TRINITY INDUSTRIES INC
Form 4
September 14, 2012

FORM 4

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

OMB APPROVAL
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
McWhirter William A

(Last) (First) (Middle)

2525 STEMMONS FREEWAY

(Street)

DALLAS, TX 75207

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
TRINITY INDUSTRIES INC [NYSE/TRN]

3. Date of Earliest Transaction (Month/Day/Year)
09/12/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								1,281	I	401k Plan
Common Stock	09/12/2012		M		6,775	A	$ 16.24	164,960	D	
Common Stock	09/12/2012		F		3,385	D	$ 32.5	161,575	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Employee stock option (right to buy)	$ 16.24	09/12/2012		M			6,775	(1)	12/10/2018(1)	Common Stock	6,775

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
McWhirter William A 2525 STEMMONS FREEWAY DALLAS, TX 75207			Senior Vice President	

Signatures

William A. McWhirter	09/14/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Option Term is Ten Years. Options vest on May 15, 2012.

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Increase (decrease) in other income, primarily related to the gain on sale of Compass Energy
2 (11)
EBIT - for September 30, 2014
$(7) $308

The following table illustrates the components of wholesale services' operating margin for the periods presented.

	Three months ended September 30,		Nine months ended September 30,	
In millions	2014	2013	2014	2013
Commercial activity recognized	$ 2	$ 27	$ 412	$ 79
Gain on storage derivatives	2	2	-	9
Gain (loss) on transportation and forward commodity derivatives	2	(16)	(37)	(31)
Inventory LOCOM adjustment, net of estimated current period recoveries	(4)	(1)	(5)	(5)
Operating margin	$ 2	$ 12	$ 370	$ 52

Change in commercial activity The commercial activity at wholesale services includes recognized storage and transportation values that were generated in prior periods, which reflect the impact of prior period derivative gains and losses as associated physical transactions occur in the period. For the three months ended September 30, 2014, the change in commercial activity was due primarily to tightening of locational (transportation) and seasonal (storage) spreads associated with natural gas transportation and storage markets, particularly in the Northeast region of the U.S., compared to the same period last year, in part driven by changes in natural gas production and new pipeline capacity. Further, commercial activity was negatively impacted by lower gas-fired generation sales due to milder weather in the current quarter. For the first nine months of 2014, commercial activity increased significantly due to the following:

- the recognition of significantly higher operating margin associated with our transportation and storage portfolios, particularly in the Northeast and Midwest regions, from price volatility generated by significantly colder-than-normal weather in the first quarter of 2014, in part reflecting Sequent's strategy and focus on providing asset management and related services to producers around the major shale producing regions and to natural gas-fired power generators, enabling Sequent to optimize the associated pipeline transportation and storage capacity assets,
- the recognition of operating margin resulting from the withdrawal of storage inventory at the end of 2013 that was included in the storage withdrawal schedule with a value of $28 million as of December 31, 2013; and
- the recognition of operating margin resulting from mark-to-market accounting derivative losses at the end of 2013.

Change in storage and transportation derivatives The first half of 2014 showed a return of significantly higher price volatility benefitting Sequent's portfolio of pipeline transportation and storage capacity assets throughout the country, primarily in the Gulf Coast, Northeast and Midwest markets. Although we do not expect this high level of price volatility to continue, we see the potential for market fundamentals indicating some level of increased volatility that would continue to benefit Sequent's portfolio of pipeline transportation capacity should this occur. Gains in our transportation and forward commodity hedge positions in the third quarter of 2014 are the result primarily of the tightening of transportation basis spreads that resulted in hedge gains in the third quarter. The storage derivative gains during the third quarter are primarily due to the change in natural gas prices applicable to the locations of our specific storage assets.

Losses in our transportation and forward commodity derivative positions for the first nine months of 2014 are the result primarily of widening transportation basis spreads. Significantly colder-than-normal weather and higher demand together with natural gas transportation constraints due to growing shale production impacted forward prices at natural gas receipt and delivery points, primarily in the Northeast and the Midwest regions, during the first half of 2014. These losses are temporary and, based on current expectations, largely will be recovered in the fourth quarter of 2014 and through 2015 with the physical flow of natural gas and utilization of the contracted transportation capacity.

Withdrawal schedule and physical transportation transactions The expected natural gas withdrawals from storage and expected recovery of derivative losses associated with Sequent's transportation portfolio are presented in the following table, along with the net operating revenues expected at the time of withdrawal from storage and the physical flow of natural gas between contracted transportation receipt and delivery points. Sequent's expected net operating revenues exclude storage and transportation demand charges, as well as other variable fuel, withdrawal, receipt and delivery charges, but are net of the estimated impact of profit sharing under our asset management agreements. The amounts that are realizable in future periods are based on the inventory withdrawal schedule, planned physical flow of natural gas between the transportation receipt and delivery points and forward natural gas prices at September 30, 2014. A portion of Sequent's storage inventory and transportation capacity is economically hedged with futures contracts, which results in realization of substantially fixed net operating revenues, timing notwithstanding. For more information on Sequent's energy marketing and risk management activities, see Item 7A, "Quantitative and Qualitative Disclosures About Market Risk - Commodity Price Risk" of our 2013 Form 10-K.

