



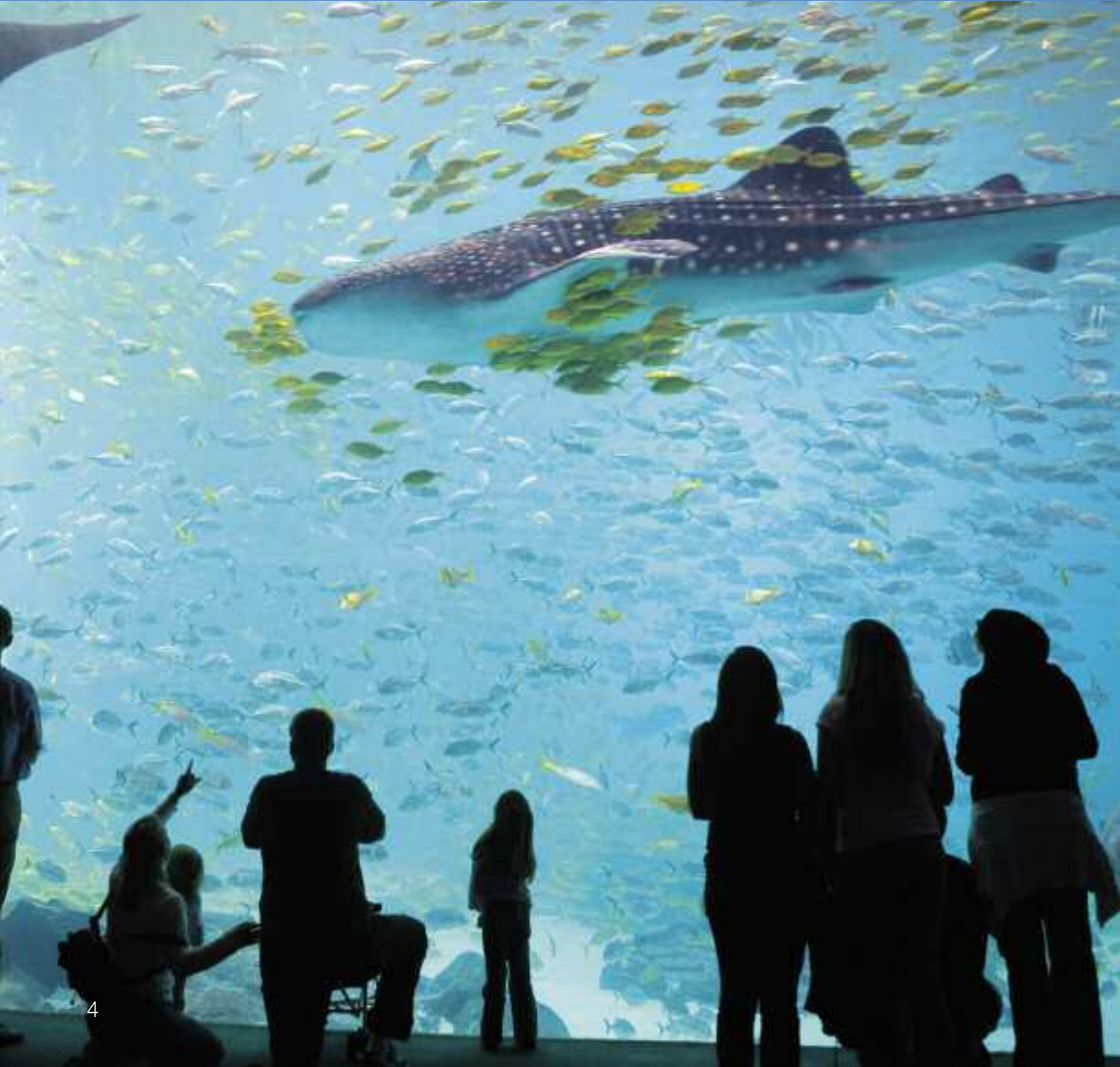
AGL Resources™

2008 Annual Report

STRONG FUNDAMENTALS, SUSTAINABLE FUTURE



Georgia Aquarium opened in 2005 as the world's largest. The Atlanta-based attraction, which features more animals than any other aquarium in the world, chose natural gas as the fuel source for regulating the temperature of its more than eight million gallons of water and to ensure a comfortable environment for its visitors as well.



