Is that a Gas Light at the End of the Tunnel?

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AGL Resources: Who we are…what a difference a year can make

	January 2004	January 2005
Market Capitalization	1.0 billion	2.7 billion
Local Distribution Companies	3 (GA/TN/VA)	**6** (GA/TN/VA/NJ/FL)
Retail Customers	1.84 million	2.2 million
Distribution Pipelines (miles)	34,200	43,000
Storage Facilities	0	2
LNG Plants	4	4
Propane Plants	4	5 & 1 under construction

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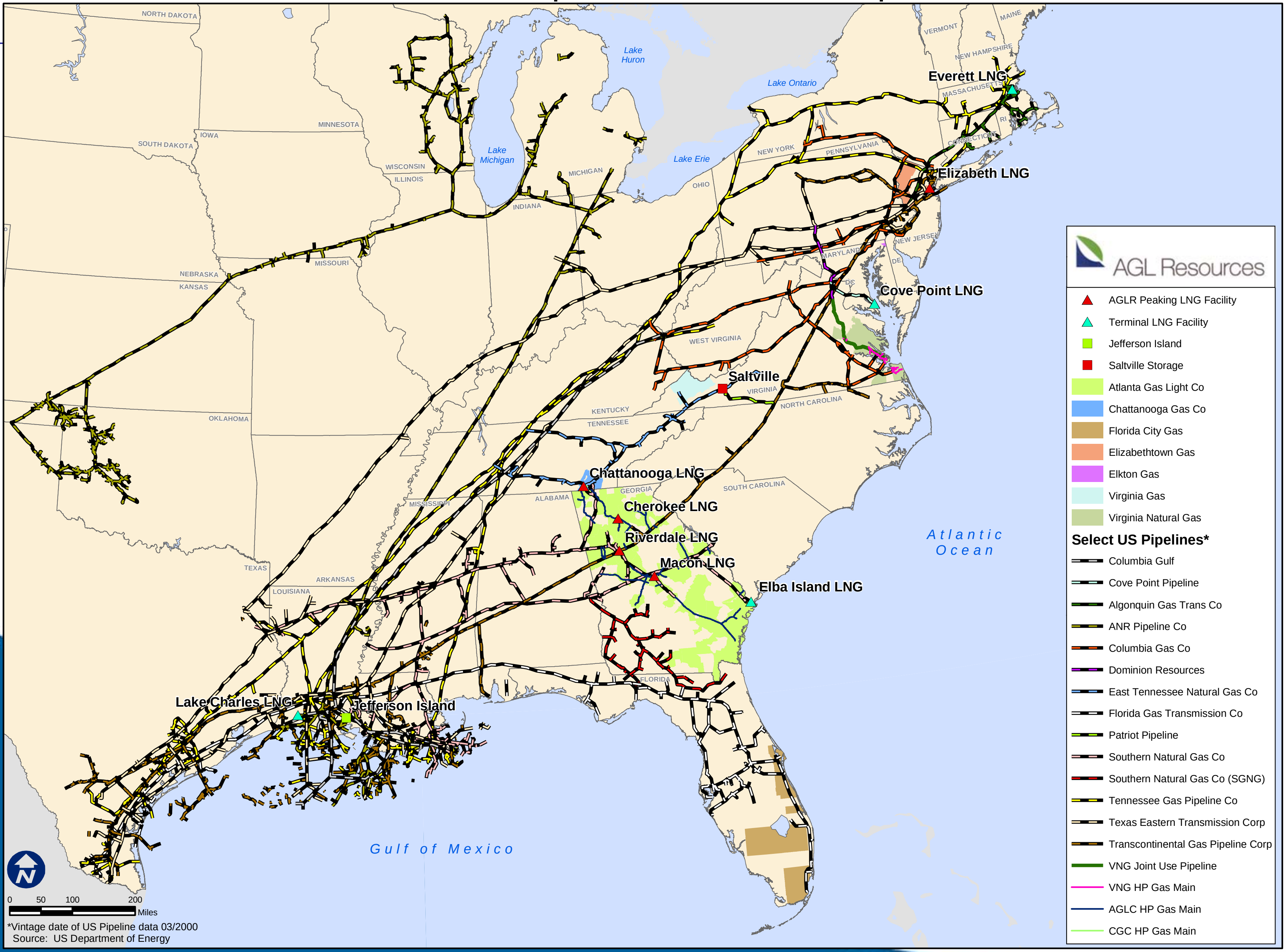
Select Eastern US Pipelines and AGL Resources Footprint



