

Opportunities for Growth: Sequent Energy Management

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Business Model – “How We Make Money”

What We Are:

- A company with a core strength in physical logistics and optimization of transportation and storage
 - Locational spreads (transportation capacity)
 - Physical storage spreads (cash, futures, time)
- A business that adds and creates value by understanding and meeting customers' needs as well as by optimizing gas flows from supply basin to market center
 - Service provider (asset management, producer & peaking services)
- Leading manager of contractual storage and transportation assets in the Eastern part of the U.S.
- An organization of 130 people supported by strong systems, processes and controls

Business Model – “How We Make Money”

What We Are Not:

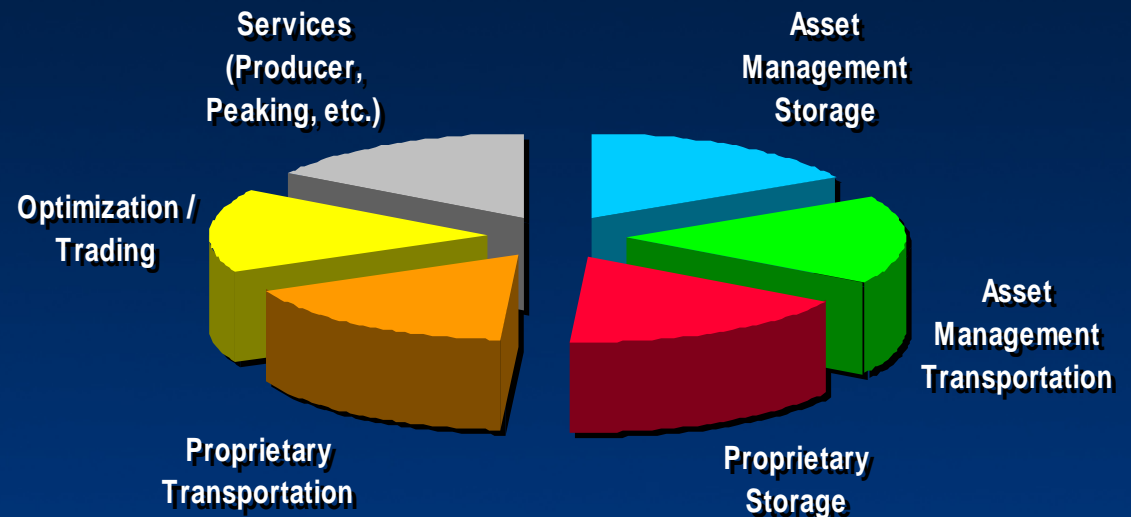
- Holder of large outright speculative positions
 - Modest risk limits (VaR, credit, basis)
- Financial market-maker

Dynamic Model

Sequent's business model includes a portfolio of assets and services that enable it to capture value in a variety of market conditions.

In any given year:

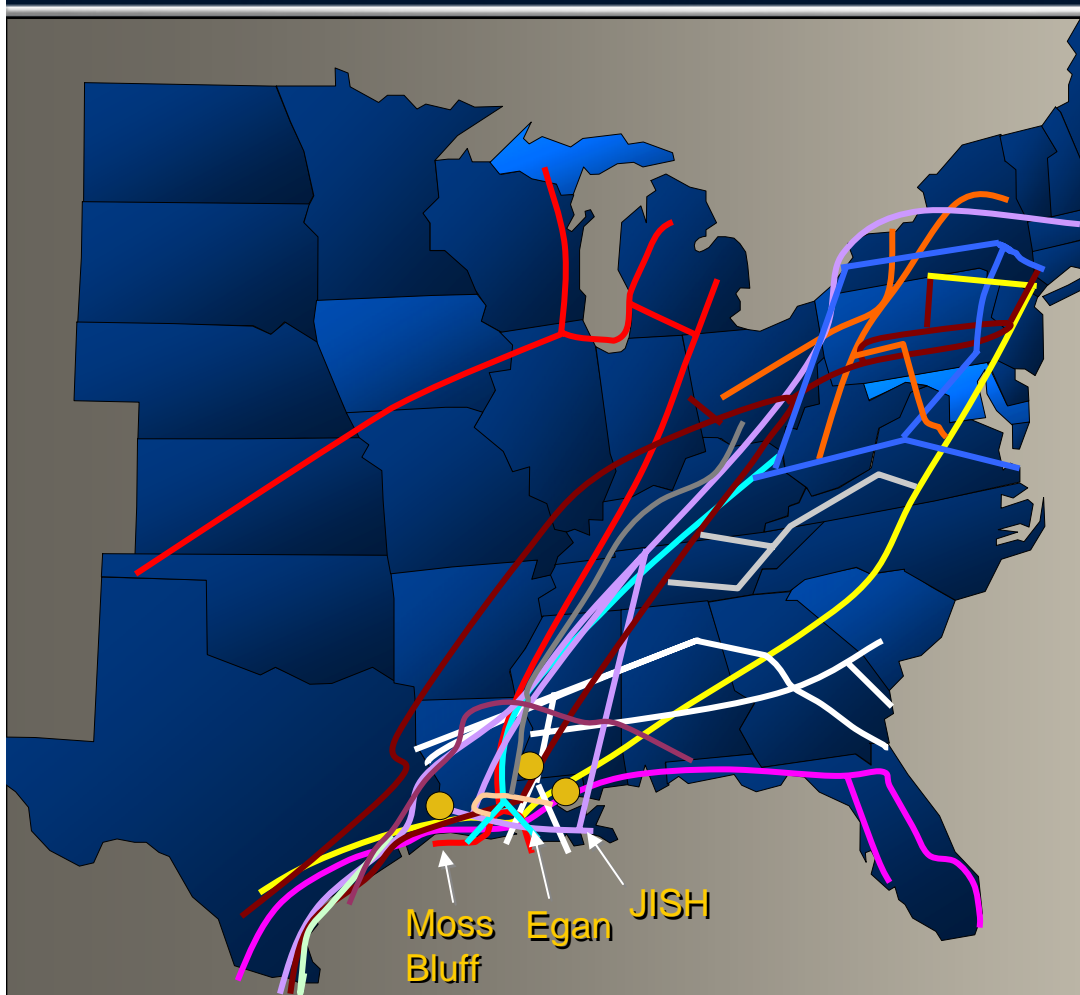
- The proportion of segments changes with market conditions
- Sequent has the ability to capture value in a dynamic environment



For example:

- 2005 – heavy transportation activity
- 2006 – heavy storage activity

Pipelines & Storage



Pipeline Capacity

- Business conducted on 55 pipelines
- Significant transport on:

Transco	TETCO	GulfSouth
FGT	ANR	Sonat
Dominion	Columbia	Tennessee
E. Tenn.	Northwest	Texas Gas
Sabine		