	Storage withdrawal schedule					
Dollars in millions	Total storage (in Bcf) (WACOG $3.96)		Expected operating revenues (1)		Physical transportation transactions – expected net operating revenues (2)	
Fourth quarter 2014	16	$	6	$	12	
2015	37		10		28	
2016 and thereafter	3		2		(3	)
Total at September 30, 2014 (3)	56	$	18	$	37	
Total at December 31, 2013	36	$	28	$	73	
Total at September 30, 2013	57	$	23	$	31	

(1) Represents expected operating revenues from planned storage withdrawals associated with existing inventory positions and could change as Sequent adjusts its daily injection and withdrawal plans in response to changes in future market conditions and forward NYMEX price fluctuations.

(2) Represents the periods associated with the transportation derivative losses during which the derivatives will be settled and the physical transportation transactions will occur that offset the derivative losses recognized in 2013 and during the nine months of 2014.

(3) Includes 5 Bcf in storage with expected operating revenues of $4 million that is currently inaccessible due to operational issues at a third party storage facility. The owner of this third party storage facility is working to resolve these issues and has communicated to us that it expects the facility to be operational by mid-2015. While we expect this inventory to be fully recovered, the timing of withdrawal of this gas may be impacted by the operational issues.

The decline in storage roll-out value in part reflects the lower summer-to-winter storage spreads compared to last year, which we expect to continue in the near term. The unrealized storage and transportation derivative losses do not change the underlying economic value of our storage and transportation positions and, based on current expectations, will primarily be reversed in the fourth quarter of 2014 and 2015 when the related transactions occur and are recognized. For more information on Sequent’s energy marketing and risk management activities, see Item 7A “Quantitative and Qualitative Disclosures About Market Risk” under the caption “Natural Gas Price Risk” of our 2013 Form 10-K.

Midstream Operations

Our midstream operations segment’s primary activity is operating non-utility storage and pipeline facilities, including the development and operation of high-deliverability underground natural gas storage and pipeline assets. While this business can also generate additional revenue during times of peak market demand for natural gas storage services, certain of our storage services are covered under short-, medium- and long-term contracts at fixed market rates. Based on an engineering study and mechanical integrity tests performed in 2014, we identified a lower amount of working gas capacity, further resulting in the true-up of retained fuel at one of our storage facilities, negatively impacting EBIT by $10 million for the nine months ended September 30, 2014. The decrease in working gas capacity is a result of naturally occurring shrinkage of the storage cavern, and we are developing strategies to recover the decreased working capacity. For the three and nine months ended September 30, 2014, midstream operations’ EBIT decreased by $3 million and $15 million, respectively, compared to the same periods during the prior year, as shown in the following table.

In millions	Three months ended	Nine months ended
EBIT - for September 30, 2013	$ (1)	$ 1
Operating margin		
Decreased margin at one of our storage facilities related to true-up of retained fuel, partially offset on a year-to-date basis by higher interruptible operating margins largely at Golden Triangle in the first quarter of 2014 due to optimizing the facilities during the colder weather in 2014	(1)	(7)
Decreased margin at Jefferson Island and Central Valley as a result of lower subscription rates as well as lower revenues from LNG sales	(2)	(5)
Decrease in operating margin	(3)	(12)
Operating expenses		
Increased maintenance, outside service costs, depreciation expense and other	-	2
Increase in operating expenses	-	2
Decrease in other income from equity investment in Horizon Pipeline	-	(1)
EBIT - for September 30, 2014	$ (4)	$ (14)

Liquidity and Capital Resources

Overview The acquisition of natural gas and pipeline capacity, payment of dividends and funding of working capital needs primarily related to our natural gas inventory are our most significant short-term financing requirements. The liquidity required to fund these short-term needs is primarily provided by our operating activities, and any needs not met are primarily satisfied with short-term borrowings under our commercial paper programs, which are supported by the AGL Credit Facility and the Nicor Gas Credit Facility. The need for long-term capital is driven primarily by capital expenditures and maturities of long-term debt. Periodically, we raise funds supporting our long-term cash needs from the issuance of long-term debt or equity securities. We regularly evaluate our funding strategy and profile to ensure that we have sufficient liquidity for our short-term and long-term needs in a cost-effective manner.

Our financing activities, including long-term and short-term debt and equity, are subject to customary approval or review by state and federal regulatory bodies, including the various commissions of the states in which we conduct business. Certain financing activities we undertake may also be subject to approval by state regulatory agencies. A substantial portion of our consolidated assets, earnings and cash flows is derived from the operation of our regulated utility subsidiaries, whose legal authority to pay dividends or make other distributions to us is subject to regulation. Nicor Gas is restricted by regulation to the extent of its retained earnings balance in the amount it can dividend and is not permitted to make money pool loans to affiliates.

We believe the amounts available to us under our long-term debt and credit facilities as well as through the issuance of debt and equity securities, combined with cash provided by operating activities and the proceeds received from the sale of Tropical Shipping, will continue to allow us to meet our needs for working capital, pension and retiree welfare benefits, capital expenditures, anticipated debt redemptions, interest payments on debt obligations, dividend payments and other cash needs through the next several years. However, considering our upcoming January 2015 maturity of $200 million of senior notes and our recently announced pipeline agreements, we may issue additional long-term debt as our financing needs and market conditions warrant.