AGL Resources, Mapping Services, February 2005

T:\GIS\Projects\Thematic Mapping\Project files\Pipelines\Select Eastern US Pipeline with AGLR LNG JISH and Saltville 20050119.mxd

Issues LDCs and Regulators Must Balance

Increasing Available Supply

Firm Versus Peaking Needs

Realigning Portfolios To Meet Needs

Meeting Future Customer Needs

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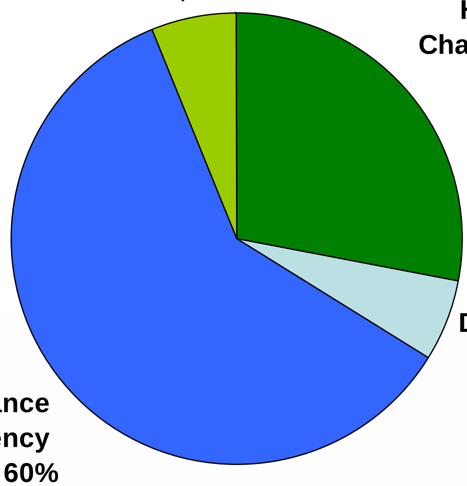
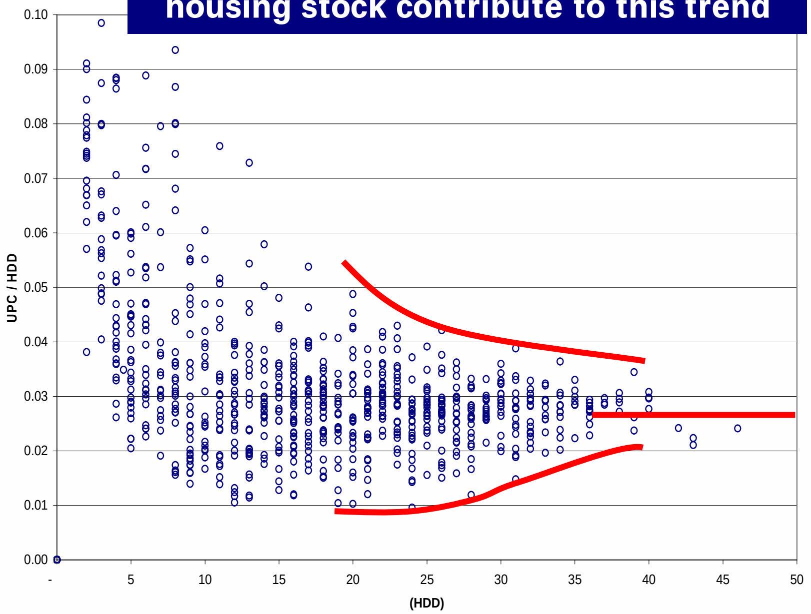
Why the Disparate Growth in Peak Demand?

Firm Versus Peaking Needs



Factors contributing to declining U.S. natural gas use per residential customer (1997-2001)