Storage Capacity

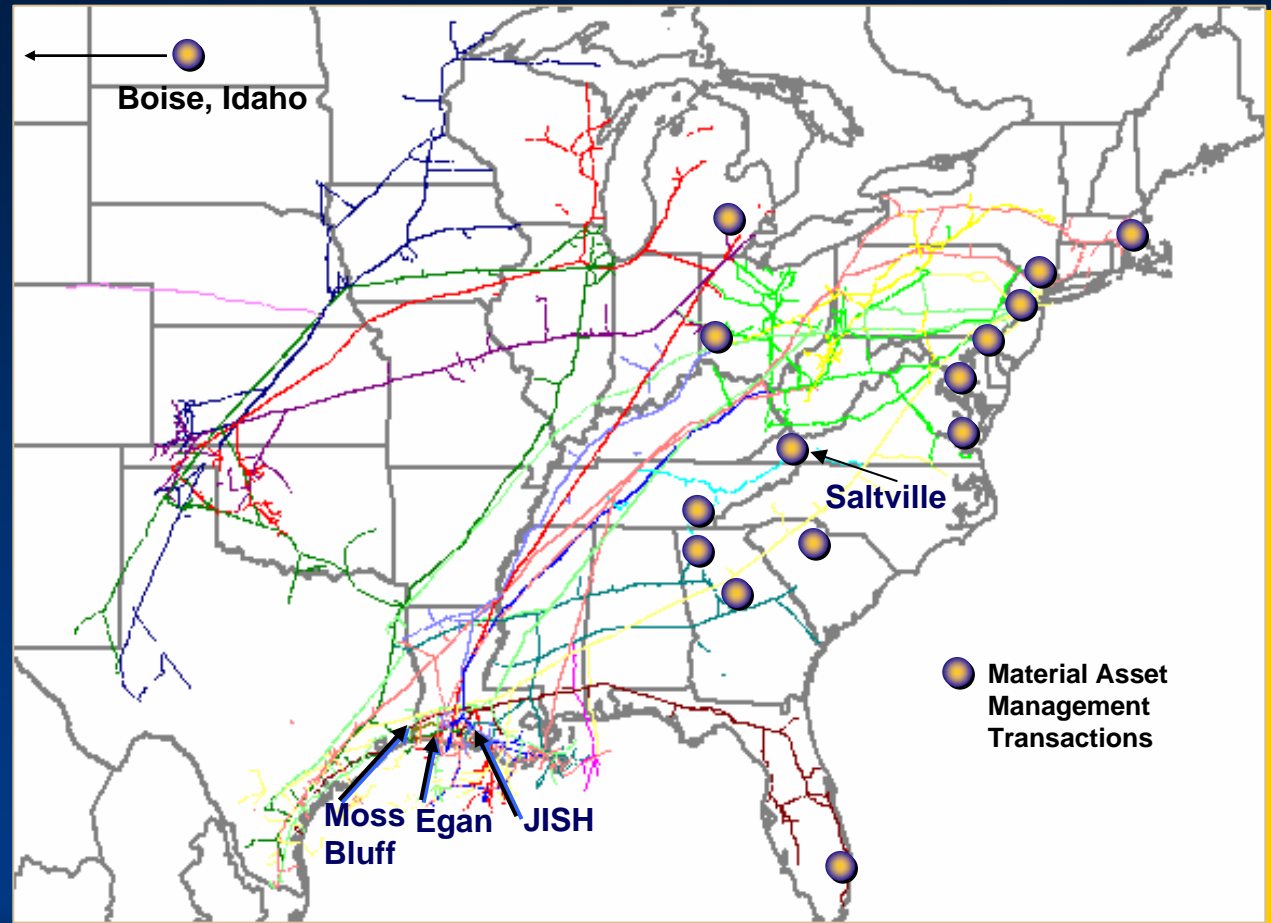
- More than 88 Bcf of capacity under management
- Includes 5 Bcf of salt-dome storage at Egan, Moss Bluff and Jefferson Island

