ORIGINAL

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November 6, 2006

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COMMISSION CLERK

VIA HAND DELIVERY

Blanca S. Bayó, Director
Division of Commission Clerk and Administrative Services
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

060729-GU

Re: Application for Authority to Issue Debt Security During Calendar Year 2007, Pursuant to Section 366.04, F.S., and Chapter 25-8, F.A.C., by Florida City Gas

Dear Ms. Bayó:

Enclosed for filing, please find an original and 5 copies of the Application of Florida City Gas for Authority to Issue Debt Security During the Calendar Year 2007, along with a copy of the pleading on diskette in Word format.

Your assistance in this matter is greatly appreciated. If you have any questions, please do not hesitate to contact me.

Sincerely,

Beth Keating

Beth Keating
AKERMAN SENTERFITT
106 East College Avenue, Suite 1200
Tallahassee, FL 32302-1877
Phone: (850) 224-9634
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Enclosures

ORIGINAL

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application by Florida City Gas, a division of Pivotal Utility Holdings, Inc., for Authority to Issue Debt Security Pursuant to Florida Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code
______________________________________/

Docket No. 060729-GU

Filed: November 6, 2006

APPLICATION BY FLORIDA CITY GAS, A DIVISION OF PIVOTAL UTILITY HOLDINGS, INC. FOR AUTHORITY TO ISSUE DEBT SECURITY

Florida City Gas, a division of Pivotal Utility Holdings, Inc. (the "Applicant"), by and through undersigned counsel, pursuant to Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code, hereby files this application for authority to undertake short-term indebtedness pursuant to its participation in AGL Resources Inc.'s Utility Money Pool.

In support, Applicant states:

1. **Applicant Information:** The name and principal business address of Applicant are Pivotal Utility Holdings, Inc., One Elizabethtown Plaza, Union, New Jersey 07083. Applicant is the indirect wholly owned subsidiary of AGL Resources Inc. ("AGLR"), an energy services holding company headquartered in Atlanta, Georgia. Applicant is engaged in the business of distributing natural gas in service territories located in portions of the states of New Jersey, Florida and Maryland. Through its Florida City Gas division, Applicant supplies natural gas to customers in Miami-Dade, Broward, Palm Beach, St. Lucie, Indian River, Martin, and Brevard Counties, Florida. Accordingly, Applicant is regulated as a "public utility" by the Florida Public Service Commission ("Commission") under Chapter 366, Florida Statutes. Exhibit A provides the Applicant's most recent audited financial statements.

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In Re: Application by Florida City Gas, a division of Pivotal Utility Holdings, Inc., for Authority to Issue Debt Security Pursuant to Florida Section 366.04, Florida Statutes, and Chapter 25-8, Florida Administrative Code /	Docket No. __________ Filed: November 6, 2006

APPLICATION BY FLORIDA CITY GAS, A DIVISION OF PIVOTAL UTILITY HOLDINGS, INC. <u>FOR AUTHORITY TO ISSUE DEBT SECURITY</u>

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In support, Applicant states:

1. **<u>Applicant Information</u>:** The name and principal business address of Applicant are Pivotal Utility Holdings, Inc., One Elizabethtown Plaza, Union, New Jersey 07083. Applicant is the indirect wholly owned subsidiary of AGL Resources Inc. ("AGLR"), an energy services holding company headquartered in Atlanta, Georgia. Applicant is engaged in the business of distributing natural gas in service territories located in portions of the states of New Jersey, Florida and Maryland. Through its Florida City Gas division, Applicant supplies natural gas to customers in Miami-Dade, Broward, Palm Beach, St. Lucie, Indian River, Martin, and Brevard Counties, Florida. Accordingly, Applicant is regulated as a "public utility" by the Florida Public Service Commission ("Commission") under Chapter 366, Florida Statutes. Exhibit A provides the Applicant's most recent audited financial statements.

2. **Incorporation and Domestication**: Applicant was incorporated under the laws of New Jersey in 1969. As noted above, Applicant does business in the states of New Jersey, Florida and Maryland.

3. **Persons Authorized To Receive Notices and Communications:** The names and addresses of the persons authorized to receive notices and communications with respect to this application are as follows:

Beth Keating
Akerman Senterfitt
106 East College Avenue
Suite 1200
Tallahassee, FL 32301

Elizabeth Wade
Senior Regulatory Counsel
AGL Resources Inc.
Ten Peachtree Place, NW
15th Floor
Atlanta, GA 30309

4. **Capital Stock and Funded Debt:** The following additional information regarding the financial condition of Applicant (and its ultimate parent corporation, AGLR) is submitted for the Commission's consideration:

a. Total authorized common stock of Applicant's ultimate corporate parent, AGLR, is 750,000,000 shares, of which 77,761,204 shares were issued and outstanding at September 30, 2006 and publicly traded on the New York Stock Exchange under the symbol "ATG";

b. Neither AGLR nor Applicant has any issued or outstanding preferred stock;

c. As of September 30, 2006, AGLR held 296,765 shares in its treasury. The amount of capital stock held as reacquired securities by Applicant: none

d. The amount of capital stock pledged by Applicant or AGLR: none

e. The amount of Applicant's capital stock held by affiliated corporations: 100% held by NUI Corporation, a wholly owned subsidiary of AGLR.

f. The amount of capital stock held in any fund by Applicant or AGLR: none

The table below summarizes Applicant's outstanding loan agreements, pursuant to which Applicant has borrowed the proceeds of the offerings of industrial development revenue bonds by each of these public financing entities. The terms and payments under Applicant's loan agreements with the public financing entities mirrors those of the revenue bonds.

Description	**Date**	**Principal amount**	**Interest**
Loan Agreement between New Jersey Economic Development Authority and Pivotal Utility Holdings)	3-May-05	$46.5 million	variable rate bonds
Loan Agreement between Brevard County, Florida and Pivotal Utility Holdings)	19-April-05	$20 million	variable rate bonds
Loan Agreement between New Jersey Economic Development Authority and NUI Corporation (now Pivotal Utility Holdings)	1-Jun-96	$39 million	variable rate bonds
Loan Agreement between New Jersey Economic Development Authority and NUI Corporation (now Pivotal Utility Holdings)	1-Jun-97	$54.6 million	5.70%
Loan Agreement between New Jersey Economic Development Authority and NUI Corporation (now Pivotal Utility Holdings)	1-Dec-98	$40 million	5.25%

Applicant's indebtedness pursuant to these arrangements totals approximately $200.1 million.

