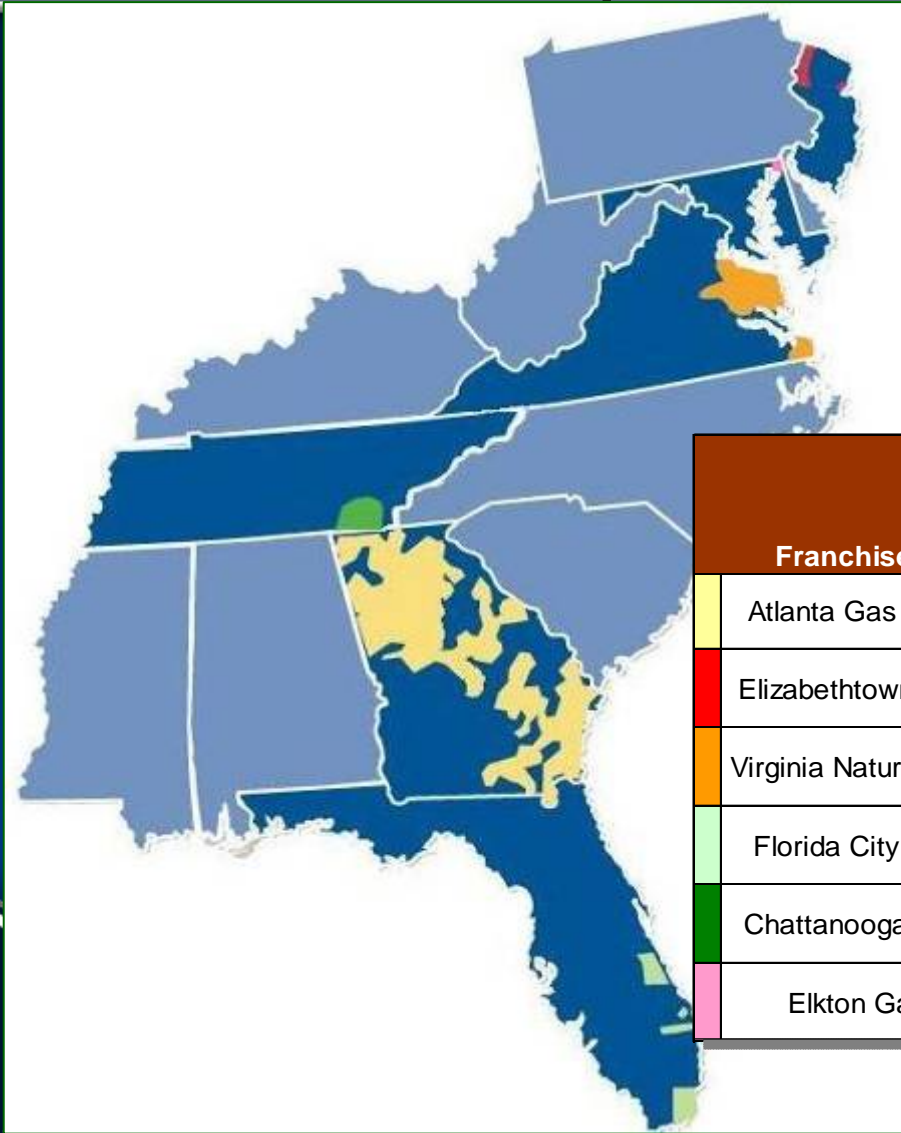


Opportunities for Growth: Distribution Operations

Eric Martinez
Executive Vice President, Utility Operations

2007 Analyst Conference
March 22, 2007
New York

Distribution Operations

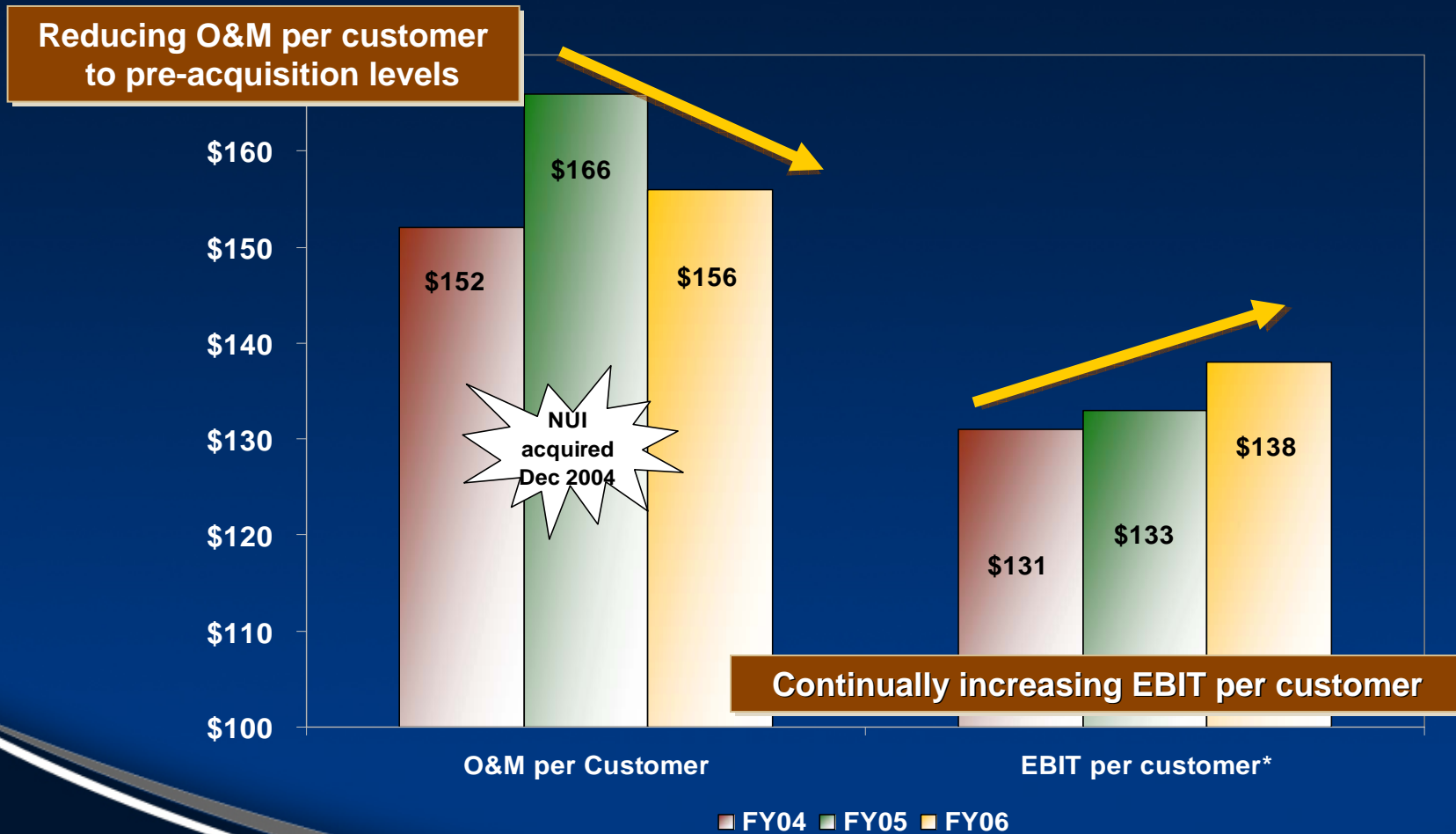


Franchise	Customers (in 000's)	% Margin Decoupled	Last Rate Change Decision	Rate Expiration Date	WNA
Atlanta Gas Light	1,546	100%	Jun 2005	2010	N/A
Elizabethtown Gas	269	60%	Nov 2002	2009	✓
Virginia Natural Gas	264	52%	Oct 1996	2011	✓
Florida City Gas	104	31%	Feb 2004	N/A	✗
Chattanooga Gas	61	55%	Dec 2006	2010	✓
Elkton Gas	6	12%	Jun 1992	N/A	✗

2007 Utility Goals

1. Continuous Operational Improvement
2. Grow The Top Line/Customer Count
3. Technology Platform
4. People
5. Achieve Earnings Target