Material Asset Management Transactions

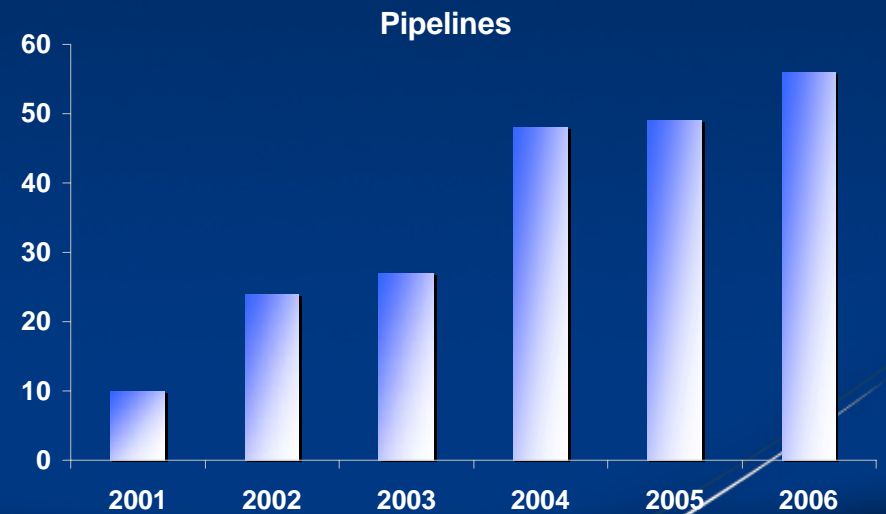
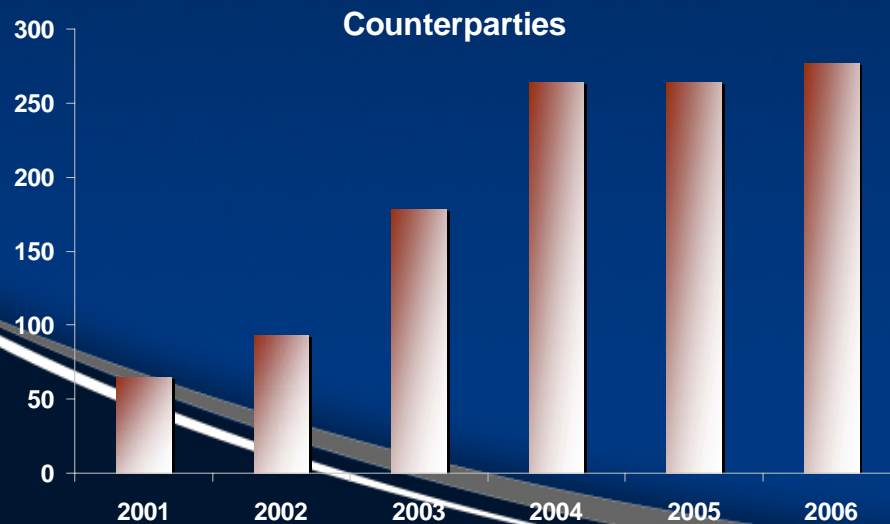
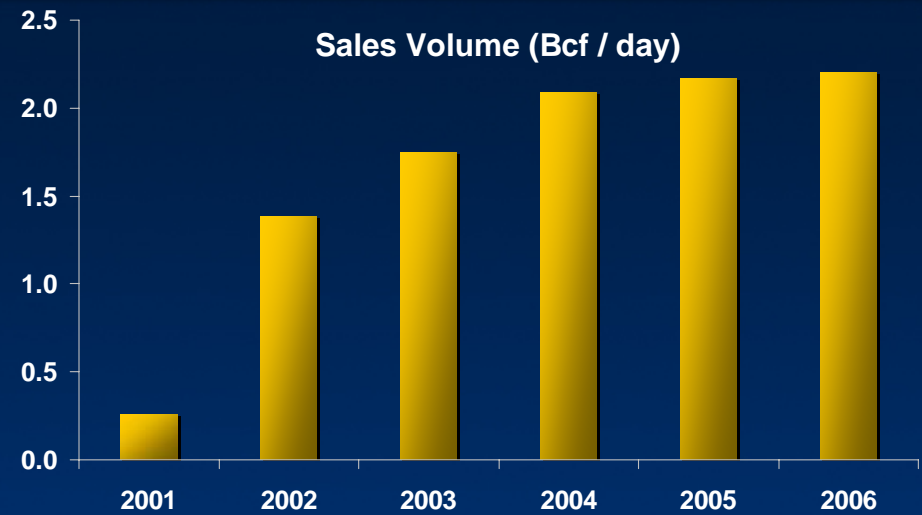
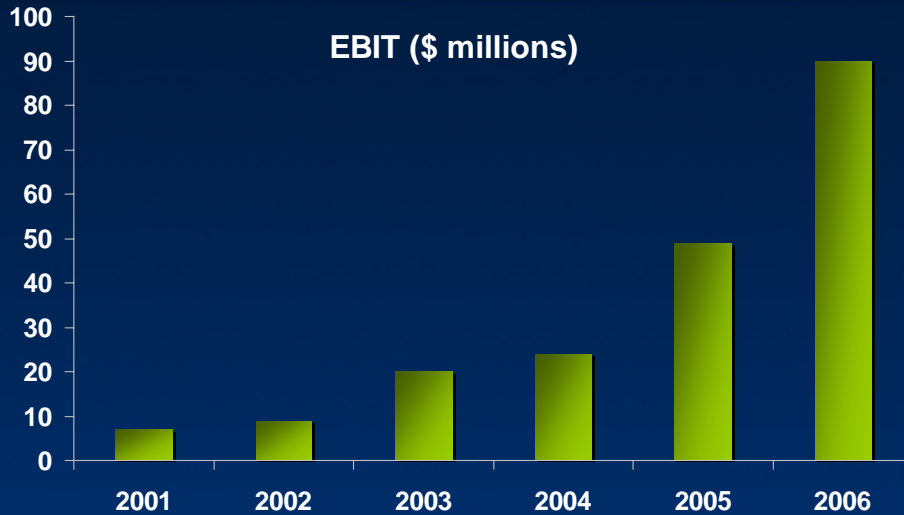
A Strategic Portfolio of Contractual Storage and Transportation Assets