Applicant also has an additional $111,787,695 of long-term inter-company debt. As of September 30, 2006, Applicant's inter-company debt carries an interest rate of 6.26%, which rate approximates AGLR's weighted cost of capital for its outstanding long term debt as June 30, 2006. Applicant does not anticipate redeeming any of these securities in calendar year 2007.

5. **Proposed Transactions:**

(a) Nature of Transactions: Applicant requests authorization to finance its on-going cash requirements through its participation and borrowings from and investments in AGLR's Utility Money Pool. Applicant will make short-term borrowings not to exceed $800,000,000 (aggregate for Applicant's three utilities) annually from the Utility Money Pool according to limits that are consistent, given the seasonal nature of Applicant's business and its anticipated cash demands, with Applicant's capitalization. Florida City Gas's share of these borrowings will not exceed $250 million. Applicant's requested authorization is consistent with the authority granted in Order No. PSC-05-1221-FOF-GU.

(b) **Maximum Principal Amount:** The amount of short-term borrowings from the Utility Money Pool will not exceed $800,000,000.

(c) **Present Estimate of Interest Rate:** The interest rate paid by Applicant on borrowings from the Utility Money Pool is essentially a pass-through of AGLR's cost for borrowing these funds under its commercial paper program. As of September 30, that interest rate was 5.35%.

(d) **Maturity Date(s):** Borrowings under the Utility Money Pool mature 364 days after the date of borrowing.

(e) **Additional Provisions:** none

6. **Purpose For Which the Debt Will Be Incurred:** Applicant will use funds borrowed from the Utility Money Pool for capital expenditures, ongoing working capital requirements and general corporate purposes.

7. **Lawful Object and Purpose:** Applicant is authorized to participate in the Utility Money Pool by its Articles of Incorporation and applicable law. Participation in the arrangement is consistent with the proper performance by Applicant of service as a public utility and reasonably necessary and appropriate for such purposes.

8. **Counsel Passing on Legality of the Issue:**

Brian Betancourt
LeBoeuf, Lamb, Greene & MacRae, LLP
125 West 55th Street

New York, NY 10019

9. **Filings With Other State or Federal Regulatory Bodies**: Applicant has authority for participation in the Utility Money Pool from the New Jersey Board of Public Utilities, whose address is Two Gateway Center, Newark, New Jersey 07102. AGLR's Utility Money Pool was originally authorized by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935 (as amended), which was repealed as of February 2006.

10. **Control or Ownership:** There is no measure of control or ownership exercised by or over Applicant as to any other public utility. Applicant is a wholly owned subsidiary of its parent holding company, NUI Corporation, which is a wholly owned subsidiary of AGL Resources Inc.

WHEREFORE, Florida City Gas, a division of Pivotal Utility Holdings, Inc., doing business in Florida respectfully requests that the Commission:

(a) publish notice of intent to grant the application pursuant to Section 366.04(1), Florida Statutes, as soon as possible;

(b) schedule this matter for agenda as early as possible;

(c) authorize Applicant to make short-term borrowings not to exceed $800,000,000 annually from AGLR's Utility Money Pool for the purposes and in the manner described herein;

(d) grant such other relief as the Commission deems appropriate.

Respectfully submitted this 6th day of November, 2006.

Beth Keating
Akerman Senterfitt Attorneys at Law
106 East College Avenue
Suite 1200
Tallahassee, FL 32301
(850) 224-9634

Attorneys for PIVOTAL UTILITY HOLDINGS, INC.,
d/b/a FLORIDA CITY GAS

EXHIBIT A

Pivotal Utility Holdings, Inc.

(A subsidiary of AGL Resources Inc.)

Financial Statements

As of and for the fiscal year ended December 31, 2005

Pivotal Utility Holdings, Inc.

Financial Statements

Year Ended December 31, 2005

Contents

Report of Independent Auditors

To the Shareholder of Pivotal Utility Holdings, Inc.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income, of shareholder's equity and of cash flows present fairly, in all material respects, the financial position of Pivotal Utility Holdings, Inc. (a wholly owned subsidiary of AGL Resources Inc.) and its subsidiaries at December 31, 2005, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

Atlanta, Ga.
February 6, 2006

Pivotal Utility Holdings, Inc.
Consolidated Balance Sheet

In thousands	December 31, 2005
Current assets	
Cash and cash equivalents	$2,986
Receivables (less allowance for uncollectible accounts of $4,083)	113,458
Inventories	64,444
Energy marketing and risk management	16,423
Unrecovered environmental remediation costs – current portion	1,552
Other current assets	17,196
Total current assets	216,059
Property, plant and equipment	
Property, plant and equipment	887,797
Less accumulated depreciation	(267,530)
Property, plant and equipment — net	620,267
Other assets	
Unrecovered environmental remediation costs	61,396
Unrecovered postretirement benefits	4,713
Energy marketing and risk management	848
Other	9,087
Total other assets	76,044
Total assets	$912,370
Current liabilities	
Payables and accrued liabilities	$40,609
Energy marketing and risk management	16,423
Customer deposits	14,165
Accrued purchased gas adjustment	5,825
Due to affiliates	5,240
Accrued environmental remediation costs – current portion	3,575
Short-term debt	1,176
Other current liabilities	18,341
Total current liabilities	105,354
Accumulated deferred income taxes	46,519
Long-term liabilities	
Accumulated removal costs	63,242
Accrued environmental remediation costs	63,065
Accrued pension costs	30,753
Accrued postretirement benefit costs	5,084
Regulatory tax liability	4,235
Unamortized investment tax credits	2,906
Energy marketing and risk management	848
Other long-term liabilities	4,052
Total long-term liabilities	174,185
Commitments and contingencies (see Note 7)	
Capitalization	
Long-term debt	317,464
Common shareholders' equity; no par value; 12,807,111 shares outstanding	268,848
Total capitalization	586,312
Total liabilities and capitalization	$912,370