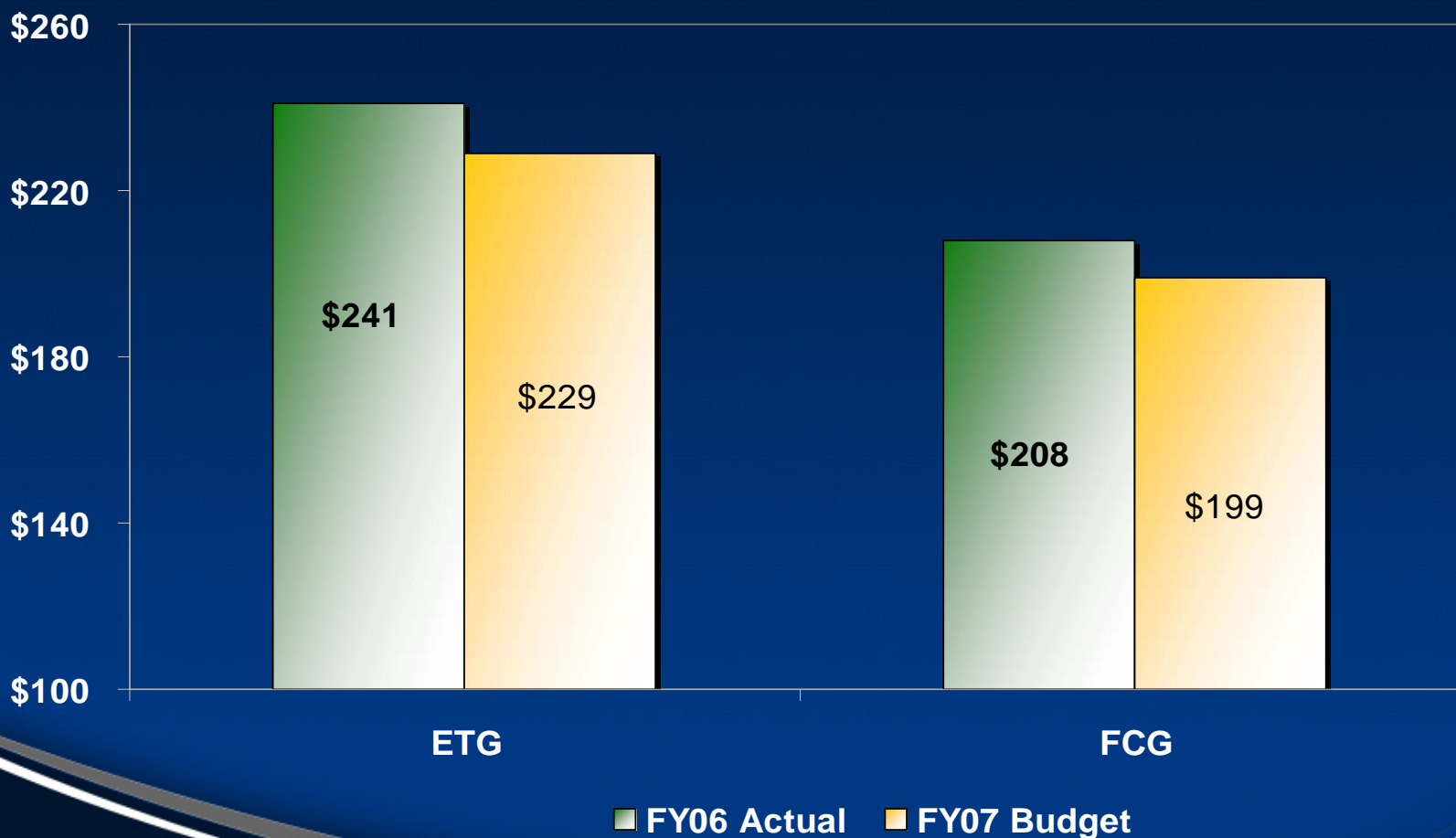
Making Acquisitions Accretive



* Source: AGL Resources 2006 Form 10-K

Opportunities From Acquisitions Still Exist

O&M per Customer



Minutes In The Day



Improvements have increased available working minutes by ~60 minutes per day

Improvements in Operations

- **People**
 - High-grading new hires
 - Redesigning field group on skill level
- **Process**
 - Fleet Redesign
 - Drip Feeding
 - Kitting
 - Drive Camera
 - Depots
- **Technology**
 - Mobility
 - Drip Feeding
 - Automated Time Sheets
 - Employee Scorecard