Our ability to satisfy our working capital requirements and our debt service obligations, or fund planned capital expenditures, will substantially depend upon our future operating performance (which will be affected by prevailing economic conditions), and financial, business and other factors, some of which we are unable to control. These factors include, among others, regulatory changes, the price of and demand for natural gas and operational risks.

Our capitalization and financing strategy is intended to ensure that we are properly capitalized with the appropriate mix of debt securities and equity. This strategy includes active management of the percentage of total debt relative to total capitalization, as well as the term and interest rate profile of our debt securities, and maintenance of an appropriate mix of debt with fixed and floating interest rates (our variable-rate debt target is 20% to 45% of total debt). At September 30, 2014, our variable-rate debt was 20% of our total debt, compared to 28% as of December 31, 2013, and 23% as of September 30, 2013. The decrease from December 31, 2013, was primarily due to decreased commercial paper borrowings.

Our objective continues to be to maintain our strong balance sheet and liquidity profile, solid investment grade ratings and our annual dividend growth. Additionally, we will continue to evaluate our need to increase available liquidity based on our view of working capital requirements, including the impact of changes in natural gas prices, liquidity requirements established by rating agencies, acquisitions and other factors. See Item 1A, “Risk Factors,” in our 2013 Form 10-K for additional information on items that could impact our liquidity and capital resource requirements.

Capital Projects We continue to focus on capital discipline and cost control while moving ahead with projects and initiatives that we expect will have current and future benefits to us and our customers, provide an appropriate return on invested capital and ensure the safety, reliability and integrity of our utility infrastructure. The following table and discussions provide updates on some of our larger capital projects under various programs in our distribution operations segment. These programs update or expand our distribution systems to improve system reliability and meet operational flexibility and growth. Our anticipated expenditures for these programs in 2014 are discussed in “Liquidity and Capital Resources” under the caption ‘Cash Flow from Investing Activities’ under Item 7 in our 2013 Form 10-K/A.

Dollars in millions	Utility	Expenditures in 2014	Expenditures since project inception	Miles of pipe installed	Year project began	Scheduled year of completion
STRIDE program						
Integrated System Reinforcement Program (i-SRP)	Atlanta Gas Light	$ 8	$ 259	n/a	2009	2017
Integrated Customer Growth Program (i-CGP)	Atlanta Gas Light	3	43	n/a	2010	2017
Integrated Vintage Plastic Replacement Program (i-VPR)	Atlanta Gas Light	46	51	142	2013	2017
Enhanced infrastructure program	Elizabethtown Gas	23	139	129	2009	2017
Accelerated infrastructure replacement program (SAVE)	Virginia Natural Gas	18	58	115	2012	2017
Total		$ 98	$ 550	386		

Short-Term Debt Our short-term debt comprises borrowings under our commercial paper programs and current portion of our senior notes. Our commercial paper borrowings are supported by the $1.3 billion AGL Credit Facility and $700 million Nicor Gas Credit Facility. The Nicor Gas Credit Facility can only be used for the working capital needs of Nicor Gas. The following table provides additional information on our short-term debt.

In millions	Period end balance outstanding (1)	Daily average balance outstanding (2)	Minimum balance outstanding (2)	Largest balance outstanding (2)
Commercial paper - AGL Capital	$ 292	$ 381	$ -	$ 1,006
Commercial paper - Nicor Gas	389	217	58	393
Senior notes (3)	200	190	-	200
Total short-term debt and current portion of long-term debt	$ 881	$ 788	$ 58	$ 1,599

(1) As of September 30, 2014.

(2) For the nine months ended September 30, 2014. The minimum and largest balances outstanding for each debt instrument occurred at different times during the period. Consequently, the total balances are not indicative of actual borrowings on any one day during the period.

(3) These senior notes mature in January 2015.

The largest, minimum and daily average balances borrowed under our commercial paper programs are important when assessing the intra-period fluctuations of our short-term borrowings and potential liquidity risk. The fluctuations are due to our seasonal cash requirements to fund working capital needs, in particular the purchase of natural gas inventory, margin calls and collateral posting requirements.

Increasing natural gas commodity prices can significantly impact our commercial paper borrowings. Based on current natural gas prices and our expected injection plan, a $1 NYMEX price increase could result in an approximately $24 million change of working capital requirements during the 2014 injection season. This range is sensitive to the timing of storage injections and withdrawals, collateral requirements and our portfolio position. Based upon our total debt outstanding as of September 30, 2014, and our maximum 70% debt to total capitalization allowed under our financial covenants, we could potentially borrow an additional $1 billion of commercial paper under the AGL Credit Facility and an additional $300 million of commercial paper under the Nicor Gas Credit Facility. As a result, based on current natural gas prices and our expected purchases during the remainder of the injection season, we believe that we have sufficient liquidity to cover our working capital needs for the upcoming Heating Season.

Credit Ratings Our borrowing costs and our ability to obtain adequate and cost-effective financing are directly impacted by our credit ratings, as well as the availability of financial markets. Credit ratings are important to our counterparties when we engage in certain transactions, including OTC derivatives. It is our long-term objective to maintain or improve our credit ratings in order to manage our existing financing costs and enhance our ability to raise additional capital on favorable terms.

