.4	Expenditures for certain civic, political and related activities			
		5,145	685	299,114
426.5	Other deductions	753,511	113,543	135,258
431	Other interest expense	1,103,855	411,456	2,194,966
495	Other utility operating income	(25,611)	(33,209)	-
735	Miscellaneous production expenses	-	-	13,668
804	Natural Gas City Gate Purchases	62	-	-
807	Purchased Gas Exp.	-	-	50,303
840	LNG Supervision/Eng	286,566	76,773	-
841	Operation supervision and engineering	1,048,882	262,270	84,272
843.1	Maint. Supervision and engineering	-	-	267,756
843.2	Maint. Of structures and improvements	1,020	1,256	647,398
843.3	Maint. Of Gas	37,217	-	-
843.4	Maint. Of purification equipment	65,960	4,959	15,094
843.5	Maint. Of liquefaction equipment	89,143	71,339	55,024
843.6	Maint. Of vaporizing equipment	46,684	24,673	70,943
843.7	Maint. Of compressor equipment	121,905	18,728	83,124
843.9	Maint. Of other equipment	546,243	105,655	524,541
870	Operation supervision and engineering	1,295,600	363,671	1,061,539
871	Distribution load dispatching	1,128,832	243,199	626,146
874	Mains and service expenses	814,888	124,895	2,233,457
875	Measuring and regulating station expenses-General	565,247	134,768	407,033
877	Measuring and regulating station expenses-City gate check stations			
		655,378	103,132	279,535
878	Meter and house regulator expenses	(3,970)	1,494	20,489
879	Customer installations expenses	9	-	107
880	Other expenses	906,621	195,359	495,865
885	Maint. Supervision and engineering	25,000	569	4,771
887	Maint. Of mains	64,326	28,001	321,775
889	Maintenance measuring and regulating station expenses-General			
		64,664	114,566	316,252
891	Maint. STAR	-	91	-
892	Maint. Of services	37,430	7,454	4,087
893	Maint. Of meter and house regulator expenses	268,390	65,202	185,344
894	Maint. Of other equipment	139,342	-	343

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901	Supervision	-	-	313
902	Meter reading expense	-	-	34,307
903	Customer records and collection expenses	192,960	11,901	45,036
905	Miscellaneous customer accounts expenses	161,660	44,437	142,095
907	Supervision	114,999	34,996	97,129
908	Customer assistance expense	3,194,565	557,700	923,747
909	Informational and instructional advertising expenses	-	-	56,369
911	Supervision	-	-	1,114
912	Demonstrating and selling expense	-	-	763,276
913	Advertising expenses	414,622	45,069	1,004,515
916	Miscellaneous sales expenses	366,310	168,440	360,541
920	Administrative and general salaries	29,802,798	7,427,182	21,773,909
921	Office supplies and expenses	11,884,357	2,612,701	8,616,486
922	Administrative expenses transferred-credit	(8,891,800)	(2,117,059)	(6,644,545)
923	Outside services employed	20,051,314	2,598,767	17,242,054
924	Property insurance	3,177,144	427,558	1,678,666
925	Injuries and damages	942,925	367,038	874,734
926	Employee pensions and benefits	36,376,382	8,092,480	23,408,422
927	Franchise Requirement	10	-	-
928	Regulatory Commission Expenses	10,252	-	36,574
930.1	General advertising expenses	-	6,431	125,793
930.2	Miscellaneous general expenses	3,665,203	1,116,883	1,726,005
931	Rents	3,591,146	1,365,747	4,808,221
932	Maintenance of general plant	9,668,256	2,748,682	5,877,166
	Operating Expenses	135,322,917	31,016,315	103,901,579
	Net Income	390,462	(2,284)	209,673

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

ANALYSIS OF BILLING

ASSOCIATE COMPANIES

ACCOUNT 457

NAME OF ASSOCIATE COMPANY	DIRECT COSTS CHARGED 457-1	INDIRECT COSTS CHARGED 457-2	COMPENSATION FOR USE OF CAPITAL 457-3	TOTAL AMOUNT BILLED /1
AGL Resources Inc.	860,069	336,380	-	1,196,449
AGL Investments, Inc	692,346	49,366	1,432	743,144

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Atlanta Gas Light Company	65,727,080	39,437,252	1,490,702	106,655,034
Chattanooga Gas Company	3,520,968	2,459,340	88,300	6,068,608
AGL Energy Wise Services, Inc.	455	96	14	564
AGL Consumer Services, Inc.	10,026	417	60	10,505
Trustees Investment, Inc.	48,128	27,484	1,319	76,928
AGL Peaking Services, Inc.	952	5,628	583	7,164
AGL Capital Trust	22,630	112,125	11,269	146,024
AGL Rome Holdings, Inc	547	1,596	151	2,294
AGL Energy Corporation	18,002	1,476	15	19,493
AGL Propane Services, Inc.	77,149	63,729	4,724	145,602
Virginia Natural Gas, Inc.	6,722,911	9,365,947	362,157	16,451,015
AGL Networks, LLC	870,371	353,340	13,943	1,237,655
AGL Capital Corporation	35,189	20,213	1,675	57,078
Southeastern LNG, Inc.	53,016	3,015	321	56,351
Customer Care Services Company	5,085	5,488	456	11,029
Network Energies, Inc	6,761	506	3	7,270
Network Energies LP	1,532	81	8	1,621
Retired Mains LLC	-	-	-	-
Global Energy Resources Insurance Corporation	-	1,269	141	1,410
Sequent Energy Management, LP- Corp	1,060,243	1,031,212	53,535	2,144,991
Sequent Energy Services	-	-	-	-
AGL Capital Trust II	-	207,070	22,167	229,237
Georgia Gas Company	763	-	-	763
Georgia Natural Gas Company	199,539	91,081	8,544	299,164
		-	-	-
TOTAL	79,933,762	53,574,111	2,061,518	135,569,391