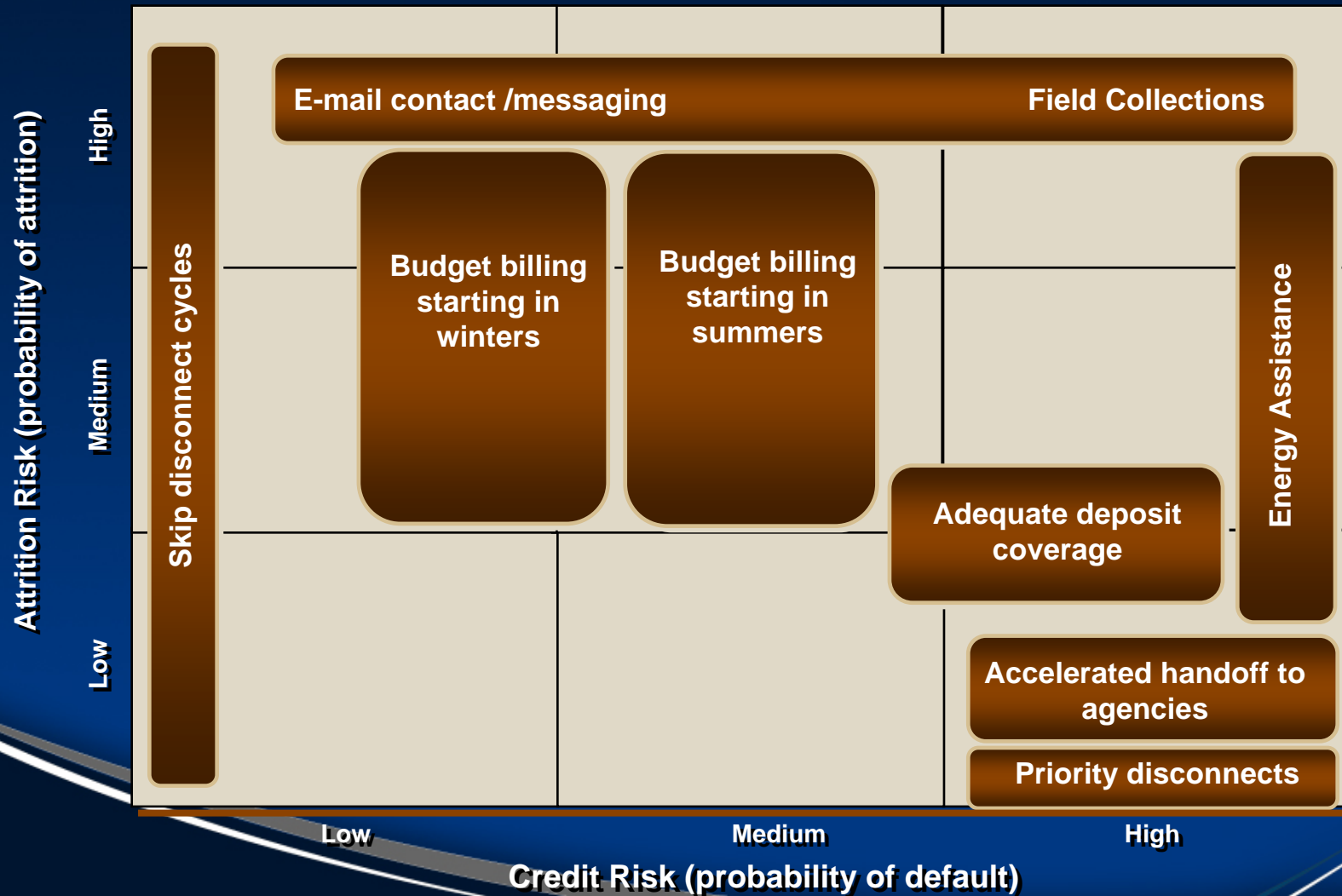
Business Process Outsourcing (BPO)



- **Started effort in summer 2005**
- **India**
 - Outsourcing – GIS, credit, IT, call center, accounts payable and other administrative functions
 - Currently 240 FTEs in India working for AGL
 - Call center complete in March 2007
- **China**
 - Global sourcing expected to save \$1 million in material costs in 2007
- **Leverage more in the consulting model versus BPO and technology**

Combating Customer Attrition Through Defaults

Customer Segmentation Framework



Technology Platform

Investment

(in millions)

\$25 in 2005

\$43 in 2006



- Customer Management Application (CMA)
- Mobility
- PeopleSoft upgrades
- Work Management Information System (WMIS)

- 2007 capital is being spent to improve the existing technology foundations we've established
- Foundation in place for ongoing process improvement