Credit ratings and outlooks are opinions subject to ongoing review by the rating agencies and may periodically change. The rating agencies regularly review our performance and financial condition and reevaluate their ratings of our long-term debt and short-term borrowings, our corporate ratings and our ratings outlook. There is no guarantee that a rating will remain in effect for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if, in its judgment, circumstances so warrant. A credit rating is not a recommendation to buy, sell or hold securities, and each rating should be evaluated independently of other ratings.

Factors we consider important to assessing our credit ratings include our Consolidated Statements of Financial Position, leverage, capital spending, earnings, cash flow generation, available liquidity and overall business risks. We do not have any triggering events in our debt instruments that are tied to changes in our specified credit ratings or our stock price and have not entered into any agreements that would require us to issue equity based on credit ratings or other trigger events. The following table summarizes our credit ratings as of September 30, 2014, and reflects no change from what was reported in our 2013 Form 10-K/A.

	AGL Resources			Nicor Gas		
	S&P	Moody's	Fitch	S&P	Moody's	Fitch
Corporate rating	BBB+	n/a	BBB+	BBB+	n/a	A
Commercial paper	A-2	P-2	F2	A-2	P-1	F1
Senior unsecured	BBB+	A3	BBB+	BBB+	A2	A+
Senior secured	n/a	n/a	n/a	A	Aa3	AA-
Ratings outlook	Stable	Stable	Stable	Stable	Stable	Stable

A downgrade in our current ratings, particularly below investment grade, would increase our borrowing costs and could limit our access to the commercial paper market. 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 could decrease.

Default Provisions Our debt instruments and other financial obligations include provisions that, if not complied with, could require early payment or similar actions. Our credit facilities contain customary events of default, including, but not limited to, the failure to comply with certain affirmative and negative covenants, cross-defaults to certain other material indebtedness and a change of control.

Our credit facilities contain certain non-financial covenants that, among other things, restrict liens and encumbrances, loans and investments, acquisitions, dividends and other restricted payments, asset dispositions, mergers and consolidations, and other matters customarily restricted in such agreements.

Our credit facilities each include a financial covenant that requires us to maintain a ratio of total debt to total capitalization of no more than 70% at the end of any fiscal month. However, we typically seek to maintain these ratios at levels between 50% and 60%, except for temporary increases related to the timing of acquisition and financing activities. Adjusting for these items, the following table contains our debt-to-capitalization ratios for the dates presented, which are below the maximum allowed. We were in compliance with all of our debt provisions and covenants, both financial and non-financial, for all periods presented.

	AGL Resources			Nicor Gas		
	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2013	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2013
Debt-to-capitalization ratio as calculated from our unaudited Condensed Consolidated Statement of Financial Position	54 %	58 %	57 %	57 %	54 %	50 %
Adjustments (1)	(1)	(1)	(1)	-	1	-
Debt-to-capitalization ratio as calculated within our credit facilities	53 %	57 %	56 %	57 %	55 %	50 %

(1) As defined in credit facilities, includes standby letters of credit, performance/surety bonds and excludes accumulated OCI items related to non-cash pension adjustments, other post-retirement benefits liability adjustments and accounting adjustments for cash flow hedges.

Cash Flows The following table provides a summary of our operating, investing and financing cash flows for the periods presented.

In millions	Nine months ended September 30, 2014	2013	Variance
Net cash provided by (used in) (1):			
Operating activities	$874	$1,070	$196
Investing activities	(284)	(661)	377
Financing activities	(663)	(409)	(254)
Net increase (decrease) in cash and cash equivalents - continuing operations	(50)	(11)	(39)
Net (decrease) increase in cash and cash equivalents - discontinued operations	(23)	11	(34)
Cash and cash equivalents (including held for sale) at beginning of period	105	131	(26)
Cash and cash equivalents (including held for sale) at end of period	32	131	(99)
Less cash and cash equivalents held for sale at end of period	-	34	(34)
Cash and cash equivalents (excluding held for sale) at end of period	$32	$97	$(65)

(1) Includes activity for discontinued operations.

Cash Flow from Operating Activities The $196 million decrease in cash provided by operating activities resulted primarily from (i) trade payables, other than energy marketing, due to higher accrued volumes in December 2013 compared to December 2012, and (ii) deferred natural gas costs, due to an increase in the price paid for natural gas in the first half of 2014 associated with the extremely cold weather. This decrease in cash provided by operating activities was largely offset by increases in cash from operating activities for the nine months ended September 30, 2014, compared to the same period in 2013 primarily related to increased cash provided by (i) higher earnings year over year largely attributed to significantly colder-than-normal weather in the current year and increased price volatility that enabled us to capture value in wholesale services, (ii) inventories due to increased withdrawals at our distribution and midstream operations, partially offset by a decrease in withdrawals at Sequent, and (iii) net energy marketing receivables and payables, due to higher cash received in 2014 that related to December 2013.

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Cash Flow from Investing Activities The $375 million decrease in cash flow used in investing activities was primarily the result of $225 million proceeds from the sale of Tropical Shipping during the third quarter of 2014. The decrease in cash flow used in investing activities was also impacted favorably by the $122 million spending on the acquisition of approximately 500,000 service plans during the first quarter of 2013. This decrease was partially offset by increased spending for PP&E expenditures of $17 million.