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.
Statement of Consolidated Income

In thousands	Year ended December 31, 2005
Operating revenues	$618,995
Operating expenses	
Cost of gas	428,481
Operation and maintenance	104,048
Depreciation and amortization	29,220
Taxes other than income taxes	7,523
Total operating expenses	569,272
Operating income	49,723
Other income	1,419
Interest expense, net	(14,908)
Earnings before income taxes	36,234
Income taxes	14,407
Net income	$21,827

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.
Statement of Consolidated Common Shareholders' Equity

In thousands	Premium on Common Stock	Earnings Reinvested	Total
Balance as of December 31, 2004	$153,862	$109,269	$263,131
Net income	-	21,827	21,827
Dividends	-	(16,110)	(16,110)
Balance as of December 31, 2005	$153,862	$114,986	$268,848

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.
Statement of Consolidated Cash Flows

In thousands	Year ended December 31, 2005
Cash flows from operating activities	
Net income	$21,827
Adjustments to reconcile net income to net cash flow provided by operating activities	
Depreciation and amortization	29,220
Change in risk management assets and liabilities	12,880
Deferred income taxes	(6,671)
Other non cash adjustments	102
Changes in certain assets and liabilities	
Payables	4,646
Inventories	(17,544)
Receivables	(24,334)
Purchased gas costs	7,554
Other – net	(14,052)
Net cash flow provided by operating activities	13,628
Cash flows from investing activities	
Expenditures for property, plant and equipment	(33,394)
Sale of Florida appliance business	6,499
Other	300
Net cash flow used in investing activities	(26,595)
Cash flows from financing activities	
Net amount due to AGL Resources Inc.	22,058
Proceeds from Gas Facility Revenue Bonds	67,000
Payment of Gas Facility Revenue Bonds	(67,000)
Dividends paid	(16,110)
Principal payments under capital lease obligations	(230)
Net cash flow provided by financing activities	5,718
Net decrease in cash and cash equivalents	(7,249)
Cash and cash equivalents at beginning of period	10,235
Cash and cash equivalents at end of period	$2,986
Cash paid during the period for	
Interest	$15,750
Income taxes	$8,727

See Notes to Consolidated Financial Statements.

Pivotal Utility Holdings, Inc.

Notes to Consolidated Financial Statements

> Note 1
Accounting Policies and Methods of Application

General

The consolidated financial statements include all subsidiaries of Pivotal Utility Holdings, Inc. (Pivotal Utility), a wholly-owned subsidiary of AGL Resources Inc. (AGL Resources). Pivotal Utility is engaged in the sale and distribution of natural gas to approximately 370,000 customers in three states through its utility operating divisions which include Elizabethtown Gas (New Jersey), Florida City Gas (Florida) and Elkton Gas (Maryland). Unless the context requires otherwise, references to "we," "us," "our" or the "company" mean consolidated Pivotal Utility and its subsidiaries.

On November 30, 2004, AGL Resources completed the acquisition of NUI Corporation (NUI), parent company of NUI Utilities, Inc., for approximately $825 million, including the assumption of $709 million in debt. As a result, AGL Resources acquired the operations of NUI Utilities, Inc., which became a wholly-owned subsidiary and was subsequently renamed Pivotal Utility. Additionally, effective December 1, 2004, Pivotal Utility's fiscal year end was changed from September 30 to December 31.

Basis of Presentation

Our consolidated financial statements as of and for the period ended December 31, 2005 include our accounts and the accounts of our majority-owned and controlled subsidiaries. This means that our accounts are combined with the subsidiaries' accounts. We have eliminated any intercompany profits and transactions between segments in consolidation; however, we have not eliminated intercompany profits when such amounts are probable of recovery under the affiliates' rate regulation process.

Until its sale in September 2005, the consolidated financial statements included herein include the results of operations and financial position of NUI Service, Inc. (NUIS), a Florida plumbing business and a wholly owned subsidiary of NUI Capital Corporation (NUI Capital). Although NUIS is not a subsidiary of the company, it was managed and operated together with the company's Florida appliance business which was also sold in 2005. For this reason, we have elected to consolidate NUIS' financial statements with those of the company.

Cash and Cash Equivalents

Our cash and cash equivalents consist primarily of cash on deposit, money market accounts and certificates of deposit with original maturities of three months or less.

Receivables and Allowance for Uncollectible Accounts

Our receivables consist of natural gas sales and transportation services billed to residential, commercial, industrial and other customers. We bill customers monthly, and accounts receivable are due within 30 days. For the majority of our receivables, we establish an allowance for doubtful accounts based on our collection experience. On certain other receivables where we are aware of a specific customer's inability or reluctance to pay, we record an allowance for doubtful accounts against amounts due to reduce the net receivable balance to the amount we reasonably expect to collect. However, if circumstances change, our estimate of the recoverability of accounts receivable could be different. Circumstances that could affect our estimates include, but are not limited to, customer credit issues, the level of natural gas prices, customer deposits and general economic conditions. We write off accounts once we deem them to be uncollectible.

Inventories

We record natural gas stored underground at weighted average costs.

Property, Plant and Equipment

Property, plant and equipment expenditures consist of property and equipment that is in use, being held for future use and under construction. We report it at its original cost, which includes

- material and labor
- contractor costs
- construction overhead costs
- an allowance for funds used during construction which represents the estimated cost of funds used to finance the construction of major projects and are capitalized in the rate base for ratemaking purposes when the completed projects are placed in service

We charge property retired or otherwise disposed of to accumulated depreciation since such costs are recovered in rates.

Depreciation Expense

We compute depreciation expense by applying composite, straight-line rates (approved by the state regulatory agencies) to the investment in depreciable property. The composite straight-line depreciation rate for depreciable property excluding transportation equipment for Elizabethtown Gas, Florida City Gas and Elkton Gas was approximately 3.1% during 2005.