Use Per Heating Degree Day



February 2007 daily throughput per HDD at ETG and VNG increased from prior year

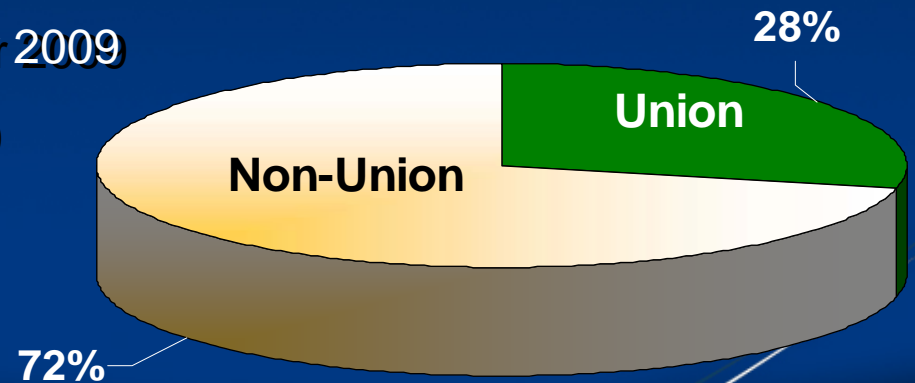
Employee – Labor Opportunity

Georgia decertification 2006	311
Tennessee decertification 2007	21
Remaining employees covered under CBA	385
<u>Other employees not under CBA</u>	<u>635</u>
TOTAL OPERATING EMPLOYEES	1,352

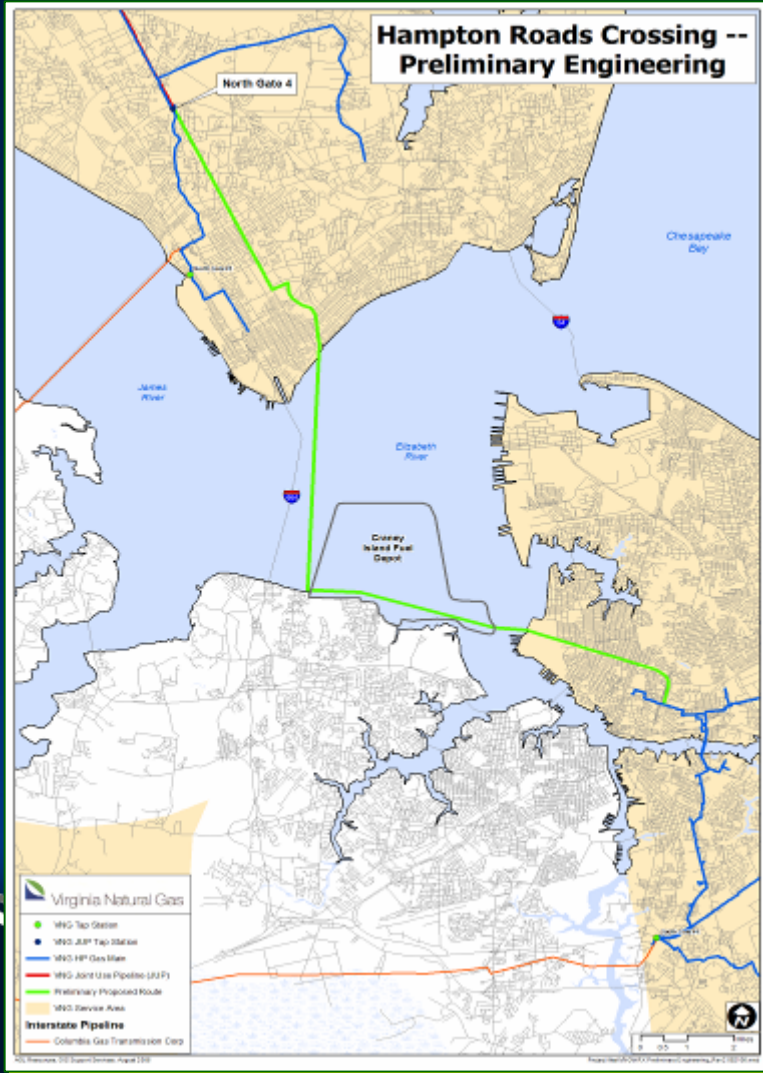
Contract expiration at FCG – March 2008 (UWUA)

Contract expiration at ETG – November 2009

Contract expiration at VNG – May 2010



Hampton Roads Crossing



- Part of the VNG rate case decision
- 24" transmission pipeline connecting the two VNG systems together
- Diversify supply
- 21-mile pipe and \$50-60 million capital investment
- Scheduled completion date 2009

Sales and Marketing Goals

Marketing and communications activities are guided by three major principles:

- **The need to retain customers:** It is easier (and cheaper) to keep a customer than win one back or gain a new one. High-risk customers can be targeted efficiently with measurable results.
- **The need to acquire new customers:** Continue our strategic direction for sustainable organic, profitable growth by continuing the long-standing relationships with builders and developers while adding a new focus on neglected opportunities of key value such as infill/conversion and vertical mains.
- **The need to build and maintain preference:** Customers who believe in the benefits of natural gas are less likely to replace natural gas with another energy choice when prices rise or presented with alternatives.