Cash Flow from Financing Activities The increased use of cash for our financing activities for the nine months ended September 30, 2014, compared to the same period in 2013 was primarily the result of our issuance of senior notes in May 2013 and recovery of working capital at wholesale services, partially offset by lower commercial paper repayments due to higher working capital needs at distribution operations. For more information on our debt, see Note 7 to our unaudited Condensed Consolidated Financial Statements under Part I, Item 1 herein.

Contractual Obligations and Commitments We have incurred various contractual obligations and financial commitments in the normal course of business that are reasonably likely to have a material effect on liquidity or the availability of requirements for capital resources. Contractual obligations include future cash payments required under existing contractual arrangements, such as debt and lease agreements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related revenue-producing activities. Contingent financial commitments represent obligations that become payable only if certain predefined events occur, such as financial guarantees, and include the nature of the guarantee and the maximum potential amount of future payments that could be required of us as the guarantor. For additional information see Note 10 to our unaudited Condensed Consolidated Financial Statements under Part I, Item 1 herein. The following table illustrates our expected future contractual payments under our obligations and other commitments as of September 30, 2014.

In millions	Total	2014	2015	2016	2017	2018	2019 & thereafter
Recorded contractual obligations:							
Long-term debt (1)	$3,706	$-	$200	$545	$22	$155	$2,784
Short-term debt	681	681	-	-	-	-	-
Environmental remediation liabilities (2)	454	16	83	104	50	38	163
Pipeline replacement program costs (2)	1	1	-	-	-	-	-
Total	$4,842	$698	$283	$649	$72	$193	$2,947
Unrecorded contractual obligations and commitments (3) (8):							
Pipeline charges, storage capacity and gas supply (4)	$3,837	$304	$564	$292	$185	$174	$2,318
Interest charges (5)	2,798	36	179	171	147	146	2,119

Operating leases (6)	207	11	35	31	24	18	88
Asset management agreements (7)	31	2	9	8	6	4	2
Standby letters of credit, performance/surety bonds (8)	27	9	17	1	-	-	-
Other	9	1	3	3	1	1	-
Total	$6,909	$363	$807	$506	$363	$343	$4,527

(1) Excludes the $77 million step up to fair value of first mortgage bonds, $16 million unamortized debt premium and $6 million interest rate swaps fair value adjustment. Includes current portion of long-term debt of $200 million, which matures in January 2015.

(2) Includes charges recoverable through base rates or rate rider mechanisms.

(3) In accordance with GAAP, these items are not reflected in our unaudited Condensed Consolidated Statements of Financial Position.

(4) Includes charges recoverable through a natural gas cost recovery mechanism or alternatively billed to Marketers and demand charges associated with Sequent. The gas supply balance includes amounts for Nicor Gas and SouthStar gas commodity purchase commitments of 66 Bcf at floating gas prices calculated using forward natural gas prices as of September 30, 2014, and is valued at $271 million. As we do for other subsidiaries, we provide guarantees to certain gas suppliers for SouthStar in support of payment obligations.

(5) Floating rate interest charges are calculated based on the interest rate as of September 30, 2014, and the maturity date of the underlying debt instrument. As of September 30, 2014, we have $42 million of accrued interest on our unaudited Condensed Consolidated Statements of Financial Position that will be paid in the next 12 months.

(6) We have certain operating leases with provisions for step rent or escalation payments and certain lease concessions. We account for these leases by recognizing the future minimum lease payments on a straight-line basis over the respective minimum lease terms, in accordance with GAAP. However, this lease accounting treatment does not affect the future annual operating lease cash obligations as shown herein. Our operating leases are primarily for real estate.

(7) Represent fixed-fee minimum payments for Sequent’s affiliated asset management agreements.

(8) We provide guarantees to certain municipalities and other agencies and certain gas suppliers of SouthStar in support of payment obligations.

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Critical Accounting Policies and Estimates

The preparation of our financial statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts in our unaudited Condensed Consolidated Financial Statements and accompanying notes. Those judgments and estimates have a significant effect on our financial statements, primarily due to the need to make estimates about the effects of matters that are inherently uncertain. Actual results could differ from those estimates. We frequently reevaluate our judgments and estimates that are based upon historical experience and various other assumptions that we believe to be reasonable under the circumstances.

Each of our critical accounting estimates involves complex situations requiring a high degree of judgment either in the application and interpretation of existing literature or in the development of estimates that impact our financial statements. Except as described below, there have been no significant changes to our critical accounting estimates from those disclosed in our Management's Discussion and Analysis of Financial Condition and Results of Operations as filed on our 2013 Form 10-K/A. Our critical accounting estimates used in the preparation of our unaudited Condensed Consolidated Financial Statements include the following:

- Accounting for Rate-Regulated Subsidiaries
- Derivatives and Hedging Activities
- Goodwill and Long-Lived Assets, including Other Intangible Assets
- Contingencies
- Pension and Other Retirement Plans
- Provisions for Income Taxes

Goodwill In the first quarter of 2014 we conducted an engineering study that indicated a reduction in our estimated working gas capacity for a storage facility from what was projected when our 2013 annual goodwill impairment analysis was performed in the fourth quarter of 2013. Given that the 2013 annual goodwill impairment test indicated that the estimated fair value of the storage and fuels reporting unit exceeded its carrying amount by less than 5%, we considered this reduced forecast of storage capacity as an indicator of potential impairment and, accordingly, conducted an interim goodwill impairment analysis during the first quarter of 2014. See "Goodwill" in Note 2 to our unaudited Condensed Consolidated Financial Statements under Part I, Item 1 herein for additional information.