STRONG FUNDAMENTALS, SUSTAINABLE FUTURE

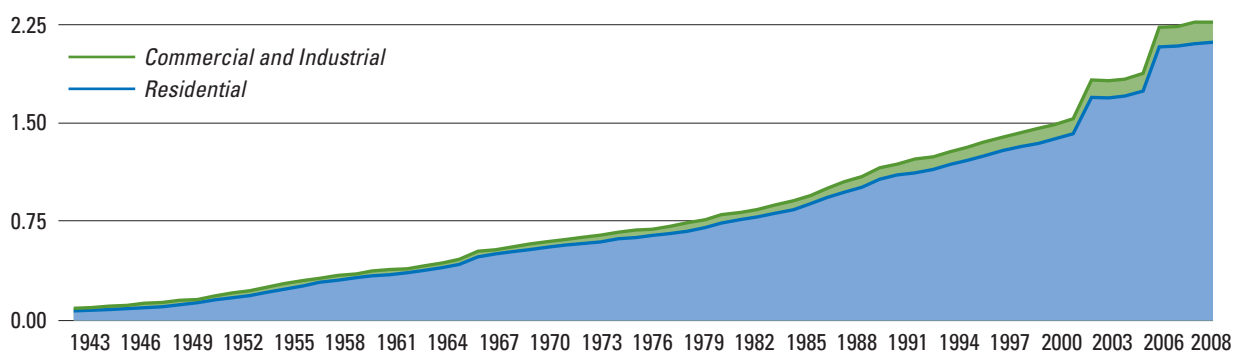
OUR CUSTOMERS KNOW WE CARE

At AGL Resources, we've demonstrated time and time again, through economic crises and turbulent times, that our foundation is not only strong, resilient and able to withstand a wide variety of challenges, but also is a reliable platform for continuous growth and stable earnings. Our business model is proven and it's sustainable.

At our company's core, we apply operational strategies and tactics that are prudent and focused on a sustainable future. And with our discipline around the deployment of capital in regulated and non-regulated energy investments, we maintain a strong balance sheet that helps to ensure our financial stability and access to the capital markets to fund future growth.

Good will, superior service and consistent community-focused operations result in good customer relations. We have enjoyed long and productive relationships with the customers and communities we serve. We also have nurtured partnerships with major industrial customers, which have become productive, decades-long, sustaining relationships. As our customers have grown, we've grown — providing them with the energy and services they need from a stable partner with deep roots in each jurisdiction.

Average End-Use Customer Growth *in millions*



PUTTING OUR MONEY WHERE THE FUTURE NEEDS IT

We always have paid close attention to the health and strength of our distribution and storage systems' infrastructures. The capital investments we've made over the last few years, and plan to make in the years to come, are carefully analyzed for the impact they will have on our company's, our customers' and our communities' futures. We invest capital for the purpose of strengthening our foundation to ensure that we have many years ahead of us, and also to diminish the impact we have on our environment. In short, we spend money to stay strong to reduce our carbon footprint.

Our pipeline replacement programs in Georgia and New Jersey replace aging bare steel and cast-iron pipe with plastic and coated steel pipe – resulting in lower methane emissions, fewer leaks, and improved safety and reliability. We are building new pipelines such as the Magnolia Pipeline Project, a project that we, along with Southern Natural Gas, have undertaken to diversify our sources of natural gas. Additionally, the Hampton Roads Crossing pipeline will link two important service areas and minimize adverse impacts of upstream interruptions in natural gas supplies. Wherever we build, we strive to minimize our environmental impact by

using environmentally friendly building methods, such as directional drilling, and using existing utility corridors to avoid disturbing shell fisheries, farmland, sensitive wetlands and residential areas.