Aging of population, efficiency of housing stock contribute to this trend



Source: AGA and internal data

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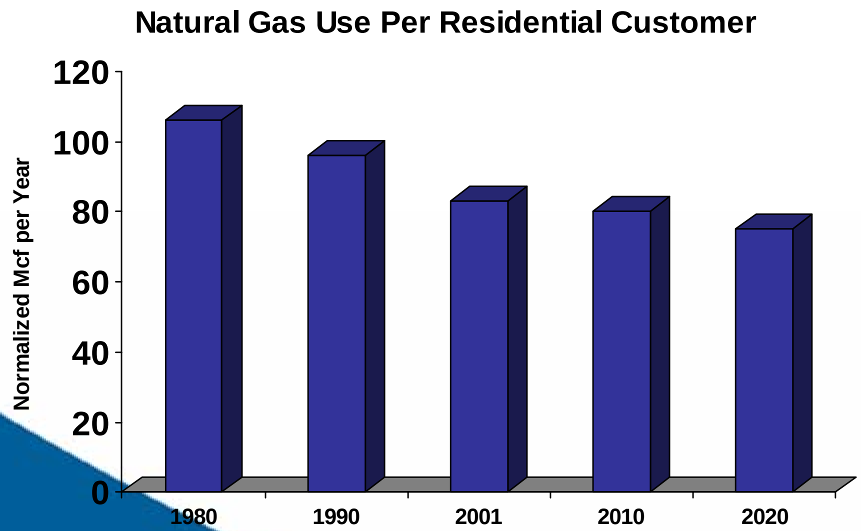
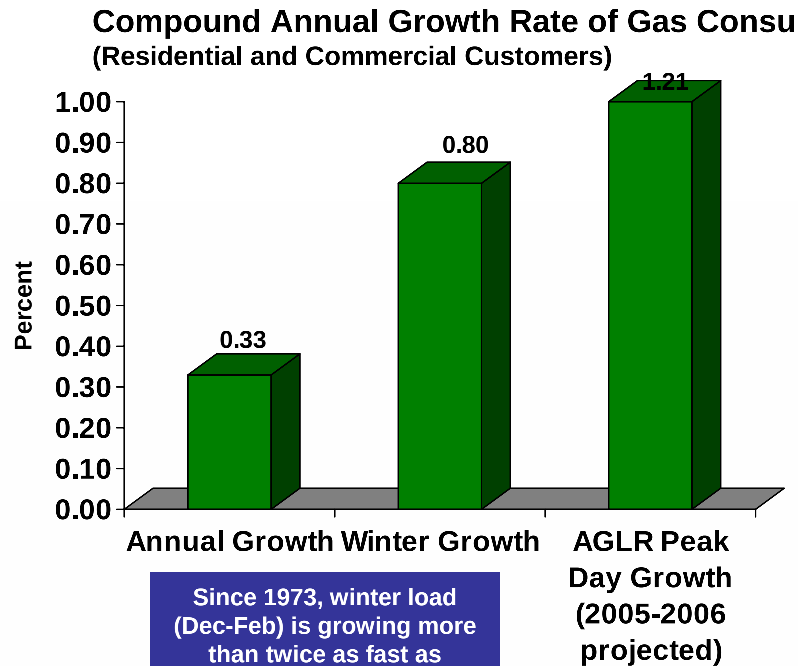
Peak Demand Grows Faster Than Average

Firm Versus Peaking Needs

Declining Use Per Customer Masks The Challenge of Infrastructure Development



Patterns in Residential Natural Gas Consumption, 1980-2001. American Gas Association, May 28, 2004



Since 1973, winter load (Dec-Feb) is growing more than twice as fast as annual load

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Our Dilemma: This is Big Money…

- AGLR delivers a lot of natural gas (firm annual 239 Bcf)
- AGLR spends a lot of money in demand costs ($238 million per year)
- The numbers are huge even in our smaller LDCs
- Most of the residential customer bill is the commodity (65% on an annual basis)
- There is a conundrum in solving peak day demand because it is growing more than twice as fast as annual throughput demand

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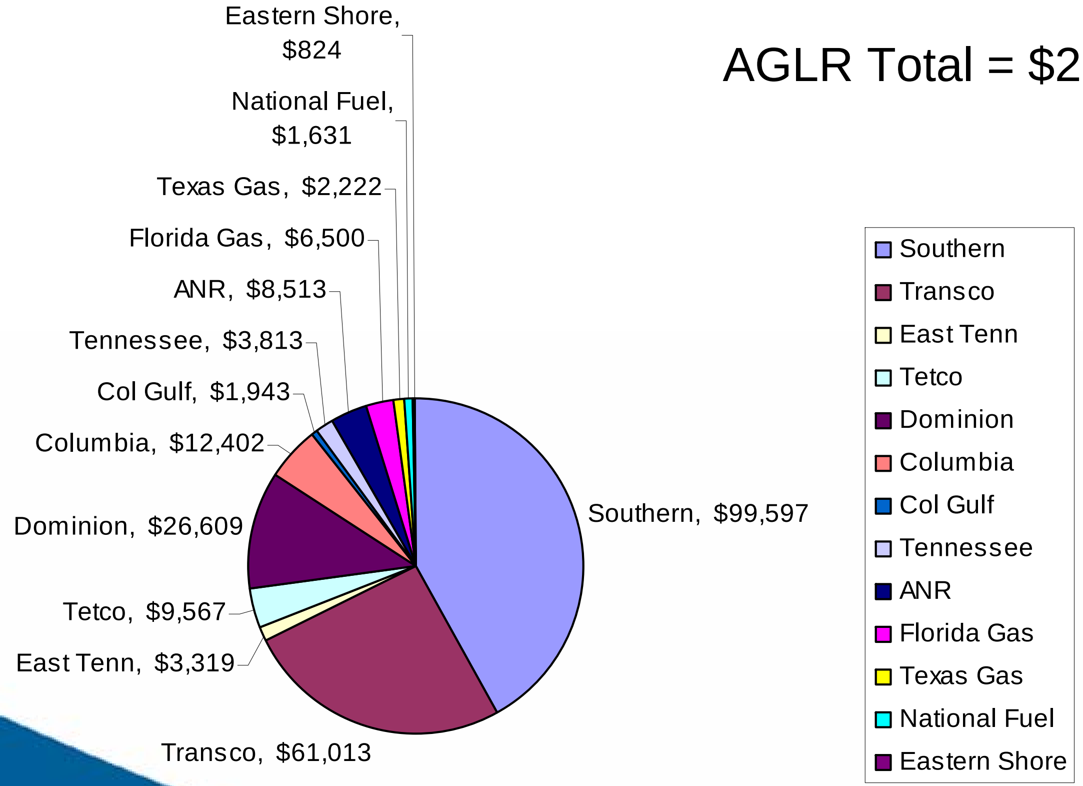
FY 2005 Total Demand Cost