Accounting Developments

See "Accounting Developments" in Note 2 to our unaudited Condensed Consolidated Financial Statements under Part I, Item 1 herein.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to risks associated with natural gas prices, interest rates and credit. Natural gas price risk results from changes in the fair value of natural gas. Interest rate risk is caused by fluctuations in interest rates related to our portfolio of debt and equity instruments that we issue to provide financing and liquidity for our business. Credit risk results from the extension of credit throughout all aspects of our business, but is particularly concentrated at Atlanta Gas Light in distribution operations and in wholesale services. We use derivative instruments to manage these risks. Our use of derivative instruments is governed by a risk management policy, approved and monitored by our Risk Management Committee (RMC), which prohibits the use of derivatives for speculative purposes.

Our RMC is responsible for establishing the overall risk management policies and monitoring compliance with, and adherence to, the terms within these policies, including approval and authorization levels and delegation of these levels. Our RMC consists of members of senior management who monitor open natural gas price risk positions and other types of risk, corporate exposures, credit exposures and overall results of our risk management activities. It is chaired by our chief risk officer, who is responsible for ensuring that appropriate reporting mechanisms exist for the RMC to perform its monitoring functions. Our risk management activities and related accounting treatment for our derivative instruments are described in further detail in Note 5 of our unaudited Condensed Consolidated Financial Statements included herein.

Natural Gas Price Risk

The following tables include the fair values and average values of our consolidated derivative instruments as of the dates indicated. We base the average values on monthly averages for the nine months ended September 30, 2014 and 2013.

	Derivative instruments average values at September 30, (1)	
In millions	2014	2013
Asset	$ 144	$ 106
Liability	106	42

(1) Excludes cash collateral amounts.

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In millions	Derivative instruments fair values netted with cash collateral at September 30, 2014	December 31, 2013	September 30, 2013
Asset	$113	$119	$112
Liability	47	80	44

The following table illustrates the change in the net fair value of our derivative instruments during the periods presented, and provides details of the net fair value of contracts outstanding as of the dates presented.

In millions	Three months ended September 30, 2014	2013	Nine months ended September 30, 2014	2013
Net fair value of derivative instruments outstanding at beginning of period	$(30)	$(3)	$(82)	$36
Derivative instruments realized or otherwise settled during period	(19)	(11)	24	(55)
Change in net fair value of derivative instruments	(10)	(12)	(1)	(7)
Net fair value of derivative instruments outstanding at end of period	(59)	(26)	(59)	(26)
Netting of cash collateral	125	94	125	94
Cash collateral and net fair value of derivative instruments outstanding at end of period	$66	$68	$66	$68

The sources of our net fair value at September 30, 2014, are as follows.

In millions	Prices actively quoted (Level 1) (1)	Significant other observable inputs (Level 2) (2)
Mature through 2014	$ (25)	$ 10
Mature 2015 - 2016	(41)	(1)
Mature 2017 - 2018	(2)	-
Total derivative instruments (3)	$ (68)	$ 9

(1) Valued using NYMEX futures prices.

(2) Valued using basis transactions that represent the cost to transport natural gas from a NYMEX delivery point to the contract delivery point. These transactions are based on quotes obtained either through electronic trading platforms or directly from brokers.

(3) Excludes cash collateral amounts.

VaR Our VaR may not be comparable to that of other entities due to differences in the factors used to calculate VaR. Our VaR is determined on a 95% confidence interval and a 1-day holding period, which means that 95% of the time, the risk of loss in a day from a portfolio of positions is expected to be less than or equal to the amount of VaR calculated. Our open exposure is managed in accordance with established policies that limit market risk and require daily reporting of potential financial exposure to senior management, including the chief risk officer. Because we generally manage physical gas assets and economically protect our positions by hedging in the futures markets, our open exposure is generally mitigated. We employ daily risk testing, using both VaR and stress testing, to evaluate the risks of our open positions.

Natural gas markets experienced levels of high volatility and increased prices due to the extended extreme cold weather during the first quarter of 2014, resulting in our VaR to be at elevated levels as compared to prior periods. We actively managed and monitored the open positions and exposures that were driving the elevated VaR levels not only to remain in compliance with established policies, but also to mitigate the operational risks of not being able to meet customer needs under these extreme conditions. As conditions moderated at the end of the first quarter, our period-end VaR was consistent with historical periods. We actively monitor open commodity positions and the resulting VaR. We also continue to maintain a relatively matched book, where our total buy volume is close to our sell volume, with minimal open natural gas price risk. Based on a 95% confidence interval and employing a 1-day holding period, we had the following VaRs.