Vibrant Business Growth

(\$ in millions)	Budgeted New Meters	Annual Margin From New Meters
AGL	41,132	\$10.4
ETG	4,305	\$2.6
VNG/ELK	6,170	\$2.6
FCG	2,718	\$1.4
CGC	1,510	\$0.8
AGL Resources Total	55,835	\$17.8

Our new meter growth provides ~\$18 million of annualized margin.

However, we have historically lost about two-thirds of this additional margin from customer attrition.

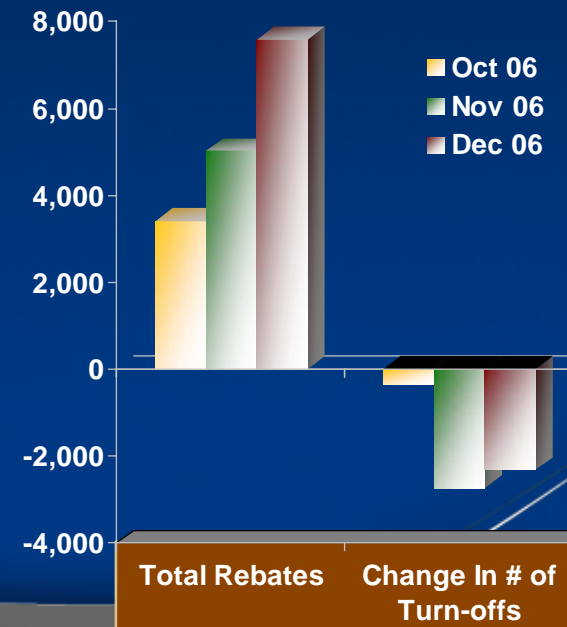
Atlanta Gas Light – Rebates and Messaging



Retention Program 2006

- “Stop the bleeding” design
- Aggressive consumer rebates Aug-Dec 2006
 - 7,600 rebates redeemed (8,400 through Jan 2007)
 - Additional 5,400 retained customers
 - **\$1.1M** saved margin

Class of Rebates



ETG Conversion Goals



**The Natural Gas Advantage
It's Smarter Heating**

Graduate to clean, reliable natural gas heat!
Make the switch and receive:

- A FREE furnace or \$500 boiler rebate
- Or FREE financing - no interest, no payments - for 12 months

PLUS...additional rebates are available if you install high-efficiency models. To learn more, visit www.njcleanenergy.com.
Call our Rebate Line: 1-800-611-0480.

**FREE Furnace or \$500 Boiler Rebate
OR FREE Financing - no interest, no payments - for 12 months**

It's easy to see why natural gas is America's No. 1 choice for home heating.

- Cleaner burning than oil without the odor
- Eliminates the hazards of storing oil or propane
- Never miss a fuel delivery - gas is piped
- Ends high electric heating bills

Add up the savings with natural gas cooking, clothes drying and more. Call us today!

Learn more at www.elizabethtowngas.com, Use Natural Gas, Rebates and Promotions, or call us at 1-800-611-0480.

Elizabethtown Gas
An AGL Resource Company



**The Natural Gas Advantage
It's Smarter Heating**

Get an A+ in heating! Make the switch to reliable natural gas and receive:

- A **FREE** furnace or \$500 boiler rebate
- Or **FREE** financing - no interest, no payments - for 12 months

Call our Rebate Line: 1-800-611-0480.
Additional rebates are available if you install high-efficiency models. To learn more, visit www.njcleanenergy.com.

**FREE Furnace or \$500 Boiler Rebate
OR FREE Financing - no interest, no payments - for 12 months**

It's easy to see why natural gas is America's No. 1 choice for home heating.

- Cleaner burning than oil without the odor and soot buildup
- Eliminates the hazards of storing oil or propane
- Ends high electric heating bills

Add up the savings with natural gas appliances throughout your home. Consider the advantages!

Learn more at www.elizabethtowngas.com, Use Natural Gas, Rebates and Promotions, or call us at **1-800-611-0480**.