($000) by Pipeline

Firm Versus Peaking Needs

AGLR Total = $238M



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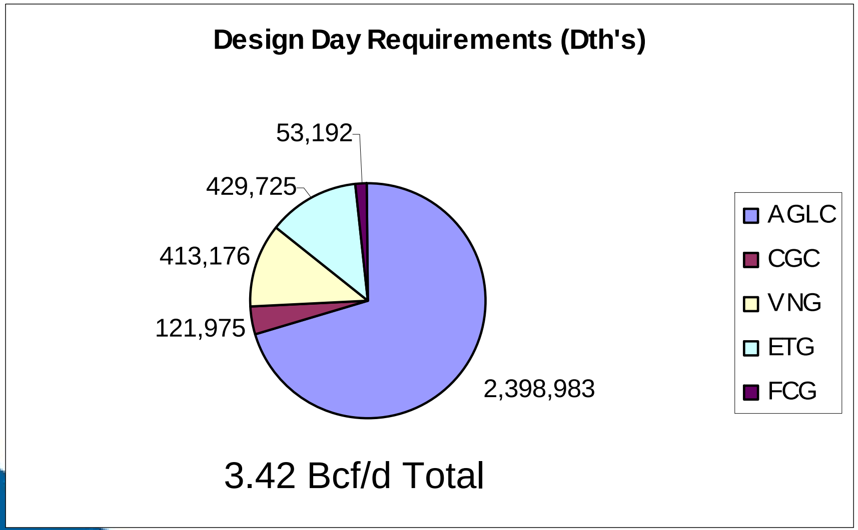
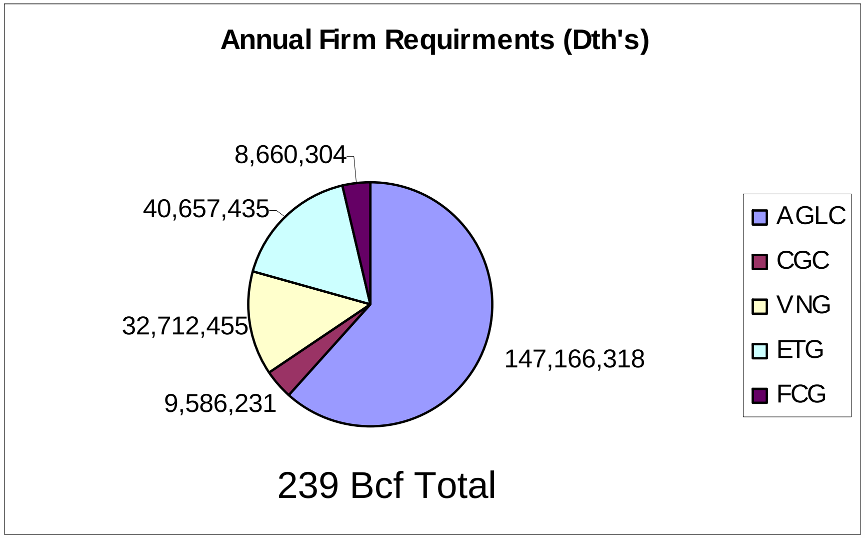
AGLR Firm Demand by Franchise

Firm Versus Peaking Needs

2005 Requirements





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So, What Does This Really Mean?