	Three months ended September 30,		Nine months ended September 30,	
In millions	2014	2013	2014	2013
Period end	$7.2	$2.5	$7.2	$2.5
Average	3.1	2.3	4.1	2.0
High	8.0	3.1	19.7	3.1
Low	1.8	1.9	1.8	1.2

Interest Rate Risk

Interest rate fluctuations expose our variable-rate debt to changes in interest expense and cash flows. Our policy is to manage interest expense using a combination of fixed-rate and variable-rate debt. Based on $0.9 billion of variable-rate debt outstanding at September 30, 2014, a 100 basis point change in market interest rates would have resulted in an increase in pre-tax interest expense of $9 million on an annualized basis.

We utilize interest rate swaps to help us achieve our desired mix of variable to fixed-rate debt. Our variable-rate debt target generally ranges from 20% to 45% of total debt. We also may use forward-starting interest rate swaps and interest rate lock agreements to lock in fixed interest rates on our forecasted issuances of debt. The objective of these hedges is to offset the variability of future payments associated with the interest rate on debt instruments we expect to issue. The gain or loss on the interest rate swaps designated as cash flow hedges is generally deferred in accumulated OCI until settlement, at which point it is amortized to interest expense over the period of the related hedge interest payments. For additional information, see Note 5 to our unaudited Condensed Consolidated Financial Statements included under Part 1, Item 1 herein.

Credit Risk

Wholesale Services We have established credit policies to determine and monitor the creditworthiness of counterparties, as well as the quality of pledged collateral. We also utilize master netting agreements whenever possible to mitigate exposure to counterparty credit risk. When we are engaged in more than one outstanding derivative transaction with the same counterparty and we also have a legally enforceable netting agreement with that counterparty, the “net” mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty and a reasonable measure of our credit risk. We also use other netting agreements with certain counterparties with whom we conduct significant transactions. Master netting agreements enable us to net certain assets and liabilities by counterparty. We also net across product lines and against cash collateral, provided the master netting and cash collateral agreements include such provisions.

Additionally, we may require counterparties to pledge additional collateral when deemed necessary. We conduct credit evaluations and obtain appropriate internal approvals for a counterparty’s line of credit before any transaction with the counterparty is executed. In most cases, the counterparty must have an investment grade rating, which includes a minimum long-term debt rating of Baa3 from Moody’s and BBB- from S&P. Generally, we require credit enhancements by way of guaranty, cash deposit or letter of credit for transaction counterparties that do not have investment grade ratings.

We have a concentration of credit risk as measured by our 30-day receivable exposure plus forward exposure. As of September 30, 2014, our top 20 counterparties represented 50% of the total counterparty exposure of $360 million, derived by adding together the top 20 counterparties’ exposures, exclusive of customer deposits, and dividing by the total of our counterparties’ exposures.

As of September 30, 2014, our counterparties, or the counterparties’ guarantors, had a weighted average S&P equivalent credit rating of A-, which is consistent with the prior year. The S&P equivalent credit rating is determined by a process of converting the lower of the S&P or Moody’s ratings to an internal rating ranging from 9 to 1, with 9 being equivalent to AAA/Aaa by S&P and Moody’s and 1 being D or Default by S&P and Moody’s. A counterparty that does not have an external rating is assigned an internal rating based on the strength of the financial ratios of that counterparty. To arrive at the weighted average credit rating, each counterparty is assigned an internal ratio, which is multiplied by their credit exposure and summed for all counterparties. The sum is divided by the aggregate total counterparties’ exposures, and this numeric value is then converted to an S&P equivalent. The following table shows our third-party natural gas contracts receivable and payable positions.

	Gross receivables			Gross payables		
In millions	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2013	Sep. 30, 2014	Dec. 31, 2013	Sep. 30, 2013
Netting agreements in place:						
Counterparty is investment grade	$308	$496	$310	$192	$265	$229
Counterparty is non-investment grade	6	-	-	8	10	7
Counterparty has no external rating	207	260	185	383	393	302
No netting agreements in place:						
Counterparty is investment grade	13	29	4	1	2	-
Counterparty has no external rating	10	1	3	28	1	1

Amount recorded on unaudited Condensed Consolidated Statements of Financial Position	$544	$786	$502	$612	$671	$539

We have certain trade and credit contracts that have explicit minimum credit rating requirements. These credit rating requirements typically give counterparties the right to suspend or terminate credit if our credit ratings are downgraded to non-investment grade status. Under such circumstances, we would need to post collateral to continue transacting business with some of our counterparties. If such collateral were not posted, our ability to continue transacting business with these counterparties would be impaired. If our credit ratings had been downgraded to non-investment grade status, the required amounts to satisfy potential collateral demands under such agreements with our counterparties would have totaled $10 million at September 30, 2014, which would not have had a material impact on our consolidated results of operations, cash flows or financial condition.

There have been no significant changes to our credit risk related to any of our segments other than wholesale services, as described in Item 7A "Quantitative and Qualitative Disclosures about Market Risk" of our 2013 Form 10-K.

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ITEM 4. CONTROLS AND PROCEDURES.

(a) Evaluation of disclosure controls and procedures. Under the supervision of and with the participation of our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of September 30, 2014, the end of the period covered by this report. Based on their evaluation, our principal executive officer and our principal financial officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2014 because of the material weakness in our internal control over financial reporting described below.

Material Weakness in Internal Control Over Financial Reporting

In connection with the preparation of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, we concluded that there was a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company’s annual or interim financial statements will not be prevented or detected on a timely basis.