Allowance for Funds Used During Construction (AFUDC)

Elizabethtown Gas is authorized by its state regulatory agency to record the cost of debt and equity funds as part of the cost of construction projects in our consolidated balance sheet and as AFUDC in the statement of consolidated income. The New Jersey Board of Public Utilities (NJBPU) has authorized a variable rate based on the FERC method of accounting for AFUDC. At December 31, 2005 the rate was 4.33%. The capital expenditures of our other regulated utilities do not qualify for AFUDC treatment. AFUDC for the year ended December 31, 2005 was $136 thousand.

Accumulated Deferred Income Taxes

The reporting of our assets and liabilities for financial accounting purposes differs from the reporting for income tax purposes. The principal differences between net income and taxable income relate to the timing of deductions, primarily due to the benefits of tax depreciation since we generally depreciate assets for tax purposes over a shorter period of time than for book purposes. We report the tax effects of depreciation and other differences in those items as deferred income tax assets or liabilities in our consolidated balance sheet. Investment tax credits previously deducted for income tax purposes for Elizabethtown Gas have been deferred for financial accounting purposes and are being amortized as credits to income over the estimated lives of the related properties in accordance with regulatory requirements.

Revenues

We record revenues when services are provided to customers. Those revenues are based on rates approved by the state regulatory commissions of our utilities.

The Elizabethtown Gas, Florida City Gas and Elkton Gas rate structures include volumetric rate designs that allow recovery of costs through gas usage. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Sales revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings. In addition, revenues are recorded for estimated deliveries of gas, not yet billed to these customers, from the meter reading date to the end of the accounting period. These are included in the consolidated balance sheet as unbilled revenue. For other commercial and industrial customers and all wholesale customers, revenues are based on actual deliveries to the end of the period.

The tariffs for Elizabethtown Gas contain weather normalization adjustments (WNA) that largely mitigate the impact of unusually cold or warm weather on customer billings and operating margin. The WNA's purpose is to reduce the effect of weather on customer bills by reducing bills when winter weather is colder than normal and increasing bills when winter weather is warmer than normal.

Cost of Gas

We charge our utility customers for the natural gas they consume using purchased gas adjustment (PGA) mechanisms set by the state regulatory agencies. Under the PGA, we defer (that is, include as a current asset or liability in the consolidated balance sheet and exclude from the statements of consolidated income) the difference between the actual cost of gas and what is collected from or billed to customers in a given period. The deferred amount is either billed or refunded to our customers prospectively through adjustments to the commodity rate.

Use of Accounting Estimates

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The most significant estimates include our regulatory accounting, the allowance for doubtful accounts, allowance for contingencies, environmental liability accruals, unbilled revenue recognition, pension and postretirement obligations, and derivative and hedging activities. Actual results could differ from those estimates.

> Note 2
Amounts Due to Affiliates

At December 31, 2005 we had a $5 million payable to AGL Resources and affiliated companies, which consists primarily of our participation in AGL Resources' money pool to fund our working capital requirements.

> Note 3
Risk Management

Commodity-related Derivative Instruments

A program mandated by the NJBPU requires Elizabethtown Gas to utilize certain derivatives to hedge the impact of market fluctuations in natural gas prices. Pursuant to Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), such derivative products are marked to market each reporting period. In accordance with regulatory requirements, realized gains and losses related to these derivatives are reflected in purchased gas costs and ultimately included in billings to customers. As of December 31, 2005, Elizabethtown Gas had entered into New York Mercantile Exchange (NYMEX) futures contracts to purchase approximately 8.3 billion cubic feet (Bcf) of natural gas and the fair values of these derivatives were reflected in our consolidated financial statements as an asset and liability of $17 million. Approximately 81% of these contracts have duration of one year or less, and none of these contracts extends beyond October 2007.

> Note 4
Regulatory Assets and Liabilities

We have recorded regulatory assets and liabilities in our consolidated balance sheets in accordance with SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation" (SFAS 71). Our regulatory assets and liabilities, and associated liabilities for our unrecovered environmental remediation costs (ERC), are summarized in the table below.

In thousands	Dec. 31, 2005
Regulatory assets	
Unrecovered ERC	$62,948
Energy marketing and risk management	17,271
Unrecovered postretirement benefit costs	4,713
Other	1,687
Total regulatory assets	$86,619
Regulatory liabilities	
Accumulated removal costs	$63,242
Energy marketing and risk management	17,271
Accrued purchased gas adjustment	5,825
Regulatory tax liability	4,235
Unamortized investment tax credits	2,906
Total regulatory liabilities	93,479
Associated liabilities	
ERC	66,640
Total regulatory and associated liabilities	$160,119

Our regulatory assets are recoverable through either rate riders or base rates specifically authorized by a state regulatory commission. Base rates are designed to provide both a recovery of cost and a return on investment during the period rates are in effect. As such, all our regulatory assets are subject to review by the respective state regulatory commission during any future rate proceedings. In the event that the provisions of SFAS 71 were no longer applicable, we would recognize a write-off of net regulatory assets (regulatory assets less regulatory liabilities) that would result in a charge to net income, which would be classified as an extraordinary item. However, although the natural gas distribution industry is becoming increasingly competitive, our utility operations continue to recover their costs through cost-based rates established by the state regulatory commissions. As a result, we believe that the accounting prescribed under SFAS 71 remains appropriate. It is also our opinion that all regulatory assets are recoverable in future rate proceedings, and therefore we have not recorded any regulatory assets that are recoverable but are not yet included in base rates or contemplated in a rate rider.

All the regulatory assets included in the table above are included in base rates except for the unrecovered ERC and deferred PGA, which are recovered through specific rate riders. The rate riders that authorize recovery of the deferred PGA include both a recovery of costs and a return on investment during the recovery period. We have a rate rider that authorizes the recovery of unrecovered ERC. ERC associated with the investigation and remediation of Elizabethtown Gas remediation sites located in the state of New Jersey are recovered under a remediation adjustment clause and include the carrying cost on unrecovered amounts not currently in rates.