Realigning Portfolios To Meet Needs

- Complete dependence on major pipelines and annual capacity plans no longer meet needs
- New sources of economic supply remain major issue in controlling volatility
- Distribution companies must have delivery options that meet peaking needs – and may need to find and operate those assets
- Continued evaluation of pipelines' ability to tap new sources of supply
- Both utility and pipelines need certainty for long term capital commitments
- Determination of LDC's ability to rely on secondary market to support firm portfolio

Peaking Projects Underway

Realigning Portfolios To Meet Needs

Southern Natural Gas Pipeline Purchase (Georgia)

- 250 miles of pipe for $32.5 million
- Improves Macon-to-Atlanta LNG deliverable capacity and reliability, including segmentation options
- Closed April 30, 2005

Pivotal Propane of Virginia

- Improves system reliability and serves peak demand
- Rates allow capital recovery at 10.9% ROE
- $30 million capital cost at completion
- Full service completion expected by March 1, 2005
- Potential for expansion

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The Role of the Asset Manager

- Asset Management Serves Customers, Regulators and the Region
- Asset sharing arrangements benefit all participants
- Wise asset use a must to meet customers' needs
- Transparency for Commission's review
- Allows Utilities and Regulators to commit to longer term projects knowing customers will not bear the total burden of any temporarily unused increment (i.e. capacity comes in chunks and growth is incremental)

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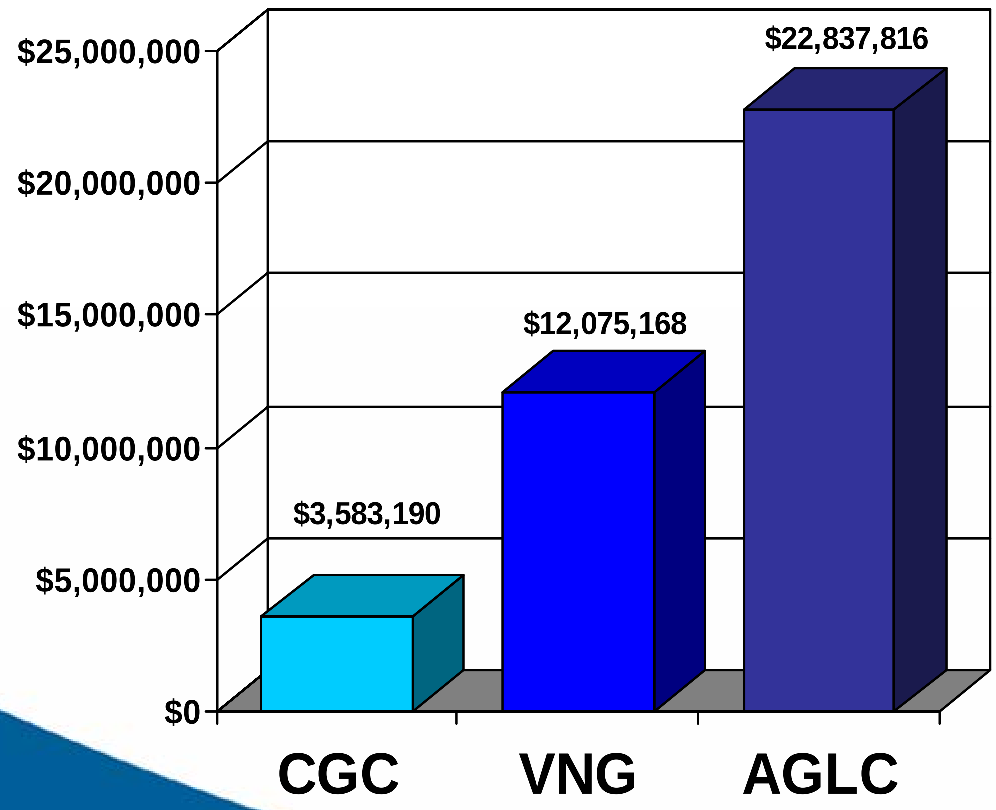
The Role of the Asset Manager

Dollars Shared with Ratepayers



Since Inception in 1998 for AGLC, 2000 for VNG and 2001 CGC

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The Role of the Regulator

*What we need from regulation…**Recognize what State regulation has done well***

- Represent, understand and safeguard constituents needs
- Historically they have balanced the needs of Customer and Company's with shorter term solutions

*What we need from regulation…**Recognize that the world has changed since the winter of 2000***

- LDC's and their transparent asset managers must fill the large void created by the demise of the large traders
- The gas bubble is gone, production and demand curves have converged
- Customer demand is changing
  - Peak is growing faster than average throughputs
  - Electric generation from natural gas is changing the demand curve
  - Customer Retention is becoming an ever increasing problem in the Southeast
  - Declining use per customer
  - Natural gas has become an amenity

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The Role of the Regulator

*What we need from regulation…**A Collaborative approach to solving these issues for the long term***

Longer term regulatory commitments for:

- Access and connectivity to global LNG markets
- Creative solutions for peaking vs. duration assets
- Pipeline transportation and storage options
- The ability to mitigate volatility for the customer (hedging)
- Longer intervals between rate cases
- Appropriate ROE's that attract capital for these capital intensive projects
- Regulatory commitments to seeing projects through including recovery

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