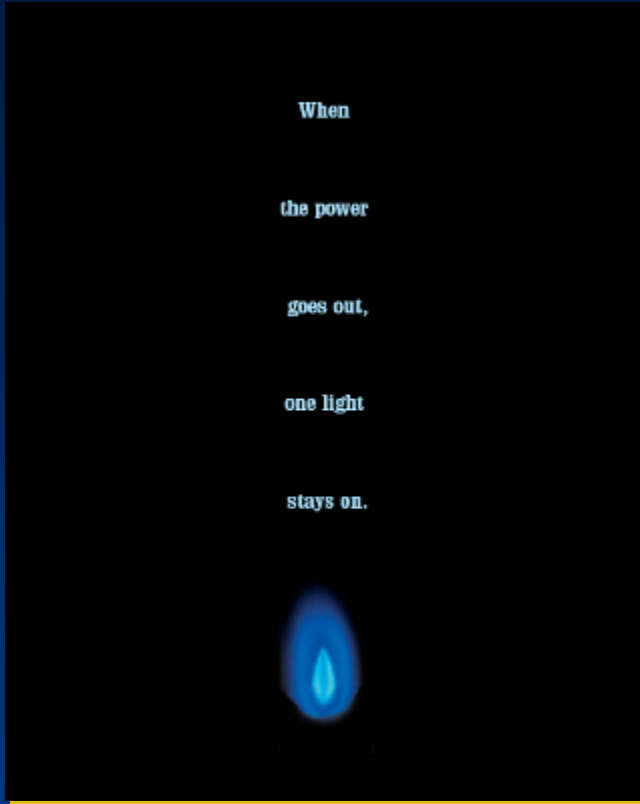
Elizabethtown Gas
An AGL Resource Company

Offer is available to homeowners switching to natural gas heat systems through 12/31/07 and 12/31/08. To see if you qualify for this rebate, contact your gas provider, or call us. Available only to new homes are covered by this program. Gas meter: Free to install or replace after 12/31/07. Only for specific equipment models installed by an Elizabethtown Gas participating contractor. Free financing is restricted to natural gas heating equipment, gas appliances, furnaces or boilers and not used toward other gas appliances that subject to credit approval. High-efficiency certified heating equipment. Available only to homes for high efficiency equipment approved by the terms and conditions of the NJ Clean Energy Program through the American Clean Energy Program.

NJ Clean Energy Program

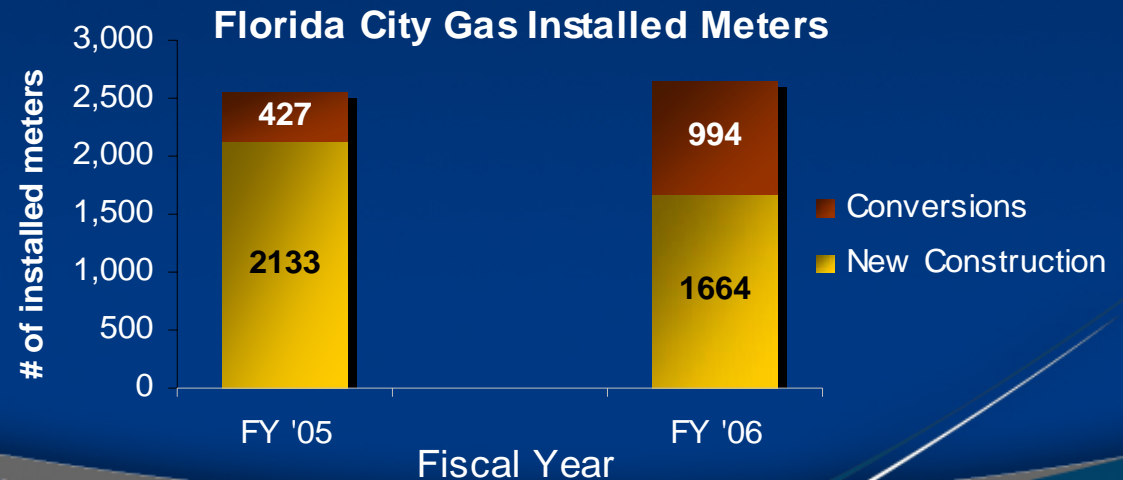
- Free furnace or \$500 boiler rebate
 - 2,230 Conversion Customers
 - 1,330 added heat
 - 900 new meters
 - 440 rebates redeemed
- Nearly \$1 million of additional annualized margin
- **29%** improvement

FCG Generator Program



Hurricane Message

- 40K direct mail
 - 2.5% response rate
- 990 additional new meters
 - 70+% multiple burner-tips
- 43% increase year-over-year
- \$200K additional annualized margin



VNG Infill/Conversion Pilot



- 25K postcards mailed to a target of potential customers within 100 feet of our main
 - 750 rebates redeemed on individual appliances
 - 670 resulted in new meters additions
 - 2.7% response rate
- \$220K additional annualized margin