The regulatory liabilities are refunded to ratepayers through a rate rider or base rates. If the regulatory liability is included in base rates, the amount is reflected as a reduction to the rate base in setting rates.

Environmental Remediation Costs

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites.

Elizabethtown Gas In New Jersey, Elizabethtown Gas is currently conducting remediation activities with oversight from the New Jersey Department of Environmental Protection. Although we cannot estimate the actual total cost of future environmental investigation and remediation efforts with precision, based on probabilistic models similar to those used at one of our affiliated utilities' former operating sites, the range of reasonably probable costs is $57 million to $104 million. As of December 31, 2005, no value within this range was a better estimate than any other value, so we have recorded a liability equal to the low end of that range, or $57 million.

Prudently incurred remediation costs for the New Jersey properties have been authorized by the NJBPU to be recoverable in rates through a remediation adjustment clause. As a result, Elizabethtown Gas has recorded a regulatory asset of approximately $63 million, inclusive of interest, as of December 31, 2005, reflecting the future recovery of both incurred costs and accrued carrying charges. Elizabethtown Gas has also been successful in recovering a portion of remediation costs incurred in New Jersey from its insurance carriers and continues to pursue additional recovery.

Sites in North Carolina We also own a former NUI remediation site in Elizabeth City, North Carolina that is subject to a remediation order by the North Carolina Department of Energy and Natural Resources. We currently have only partial information regarding environmental impacts at the Elizabeth City site, and therefore we can make quantitative cost estimates only for limited components of a site cleanup. However, experience at other similar sites suggests that costs for remediation of this site will likely range from $10 million to $17 million. As of December 31, 2005, we have recorded a liability of $10 million related to this site.

There is one other site in North Carolina where investigation and remediation is likely, although no remediation order exists and we do not believe costs associated with this site can be reasonably estimated. In addition, there are as many as six other sites with which NUI had some association, although no basis for liability has been asserted, and accordingly we have not accrued any remediation liability. There are currently no cost recovery mechanisms for the environmental remediation sites in North Carolina.

> Note 5
Employee Benefit Plans

Pension Benefits

We sponsor a tax-qualified defined benefit retirement plan for our eligible employees, the NUI Corporation Retirement Plan (NUI Retirement Plan). A defined benefit plan specifies the amount of benefits an eligible participant eventually will receive using information about the participant.

The NUI Retirement Plan is a qualified noncontributory defined benefit retirement plan that covers substantially all of our employees except Florida City Gas union employees, who participate in a union-sponsored multiemployer plan. Pension benefits are based on years of credited service and final average compensation.

Effective with AGL Resources' acquisition of NUI in November 2004, AGL Resources now administers the NUI Retirement Plan. Throughout 2005, we maintained existing benefits for NUI employees, including participation in the NUI Retirement Plan. Beginning in 2006, eligible participants in the NUI Retirement Plan will become eligible to participate in the AGL Resources Inc. Retirement Plan (AGL Retirement Plan) and the benefits of those participants under the NUI Retirement Plan were frozen as of December 31, 2005, resulting in a $15 million reduction to the NUI Retirement Plan's projected benefit obligation as of December 31, 2005. Participants in the NUI Retirement Plan have the option of receiving a lump sum distribution upon retirement for all benefits earned through December 31, 2005. This option is not permitted under the AGL Retirement Plan. The following tables present details about our pension plans.

In millions	Dec. 31, 2005
Change in benefit obligation	
Benefit obligation at beginning of year	$144
Service cost	4
Interest cost	8
Plan amendments	(15)
Actuarial gain	(4)
Benefits paid	(32)
Benefit obligation at end of year	$105
Change in plan assets	
Fair value of plan assets at beginning of year	$111
Actual return on plan assets	6
Employer contribution	-
Benefits paid	(32)
Fair value of plan assets at end of year	$85
Funded status	
Plan assets less than benefit obligation at end of year	$(20)
Unrecognized net loss	4
Unrecognized prior service benefit	(15)
Prepaid pension cost (1)	$(31)
Amounts recognized in the statement of financial position consist of	
Prepaid benefit cost	$-
Accrued benefit liability	(31)
Accumulated OCI	-
Net amount recognized at year end	$(31)
Pivotal Utility's share of net liability recorded on consolidated balance sheets	$(31)

(1) The prepaid pension cost at December 31, 2005 was adjusted for terminations and settlement of liabilities for participants affected by AGL Resources' acquisition of NUI in November 2004.

The accumulated benefit obligation (ABO) and other information for the NUI Retirement Plan are set forth in the following table.

In millions	Dec. 31, 2005
Projected benefit obligation	$105
ABO	105
Fair value of plan assets	85
Components of net periodic benefit cost	
Service cost	$4
Interest cost	8
Expected return on plan assets	(9)
Net amortization	-
Recognized actuarial loss	-
Net annual pension cost	$3
Pivotal Utility's share of expense	$3

The following table set forth the assumed weighted average discount rates and rates of compensation increase used to determine benefit obligations for the NUI Retirement Plan at the balance sheet date.

	Dec. 31, 2005
Discount rate	5.5%
Rate of compensation increase	4.0%

We consider a number of factors in determining and selecting assumptions for the overall expected long-term rate of return on plan assets. We consider the historical long-term return experience of our assets, the current and expected allocation of our plan assets, and expected long-term rates of return. We derive these expected long-term rates of return with the assistance of our investment advisors and generally base these rates on a 10-year horizon for various asset classes, our expected investments of plan assets and active asset management as opposed to investment in a passive index fund. We base our expected allocation of plan assets on a diversified portfolio consisting of domestic and international equity securities, fixed income, real estate, private equity securities and alternative asset classes.

The following table presents the assumed weighted average discount rate, expected return on plan assets and rate of compensation increase used to determine net periodic benefit cost for the NUI Retirement Plan at the beginning of the period.

