

SECURITIES AND EXCHANGE COMMISSION

(Release No. 35-28038; 70-10304)

AGL Resources Inc.

Order Authorizing the Acquisition of Nonutility Businesses and Participation in the System Money Pool

September 28, 2005

AGL Resources Inc. ("AGL"), Atlanta, Georgia, a registered holding company has filed an application-declaration ("Application") with the Securities and Exchange Commission ("Commission") under sections 6(a), 7, 9(a), 10, 11(b) and 12(b) of the Public Utility Holding Company Act of 1935, as amended ("Act") and rule 54 under the Act. On July 27, 2005, the Commission issued notice of the Application (Holding Co. Act Release No. 28004).

AGL requests authority to organize and finance one or more direct or indirect subsidiaries to engage in certain gas- and energy-related nonutility businesses in Canada, Mexico and/or the United States.

I. Background

AGL distributes natural gas to more than 2.2 million end-use customers through public-utility company subsidiaries organized in Georgia (Atlanta Gas Light Company), Tennessee (Chattanooga Gas Company), Virginia (Virginia Natural Gas Inc. and Virginia Gas Distribution Company) and New Jersey (Pivotal Utility Holdings, Inc.). Pivotal Utility Holdings owns and operates utility facilities in New Jersey, Florida and Maryland through the following divisions: Elizabethtown Gas, Florida City Gas, and Elkton Gas.

AGL is also involved in various energy- and gas-related nonutility businesses, including: retail natural gas marketing to end-use customers in Georgia; natural gas asset management and related logistics activities for its own utilities as well as for other non-affiliated companies;

operation of high deliverability underground natural gas storage; and construction and operation of telecommunications conduit and fiber infrastructure within select metropolitan areas. The common stock of AGL is listed on the New York Stock Exchange.

Through various subsidiaries, Sequent, LLC ("Sequent"), an indirect, wholly-owned subsidiary company of AGL, is engaged in the optimization of natural gas assets, gas transportation and storage, producer and peaking services and the wholesale marketing of natural gas. Sequent's asset optimization business focuses on capturing value from idle or underutilized natural gas assets, which are typically amassed by companies via investments in, or contractual rights to, natural gas transportation and storage facilities. Margins are typically created in this business by participating in transactions that balance the needs of varying markets and time horizons. Sequent provides its customers with natural gas from the major producing regions and market hubs primarily in the Eastern and Mid-Continental United States. Sequent also purchases transportation and storage capacity to meet its delivery requirements and customer obligations in the marketplace. Sequent's customers benefit from its logistics expertise and ability to deliver natural gas at prices that are advantageous relative to the other alternatives available to its end-use customers.

II. Requests For Authority

AGL requests authority to acquire interests in energy- and gas-related nonutility businesses operating in Canada, Mexico and/or the U.S ("Foreign Nonutility Businesses").¹ Typically, these investments will be made through one or more direct or indirect subsidiaries of Sequent and funded by acquisitions of equity and debt securities of Foreign Nonutility

¹ Rule 58 does not permit the acquisition of these businesses because "substantially all" of their revenues will not be derived from activities within the United States.

Businesses, borrowings from AGL's nonutility money pool by Foreign Nonutility Businesses, and guarantees.² AGL will limit its direct and indirect investments in Foreign Nonutility Businesses to an aggregate amount not to exceed \$300 million ("Investment Limit") in the form of equity, debt and guarantees, including nonutility money pool borrowings, through February 8, 2006 ("Authorization Period").³

The specific nonutility businesses in which AGL seeks authorization to invest include:

(1) energy management services and other energy conservation related businesses;⁴ (2) the maintenance and monitoring of utility equipment; (3) the provision of utility related or derived

² The proposed investments would be subject to the limits set forth in Holding Co. Act Release No. 27828, (April 1, 2004). In addition, AGL's public-utility company subsidiaries will not directly or indirectly acquire any Foreign Nonutility Businesses, and they will not provide funding for, extend credit to, or guarantee the obligations of Foreign Nonutility Businesses.

³ AGL's investments in "gas-related companies" and "energy-related companies" within the meaning of rule 58 are subject to the investment limits under that rule, not to the Investment Limit.

⁴ Energy management services include: the marketing, sale, installation, operation and maintenance of various products and services related to energy management and demand-side management, including energy and efficiency audits; meter data management, facility design and process control and enhancements; construction, installation, testing, sales and maintenance of (and training client personnel to operate) energy conservation equipment; design implementation, monitoring and evaluation of energy conservation programs; development and review of architectural, structural and engineering drawings for energy efficiency, design and specification of energy consuming equipment and general advice on programs; the design, construction, installation, testing, sales, operation and maintenance of new and retrofit heating, ventilating, and air conditioning, gas, electrical and power systems, alarm, security, access control and warning systems, motors, pumps, lighting, water, water-purification and plumbing systems, building automation and temperature controls, installation and maintenance of refrigeration systems, building infrastructure wiring supporting voice, video, data and controls networks, environmental monitoring and control, ventilation system calibration and maintenance, piping and fire protection systems, and design, sale, engineering, installation, operation and maintenance of emergency or distributed power generation systems, and related structures, in connection with energy-related needs; and the provision of services and products designed to prevent, control, or mitigate adverse effects of power disturbances on a customer's electrical systems.

software and services; (4) engineering, consulting and technical services, operations and maintenance services; (5) brokering and marketing of natural gas, electricity and other energy commodities and providing incidental related services, such as fuel management, storage and procurement; and (6) oil and gas exploration, development, production, gathering, transportation, storage, processing and marketing activities, and related or incidental activities. AGL is not seeking authority to acquire any assets that would cause any subsidiary to be or become an "electric-utility company" or "gas-utility company," as those terms are defined in sections 2(a)(3) and 2(a)(4) of the Act, respectively. AGL will report its investments in its Canadian and Mexican gas- and energy-related companies in a supplement to its regular quarterly reports filed on Form U-9C-3.

In addition, AGL requests authority for all Foreign Nonutility Businesses to participate as borrowers and lenders in the nonutility money pool authorized by Commission order dated April 1, 2004 (Holding Co. Act Release No. 27828). Participation in the nonutility money pool will include unsecured short-term borrowing, contributing surplus funds, and lending and extending credit to other nonutility money pool participants.

The proposed transaction is subject to rule 54, which provides that, in determining whether to approve certain transactions other than those involving exempt wholesale generators ("EWGs") or foreign utility companies ("FUCOs"), as defined in the Act, the Commission will not consider the effect of the capitalization or earnings of any subsidiary which is an EWG or FUCO if the requirements of rule 53(a), (b) and (c) under the Act are satisfied. AGL states that neither it nor any of its subsidiaries presently has an interest in any EWG or FUCO. Therefore, the requirements of rule 53 are satisfied.

III. Conclusion

AGL estimates that the fees, commission and expenses incurred in connection with the proposed transaction will be approximately \$12,000. The company states that no state or federal commission, other than this Commission, has jurisdiction over the proposed transactions.

Due notice of the filing of the Application has been given in the manner prescribed, and no hearing has been requested of or ordered by the Commission. Upon the basis of the facts in the record, it is found that the applicable standards of the Act and rules are satisfied, and that no adverse findings are necessary.

IT IS ORDERED, that the Application, as amended, is granted and permitted to become effective immediately, subject to the terms and conditions contained in rule 24 under the Act.

For the Commission by the Division of Investment Management, pursuant to delegated authority.

Jonathan G. Katz
Secretary