Our capital investment in natural gas storage projects is driven by variables that include customer demand for energy, commodity market trends, geopolitical conditions and the weather, to name a few. Power generation drives demand for natural gas, and we believe that large volumes of natural gas will be offloaded on the Gulf Coast, either from LNG processing facilities or from unconventional reserves. These volumes will need to be stored and moved into the gas pipeline networks that supply the southeastern U.S. We're preparing for the future with the Golden Triangle Storage project. When completed in 2013, this facility will include two salt-dome caverns with a total storage capacity of 17 Bcf and six pipeline interconnects. We broke ground on the first cavern in mid-2008. The facility potentially can be expanded to a total of five caverns with 38 Bcf of working natural gas in the future based on customer interest.

Residential customer Mrs. Kathleen Holiman has been an Atlanta Gas Light customer for 55 years. But last year her furnace stopped working. On a fixed income, she began using a stove to heat her home in the dead of winter. Atlanta Gas Light stepped in to help Mrs. Holiman through its participation in the Home and Heartwarming Program in Georgia. Employees with the program repaired her furnace, added insulation, and installed new weather stripping at no charge. These measures helped make her home more energy efficient and lower her utility bills. An emotional Mrs. Holiman told a local TV news reporter, “I’m just overwhelmed. Somebody other than the Lord loves me.”



Waffle House, Inc., headquartered in Norcross, Georgia, has more than 1,500 restaurants across the United States that are open 24/7, 365 days per year. The Waffle House restaurants utilize natural gas for heating, water heating, food preparation and, more recently, desiccant dryers that reduce moisture and prevent the large windows from fogging over. Waffle House understands the value that natural gas brings to its business. And just as Waffle House provides a consistent dining experience, AGL Resources provides clean, efficient and reliable natural gas as an energy source central to their business.



PARTNERING FOR CLEAN ENERGY

Are all of our customers and potential customers aware of the efficiency and economic benefits that natural gas provides? Do they all have access to the high-efficiency natural gas appliances that deliver these benefits? Not yet, but we're working on that.

Our energy assistance programs are available to our low-income and elderly customers to help manage their energy usage and costs by making their homes more energy-efficient through expert conservation advice and equipment upgrades. Each of our utility companies goes the extra distance to provide customers with incentives to install higher efficiency natural gas home heating furnaces and water heaters, and to schedule seasonal heating check-ups and to install home weatherization.

But our commitment does not end there. Partnered with like-minded enterprises, we also are promoting the use of new technology and processes to meet and manage the energy needs of our customers and communities. For example, we have partnered with property developers to build "vertical mains" in high-rise condominium projects in order to provide residents with the benefits of natural gas. We

are piloting the use of natural gas dehumidifiers, or desiccants, to improve indoor air quality and conserve energy by allowing residents to leave thermostats at comfortable settings. We're working to increase the use of compressed natural gas, or CNG, as an efficient transportation fuel replacing diesel or gasoline for individual, commercial and government uses.

We also realize that one company could not possibly have the resources needed to make all our markets aware of the pressing environmental reasons for, and the long-range benefits of, natural gas. So we helped found the Council for Responsible Energy, or CRE, a coalition of leaders in the energy industry. The CRE, with top management membership from more than 190 organizations and representing more than 6.5 million households, is conducting a national campaign to educate consumers, promote the advantages and benefits of using natural gas and communicate why natural gas is the responsible energy choice for our environment.



CLEAN IS GOOD, GREEN IS BETTER

We are committed to being good environmental stewards. We educate our customers about the economic and environmental advantages of using clean-burning natural gas to heat water, cook and maintain a comfortable temperature in their homes and businesses. We make it possible for our customers to use natural gas more effectively and economically.