	Dec. 31, 2005
Discount rate	5.8%
Expected return on plan assets	8.5%
Rate of compensation increase	4.0%

We consider a number of factors in determining and selecting our assumptions for the discount rate at December 31. We consider certain market indices, including the Moody's Corporate AA long-term bond rate of 5.41% and the Citigroup Pension Liability rate of 5.51%, at December 31, 2005. We further use these market indices as a comparison to a single equivalent discount rate derived with the assistance of our actuarial advisors. The single equivalent discount rate is based on a yield-to-maturity regression analysis of a portfolio of corporate bonds rated AA by Moody's and that have cash outflows consistent with payouts from our retirement plans. This analysis as of December 31, 2005 produced a single equivalent discount rate of 5.63%. Consequently, we selected a discount rate of 5.5% as of December 31, 2005, following our review of these various factors.

Our actual retirement plans' weighted average asset allocations at December 31, 2005 and our target asset allocation ranges are as follows.

	Target Range Allocation of Assets	2005
Equity	40%-85%	88%
Fixed income	25%-50%	12%
Real estate and other	0%-10%	-
Cash	0%-10%	-

The Retirement Plan Investment Committee (the Committee) appointed by AGL Resources' Board of Directors is responsible for overseeing the investments of the NUI Retirement Plan. Further, AGL Resources has an Investment Policy (the Policy) for the NUI Retirement Plan that aims to preserve the NUI Retirement Plan's capital and maximize investment earnings in excess of inflation within acceptable levels of capital market volatility. To accomplish this goal, the NUI Retirement Plan's assets are actively managed to optimize long-term return while maintaining a high standard of portfolio quality and proper diversification.

The Policy's risk management strategy establishes a maximum tolerance for risk in terms of volatility to be measured at 75% of the volatility experienced by the Standard & Poor's (S&P) 500. AGL Resources will continue to diversify the NUI Retirement Plan's investments to minimize the risk of large losses in a single asset class. The Policy's permissible investments include domestic and international equities (including convertible securities and mutual funds), domestic and international fixed income (corporate and U.S. government obligations), cash and cash equivalents and other suitable investments. The asset mix of these permissible investments is maintained within the Policy's target allocations as included in the table above, but the Committee can vary allocations between various classes and/or investment managers in order to improve investment results.

Equity market performance and corporate bond rates have a significant effect on our reported unfunded ABO, as the primary factors that drive the value of our unfunded ABO are the assumed discount rate and the actual return on plan assets. Additionally, equity market performance has a significant effect on our market-related value of plan assets (MRVPA), which is a calculated value and differs from the actual market value of plan assets. The MRVPA recognizes the difference between the actual market value and expected market value of our plan assets and is determined by our actuaries using a five-year moving weighted average methodology. Gains and losses on plan assets are spread through the MRVPA based on the five-year moving weighted average methodology, which affects the expected return on plan assets component of pension expense.

Our employees do not contribute to the retirement plans. We fund the plans by contributing at least the minimum amount required by applicable regulations and as recommended by our actuary. However, we may also contribute in excess of the minimum required amount. We calculate the minimum amount of funding using the projected unit credit cost method. We do not expect to make any contribution to the pension plans in 2006.

Postretirement Benefits

We sponsor a defined benefit postretirement health care plan for our eligible employees, the NUI Corporation Postretirement Health Care Plan (NUI Postretirement Plan). Eligibility for these benefits is based on age and years of service.

The NUI Postretirement Plan provides certain medical and dental health care benefits to retirees, other than retirees of Florida City Gas, depending on their age, years of service and start date. The NUI Postretirement Plan is contributory, and NUI funded a portion of these future benefits through a Voluntary Employees' Beneficiary Association. Effective July 2000, NUI no longer offered postretirement benefits other than pensions for any new hires. In addition, NUI capped its share of costs at $500 per participant per month for retirees under age 65, and at $150 per participant per month for retirees over age 65. Beginning in 2006, eligible participants in the NUI Postretirement Plan will become eligible to participate in the AGL Resources Inc. Postretirement Plan (AGL Postretirement Plan).

The AGL Postretirement Plan covers all eligible AGL Resources employees who were employed as of June 30, 2002, if they reach retirement age while working for AGL Resources. The state regulatory commissions have approved phase-ins that defer a portion of other postretirement benefits expense for future recovery.

Effective December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 was signed into law. This act provides for a prescription drug benefit under Medicare (Part D) as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D.

On July 1, 2004, the AGL Postretirement Plan was amended to remove prescription drug coverage for Medicare-eligible retirees effective January 1, 2006. Certain grandfathered NUI retirees participating in the NUI Postretirement Plan will continue receiving a prescription drug benefit through some period of time.

The following tables present details about our postretirement benefits.

In millions	Dec, 31, 2005
Change in benefit obligation	
Benefit obligation at beginning of year	$23
Service cost	-
Interest cost	1
Plan amendments	(7)
Actuarial loss	3
Benefits paid	(2)
Benefit obligation at end of year	$18
Change in plan assets	
Fair value of plan assets at beginning of year	$9
Actual return on plan assets	-
Employer contribution	2
Benefits paid	(2)
Fair value of plan assets at end of year	$9
Funded status	
ABO in excess of plan assets	$(9)
Unrecognized loss	2
Unrecognized transition amount	-
Unrecognized prior service benefit	(6)
Accrued benefit cost	$(13)
Amounts recognized in the statement of financial position consist of	
Prepaid benefit cost	$-
Accrued benefit liability	(13)
Accumulated OCI	-
Net amount recognized at year end	$(13)
Pivotal Utility's share of net liability recorded on consolidated balance sheets	$(5)

The following table presents details on the components of our net periodic benefit cost for the NUI Postretirement Plan at the balance sheet date.

In millions	Year ended Dec. 31, 2005
Service cost	$-
Interest cost	1
Expected return on plan assets	-
Amortization of prior service cost	(1)
Recognized actuarial loss	-
Net periodic postretirement benefit cost	$-

The following tables present our weighted average assumed rates used to determine benefit obligations at the beginning of the period, for the NUI Postretirement Plan, and our weighted average assumed rates used to determine net periodic benefit cost at the beginning of the period.