/1 The difference between the total amount billed and the total expenses per the income statement is the effect of unbilled expenses (FERC # 409.1, 410.1, 495, 419, 426.1, 426.4, 426.5, 735, 807) and the equity component of cost of capital that was billed.

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

ANALYSIS OF BILLING

NONASSOCIATE COMPANIES

ACCOUNT 458

NAME OF ASSOCIATE COMPANY	DIRECT COSTS CHARGED	INDIRECT COSTS CHARGED	COMPENSATION FOR USE OF CAPITAL	TOTAL AMOUNT BILLED	EFFECT OF MARKET RATE BILLING (SEE NOTE)
ACCOUNT 458	NOT	NOT	NOT	NOT	NOT
APPLICABLE					

ANNUAL REPORT OF AGL SERVICES COMPANY

For the Year Ended December 31, 2002

SCHEDULE XVI

ANALYSIS OF CHARGES FOR SERVICE
ASSOCIATE AND NONASSOCIATE COMPANIES

INSTRUCTIONS:

Total cost of service will equal for associate and nonassociate companies the total amount billed under their separate analysis of billing schedules.

ACCOUNT	DESCRIPTION	DIRECT COST	INDIRECT COST	TOTAL
ASSOCIATE COMPANY CHARGES				
403	Depreciation Expense	4,072,635	2,715,090	6,787,726
404.3	Amortization of other limited-term gas plant			
		124,575	83,050	207,626
408.1	Taxes other than income taxes, utility operating income			
		2,150,426	1,433,617	3,584,043
840	LNG Supervision/Eng.	171,939	114,626	286,566
841	Operation Labor and Expenses	629,329	419,553	1,048,882
843.2	Maint. of Structures & Improvements	612	408	1,020
843.3	Maint. Of Gas Holders	22,330	14,887	37,217
843.4	Maint. Of Purification Equipment	39,576	26,384	65,960
843.5	Maint. Of Liquification Equipment	53,486	35,657	89,143
843.6	Maint. Of Vaporizing Equipment	28,010	18,673	46,684
		73,143	48,762	

843.7	Maint of Compressor Equipment			121,905
843.9	Maint. Of Other Equipment	327,746	218,497	546,243
870	Operation Supervision & Engineering	777,360	518,240	1,295,600
871	Distribution load dispatching	677,299	451,533	1,128,832
874	Mains and Services Expenses	488,933	325,955	814,888
	Measuring & regulating station expenses General			
875		339,148	226,099	565,247
	Measuring & regulating station expenses City Gate check station			
877		393,227	262,151	655,378
878	Meter and house regulator expenses	(2,382)	(1,588)	(3,970)
879	Customer Installations Expense	5	4	9
880	Other Expenses	543,973	362,649	906,621
885	Maint. Supervision & engineering	15,000	10,000	25,000
887	Maint. Of mains	38,596	25,730	64,326
	Maint. Of measuring & regulating station equipment-General			
889		38,799	25,865	64,664
892	Maint. Of service	22,458	14,972	37,430
893	Maint. Of meters & house regulators	161,034	107,356	268,390
894	Maint. Of other Equipment	83,605	55,737	139,342
903	Customer records & collection exp.	115,776	77,184	192,960
905	Miscellaneous customer account exp.	96,996	64,664	161,660

907	Supervision	69,000	45,999	114,999
908	Customer assistance expenses	1,916,739	1,277,826	3,194,565
913	Advertising expenses	248,773	165,849	414,622
916	Miscellaneous expenses	219,786	146,524	366,310
920	Salaries and wages	17,881,679	11,921,119	29,802,798
921	Office Supplies & Expenses	7,130,614	4,753,743	11,884,357
922	Administrative Expense Transferred-Credit	(5,335,080)	(3,556,720)	(8,891,800)
923	Outside Services Employed	12,030,789	8,020,526	20,051,314
924	Property Insurance	1,906,286	1,270,857	3,177,144
925	Injuries and Damages	565,755	377,170	942,925
926	Employee Pensions & Benefits	21,825,829	14,550,553	36,376,382
927	Franchise Requirements	6	4	10
928	Regulatory Commission Expense	6,151	4,101	10,252
930.1	General Advertising Expenses	-	-	-
930.2	Miscellaneous General Expenses			3,665,204
		2,199,121	1,466,083	
		2,154,688	1,436,458	

931	Rents		3,591,146
932	Maintenance of Structures and Equipment	5,629,992	4,038,264