We did not maintain effective controls to appropriately apply the accounting guidance related to the recognition of allowed versus incurred costs. Specifically, the Company did not have controls to address the recognition of allowed versus incurred costs, primarily related to an allowed equity return, applied to the accounting for our regulated infrastructure programs and related disclosures that operated at a level of precision to prevent or detect potential material misstatements to the Company’s consolidated financial statements. This control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Accordingly, our management has concluded that the deficiency constitutes a material weakness.

As a result of the material weakness described above, the Company has revised its consolidated financial statements for the years ended December 31, 2013, 2012 and 2011, for each of the quarterly periods during the year ended December 31, 2013, and for the quarters ended March 31, 2014 and June 30, 2014. The Company has amended our Annual Report on Form 10-K for the year ended December 31, 2013 to reflect the revisions and the conclusion by our management that internal control over financial reporting and disclosure controls and procedures were not effective as of December 31, 2013.

Remediation Plan

We are committed to remediating the material weakness by implementing changes to our internal control over financial reporting. We have already implemented additional procedures to address the underlying causes of the material weakness prior to filing this quarterly report on Form 10-Q, and we will continue to implement changes and improvements in the internal control over financial reporting to remediate the control deficiency that caused the material weakness. The following actions have been, are being, or are planned to be implemented:

- Reviewed all existing regulatory programs to ensure the proper evaluation of deferral components and proper treatment of allowed versus incurred costs pursuant to the accounting guidance. This review was completed prior to the issuance of revised consolidated financial statements.
- Complete training for all appropriate personnel regarding the applicable accounting guidance and requirements through meetings concurrent with the process to evaluate all infrastructure and other regulated programs.
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Create a process and design controls to capture and calculate allowed versus incurred costs and to record appropriate amounts in the consolidated financial statements. The Company will identify appropriate processes, reviews and other controls to ensure accurate amounts are appropriately reflected in the Company's consolidated financial statements.

- The Company is also considering other improvements and enhancements, including a review of organization structure, reporting relationships and adequacy of staffing levels, among others.

Management is committed to a strong internal control environment and believes that, when fully implemented and tested, the actions described above will remediate the material weakness in our internal control over financial reporting. We will continue to assess the effectiveness of our remediation efforts with our future assessments of the effectiveness of internal control over financial reporting. As we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to address the material weakness or determine to modify the remediation plan described above. Until the remediation steps set forth above are fully implemented, the material weakness described above will continue to exist.

(b) Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2014, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The nature of our business ordinarily results in periodic regulatory proceedings before various state and federal authorities. In addition, we are party, as both plaintiff and defendant, to a number of lawsuits related to our business on an ongoing basis. Management believes that the outcome of all regulatory proceedings and litigation in which we are currently involved will not have a material adverse effect on our consolidated financial condition. For more information, see Note 10 to our unaudited Condensed Consolidated Financial Statements in this quarterly filing under the caption “Litigation.”

In the third quarter of 2013, we commenced an investigation into payments to local officials and related persons at one of the foreign ports serviced by Tropical Shipping. In October 2013, we voluntarily disclosed these matters to the U.S. Department of Justice (DOJ) and the SEC and have periodically reported our progress. We have completed our investigation and reported our findings to the DOJ and SEC. Both the DOJ and SEC have confirmed that they do not intend to pursue this matter further.

Item 1A. Risk Factors.

For information regarding our risk factors, see the factors discussed in Part I, Item 1A. Risk Factors in our Original Filing. These risk factors could materially affect our business, financial condition or future results. There have been no significant changes to our risk factors included in Item 1A of our Original Filing. The risks described in the referenced document are not the only risks facing the company. Additional risks and uncertainties not currently known to us or that we currently do not recognize as material also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

There were no purchases of our common stock by us or any affiliated purchasers during the third quarter of 2014, and no unregistered sales of equity securities were made during this period.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit	Filer	The Filings Referenced for Incorporation by Reference
2	Stock Purchase Agreement by and among Aqua Acquisition Corp., Ottawa Acquisition LLC and Birdsall, Inc.(1)	AGL Resources	Filed herewith
12	Statement of Computation of Ratio of Earnings to Fixed Charges	AGL Resources	Filed herewith
31.1	Certification of John W. Somerhalder II	AGL Resources	Filed herewith
31.2	Certification of Andrew W. Evans	AGL Resources	Filed herewith
32.1	Certification of John W. Somerhalder II	AGL Resources	Filed herewith
32.2	Certification of Andrew W. Evans		Filed herewith

		AGL Resources	
101.INS	XBRL Instance Document	AGL Resources	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema	AGL Resources	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase	AGL Resources	Filed herewith
101.DEF	XBRL Taxonomy Definition Linkbase	AGL Resources	Filed herewith
101.LAB	XBRL Taxonomy Extension Labels Linkbase	AGL Resources	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	AGL Resources	Filed herewith

(1) Portions of this exhibit have been omitted pursuant to a request for confidential treatment with the SEC. The omitted portions have been separately filed with the SEC. This exhibit replaces and supercedes in its entirety the Stock Purchase Agreement filed on July 30, 2014 with our Form 10-Q for the quarter ended June 30, 2014.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AGL RESOURCES INC.
(Registrant)

Date: November 7, 2014 /s/ Andrew W. Evans
Executive Vice President and Chief Financial Officer

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