	Dec. 31, 2005
Discount rate – benefit obligation	5.5%
Discount rate – net periodic benefit cost	5.8%
Expected return on plan assets	3.0%
Rate of compensation increase	-

We consider the same factors in determining and selecting our assumptions for the overall expected long-term rate of return on plan assets as those considered in determining and selecting the overall expected long-term rate of return on plan assets for our retirement plans. For purposes of measuring our accumulated postretirement benefit obligation, the assumed pre-Medicare and post-Medicare health care inflation rates for the NUI Postretirement Plan are as follows.

Assumed Health Care Cost Trend Rates	Dec. 31, 2005
Health care costs trend assumed for next year	2.5%
Rate to which the cost trend rate gradually declines	2.5%
Year that the rate reaches the ultimate trend rate	N/A

Effective January 2006, our health care trend rates for NUI Postretirement Plans have been capped at 2.5%. This cap limits the increase in our contributions to the annual change in the consumer price index (CPI). An annual CPI rate of 2.5% was assumed for future years.

Assumed health care cost trend rates impact the amounts reported for our health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects for the NUI Postretirement Plan.

	NUI Postretirement Plan One-Percentage-Point	
In millions	Increase	Decrease
Effect on total of service and interest cost	$-	$-
Effect on accumulated postretirement benefit obligation	2	(1)

The following table presents expected benefit payments covering the periods 2006 through 2015 for our qualified pension plans, unqualified pension plans, and postretirement health care plans. There will be benefit payments under these plans beyond 2015.

For the year ended Dec. 31, *(in millions)*	NUI Retirement Plan	NUI Postretirement Plan
2006	$7	$1
2007	7	1
2008	7	1
2009	7	1
2010	8	1
2011-2015	45	5

Our investment policies and strategies for our postretirement plans, including target allocation ranges, are similar to those for our retirement plans. We fund the plans annually; retirees contribute 20% of medical premiums, 50% of the medical premium for spousal coverage and 100% of the dental premium. Our postretirement plans, weighted average asset allocations and our target asset allocation ranges are as follows.

	Target Asset Allocation Ranges	Dec. 31, 2005
Equity	40%-85%	52%
Fixed income	25%-50%	46%
Real estate and other	0%-10%	1%
Cash	0%-10%	1%

Employee Savings Plan Benefits

AGL Resources sponsors a Retirement Savings Plus Plan (RSP), a defined contribution benefit plan that allows eligible participants to make contributions to their accounts up to specified limits.

AGL Resources also sponsors the Nonqualified Savings Plan (NSP), an unfunded, nonqualified plan similar to the RSP. The NSP provides an opportunity for eligible employees who could reach the maximum contribution amount in the RSP to contribute additional amounts for retirement savings. Our contributions to the NSP have not been significant in any year.

Effective December 1, 2004, all NUI employees participating in NUI's qualified defined contribution benefit plan were eligible to participate in the RSP, and those who were participants in NUI's nonqualified defined contribution plan became eligible to participate in the NSP.

> Note 6
Debt

Our issuance of various securities, including long-term and short-term debt, is subject to customary approval or authorization by state and federal regulatory bodies, including state public service commissions, and the Federal Energy Regulatory Commission (FERC). The following table provides more information on our various securities.

Dollars in millions	Year(s) due	Int. rate	Dec. 31, 2005
Short-term debt			
Capital leases	2006	4.9%	$1
Long-term debt - net of current portion			
Gas facility revenue bonds, net of unamortized issuance costs	2022-2033	3.2-5.7%	199
Affiliate Promissory note	2034	6.28%	112
Capital leases	2013	4.9%	6
Total long-term debt			**317**
Total debt			**$318**

Short-term Debt

Our short-term debt at December 31, 2005 was composed of current portions of our capital lease obligations.

Pivotal Utility Holdings Line of Credit In September 2005, Pivotal Utility entered into a $20 million unsecured line of credit expiring on September 30, 2006. This line of credit supports Elizabethtown Gas' hedging program and bears interest at the federal funds effective rate plus 0.5%, is used solely for the posting of deposits and is unconditionally guaranteed by AGL Resources. As of December 31, 2005, no amounts were outstanding under this line of credit.

Long-term Debt

Our long-term debt matures more than one year from the date of issuance and consists of gas facility revenue bonds, notes payable and capital leases. The notes are unsecured and rank on parity with all our other unsecured indebtedness.

Gas Facility Revenue Bonds Pivotal Utility has $201 million of indebtedness pursuant to gas facility revenue bonds. AGL Resources does not guarantee or provide any other form of security for the repayment of this indebtedness. Pivotal Utility is party to a series of loan agreements with the New Jersey Economic Development Authority (NJEDA) pursuant to which the NJEDA has issued four series of gas facility revenue bonds:

- $47 million of bonds at adjusting rates due October 1, 2022
- $20 million of bonds at adjusting rates due October 1, 2024
- $39 million of bonds at variable rates due June 1, 2026 (variable bonds)

- $55 million of bonds at 5.7% due June 1, 2032
- $40 million of bonds at 5.25% due November 1, 2033

In April 2005, AGL Resources refinanced $20 million of our Gas Facility Revenue Bonds Due October 1, 2024. The original bonds had a fixed interest rate of 6.4% per year and were refunded with $20 million of adjustable-rate gas facility revenue bonds. The maturity date of these bonds remains October 1, 2024. The new bonds were issued at an initial annual interest rate of 2.8% and initially have a 35-day auction period where the interest rate will adjust every 35 days. The interest rate at December 31, 2005 was 3.3%.

In May 2005, AGL Resources refinanced an additional $47 million in Gas Facility Revenue Bonds Due October 1, 2022 and bearing interest at an annual fixed rate of 6.35%. The new bonds were issued at an initial annual interest rate of 2.9% and initially have a 35-day auction period where the interest rate will adjust every 35 days. The maturity date remains October 1, 2022. The interest rate at December 31, 2005 was 3.2%.