REDUCING OUR OWN CARBON FOOTPRINT

We place a high priority on environmental performance in all our operations and have worked hard to reduce the company's carbon footprint. We've reduced our own greenhouse gas emissions through prudent investments in energy-efficient technology and we're optimizing our operating processes to significantly decrease waste and pollution. From the implementation of enterprise-wide recycling programs to the installation of more efficient equipment at our liquefied natural gas facilities and in our distribution systems, we are committed to being responsible stewards of our environment.

In June of 2008, we issued a comprehensive Corporate Responsibility Report, "The Right Reasons." Detailed within it are the company's commitments to: protect our environment and the health and safety of our employees and customers; give back to the many communities we serve; and attract, train and retain a diverse and diligent workforce. Our Corporate Responsibility Report is available free of charge on our website aglresources.com.



Merck & Co., Inc. is a global research-driven pharmaceutical company that discovers, develops, manufactures and markets vaccines and medicines. The company is at the forefront of applying new and renewable technologies to conserve energy, reduce costs and lower its carbon footprint. Merck's facility in Rahway/Linden, New Jersey, is a longtime customer of Elizabethtown Gas. Merck operates a steam cogeneration facility and natural gas-fired micro turbines that supply steam, hot water and electricity to the site.



NASA's mission is to pioneer future advances in space exploration, scientific discovery and aeronautics research. Natural gas, supplied by Virginia Natural Gas, helps enable the NASA Langley Research Center in Hampton, Virginia, to conduct wind tunnel experiments. Additionally, the Kennedy Space Center in Florida depends on natural gas supplied by Florida City Gas to control humidity in sensitive processing areas.



REGULATED UTILITIES, RELIABLE RETURNS

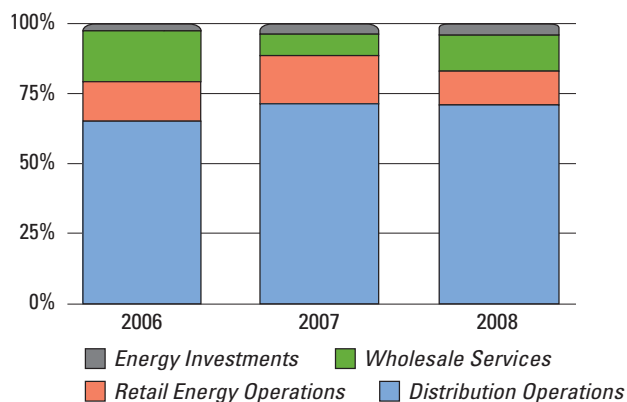
A chief advantage of owning and operating regulated utility companies, particularly in our current economic climate, is that we can maintain a relatively high degree of certainty around expectations. This means we have the opportunity to earn reliable returns. The challenges we face in our utility businesses are much the same year in and year out — managing costs, competing for capital for our infrastructure investments and competing for customers. All states served by the company’s utilities also require some level of commitment to energy-efficient initiatives and environmental stewardship. We have worked hand-in-hand with the states to promote conservation and the best uses for natural gas.

Over the past several years, the company’s utilities have been fulfilling their long-term commitments to rate freezes, which begin expiring in 2009. As these rate cases come up for renewal, we will be looking at rate reforms that encourage conservation and “decoupling.” In traditional rate designs, our utilities’ recovery of their fixed customer service costs are tied to customer usage. Separating or decoupling the recovery of these fixed costs from the natural

gas deliveries will align the interests of our customers and utilities by encouraging energy conservation and adding more stability to our utilities’ operating margins. We will work to achieve fair prices and fair treatment for both our company and our customers.

As the following chart indicates, a significant percentage of our consolidated earnings is derived from our regulated utilities and from the sale of natural gas to end-use customers, primarily in Georgia, through our retail energy operations segment. This statistic is significant as it represents the portion of our earnings directly resulting from supplying natural gas to retail customers.

Operating segment EBIT* by percentage



* Earnings before interest and taxes (EBIT) should not be considered an alternative to, or more meaningful measurement than, operating income or net income as determined in accordance with accounting principles generally accepted in the United States (GAAP). For a reconciliation of EBIT to GAAP, see Item 7 of our Form 10-K included with this report.