The Vertical Main Opportunity



- **Historically shut-out of this market:**
 - Strong electric incentives
 - Increased initial cost
 - Structural issues with installation
- **Opportunity:**
 - Increasing population growth
 - Migration back to the city
 - Price point demands amenities
 - New technologies
 - Market differentiation
- **Other potential projects in process representing 1,700+ units**
- **Contract signed with Tivoli Properties in October 2006**

Our 2007 Capital Expenditure Plan

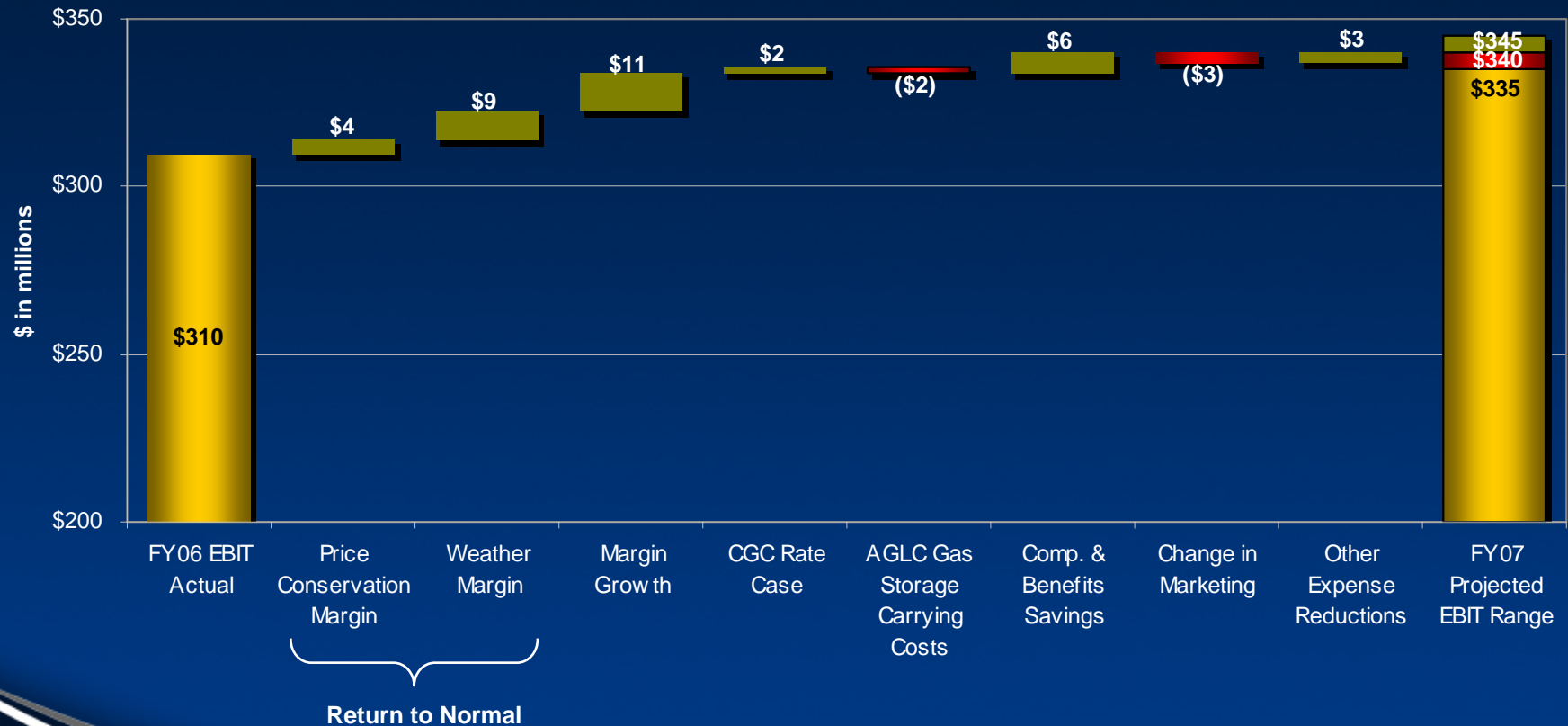
\$ in millions

Mandatory programs: pipeline replacement; MGP cleanup; Hampton Roads Crossing	\$72
New business and strategic extensions	69
System renewals and support	59
Technology investments	20
Fleet and Facility Replacements	7
TOTAL	\$227

Total Utility Depreciation – \$116MM

Non-Earning Capital – \$114MM

Our EBIT Growth Plan



Questions?