The variable bonds contain a provision whereby the holder can "put" the bonds back to the issuer. In 1996, Pivotal Utility executed a long-term Standby Bond Purchase Agreement (SBPA) with a syndicate of banks, which was amended and restated on June 1, 2005. Under the terms of the SBPA, as further amended, the participating banks are obligated under certain circumstances to purchase variable bonds that are tendered by the holders thereof and not remarketed by the remarketing agent. Such obligation of the participating banks would remain in effect until the June 1, 2010 expiration of the SBPA, unless it is extended or earlier terminated.

Affiliate Promissory Note In May 2005, Pivotal Utility entered into a $72,165 promissory note with AGL Resources (Affiliate Promissory Note) for the purpose of refinancing short-term debt and recapitalizing the capital structure of Pivotal Utility and of its utility operating divisions, Elizabethtown Gas, Florida City Gas and Elkton Gas, in accordance with Pivotal Utility's target capitalization of 45% and with authorizations of the NJBPU and the Florida Public Service Commission (FPSC). The Affiliate Promissory Note is due December 31, 2034 and has an interest rate of 6.28%, which adjusts on a quarterly basis based upon the weighted-average costs and expense of borrowing the then-outstanding long-term debt of both AGL Resources and AGL Capital Corporation, a wholly-owned financing subsidiary of AGL Resources. The initial principal amount of the Affiliate Promissory Note of $72,165 is adjusted on an annual basis to conform the with Pivotal Utility's target capitalization of 45% and with the authorizations of the NJBPU and the FPSC. As of December 31, 2005, the amount outstanding under the Affiliate Promissory Note is $111,788.

Capital Leases Our capital leases consist primarily of a sale/leaseback transaction completed in 2002 by Florida City Gas related to its gas meters and other equipment and will be repaid over 11 years. Pursuant to the terms of the lease agreement, Florida City Gas is required to insure the leased equipment during the lease term. In addition, at the expiration of the lease term, Florida City Gas has the option to purchase the leased meters from the lessor at their fair market value. As of December 31, 2005, we had $7 million outstanding under these capital leases.

> Note 7
Commitments and Contingencies

We have incurred various contractual obligations and financial commitments in the normal course of our operating and financing activities. Contractual obligations include future cash payments required under existing contractual arrangements. These obligations may result from both general financing activities and from commercial arrangements that are directly supported by related revenue-producing activities. The following table illustrates our expected future contractual obligations as of December 31, 2005.

		Payments due before December 31,			
In thousands	**Total**	**2006**	**2007 & 2008**	**2009 & 2010**	**2011 & thereafter**
Pipeline charges, storage capacity and gas supply	$318,199	$56,240	$82,738	$50,474	$128,747
Interest charges	206,000	9,000	18,000	18,000	161,000
Long-term debt	206,000	-	2,000	2,000	202,000
Environmental remediation costs	66,640	3,575	21,424	41,641	-
Operating leases	60,156	5,278	10,374	8,351	36,153
Short-term debt	1,176	1,176	-	-	-
Total	$858,171	$75,269	$134,536	$120,466	$527,900

Litigation

We are involved in litigation arising in the normal course of business. We believe the ultimate resolution of such litigation will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

> Note 8
Income Taxes

We have two categories of income taxes in our statements of consolidated income: current and deferred. Current income tax expense consists of federal and state income tax less applicable tax credits related to the current year. Deferred income tax expense generally is equal to the changes in the deferred income tax liability and regulatory tax liability during the year.

Investment Tax Credits

Deferred investment tax credits associated with distribution operations are included as a regulatory liability in our consolidated balance sheets. These investment tax credits are being amortized over the estimated life of the related properties as credits to income in accordance with regulatory requirements. We reduce income tax expense in our statements of consolidated income for the investment tax credits. Components of income tax expense shown in the statements of consolidated income are as follows.

In thousands	Year ended Dec. 31, 2005
Current income taxes	
Federal	$16,225
State	5,276
Deferred income taxes	
Federal	(5,236)
State	(1,435)
Investment tax credits	(423)
Total	$14,407

The reconciliations between the statutory federal income tax rate, the effective rate and the related amount of tax for the year ended December 31, 2005 is presented below.

Dollars in thousands	Amount	% of Pretax Income
Computed tax expense at statutory rate	$12,682	35.0%
State income tax, net of federal income tax benefit	2,383	6.6
Amortization of investment tax credits	(423)	(1.2)
Other -- net	(235)	(0.6)
Total income tax expense at effective rate	$14,407	39.8%

Accumulated Deferred Income Tax Assets and Liabilities

We report some of our assets and liabilities differently for financial accounting purposes than we do for income tax purposes. We report the tax effects of the differences in those items as deferred income tax assets or liabilities in our consolidated balance sheet. We measure the assets and liabilities using income tax rates that are currently in effect. Because of the regulated nature of the utilities' business, we recorded a regulatory tax liability in accordance with SFAS No. 109, "Accounting for Income Taxes" (SFAS 109), which we are amortizing over approximately 30 years. Components that give rise to the net accumulated deferred income tax liability are as follows.

In thousands	As of Dec. 31, 2005
Accumulated deferred income tax liabilities	
Property - accelerated depreciation and other property-related items	$70,219
Regulatory asset – environmental	1,327
Pension and other employee benefits	1,249
Plant acquisition adjustments	272
Other	3,953
Total accumulated deferred income tax liabilities	$77,020
Accumulated deferred income tax assets	
Environmental remediation liability	$4,981
Bad debts and insurance reserves	3,250
Unrecovered gas costs	4,991
Other	17,279
Total accumulated deferred income tax assets	30,501
Net accumulated deferred tax liability	$46,519

> Note 9
Related Party Transactions

In April 2005, Sequent Energy Management, L.P. (Sequent), a wholly-owned subsidiary of AGL Resources, commenced our natural gas asset management responsibility. Elizabethtown Gas and Elkton Gas will receive from Sequent an annual fixed payment of approximately $4 million and less than $1 million for these services, respectively. Florida City Gas will receive 50% of any profits from the asset management agreement with Sequent.

See Note 2 and Note 6 for discussion of intercompany financings.