Pipelines

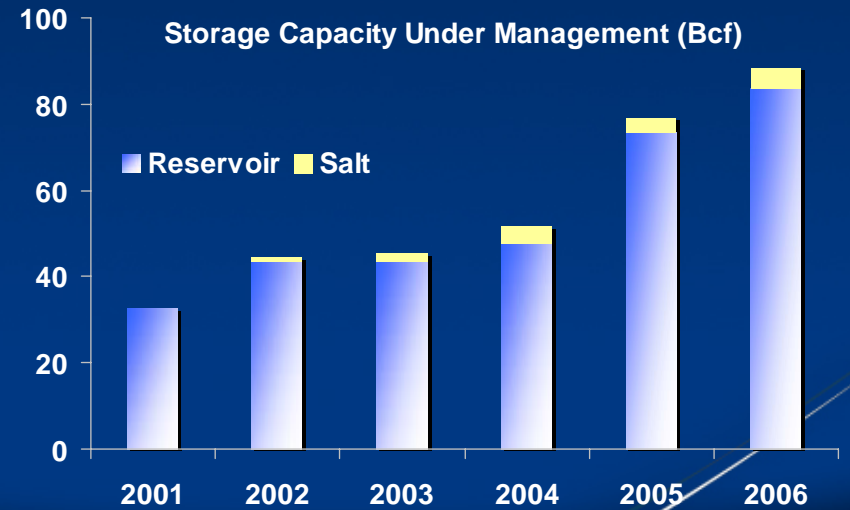
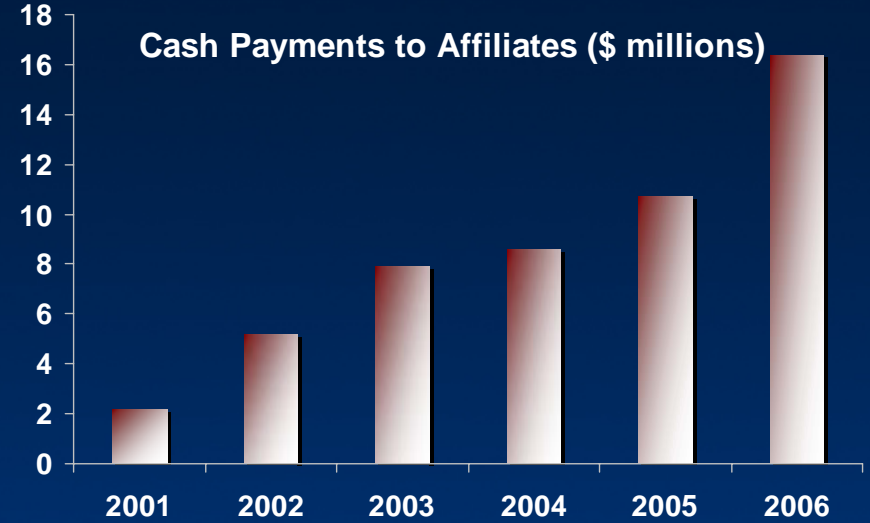
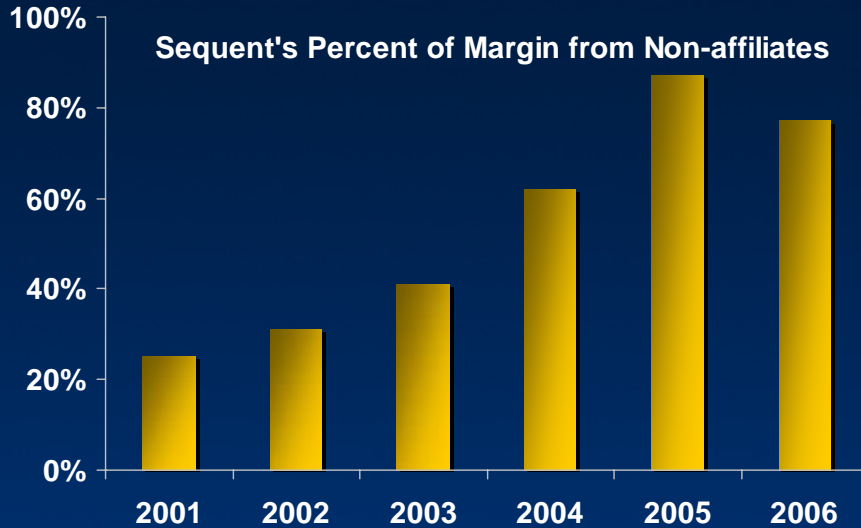
- ANR Pipeline Co.
- Columbia Gas Transmission Corp.
- Columbia Gulf Transmission Co.
- Destin Pipeline Co., LLC
- Dominion Transmission Inc.
- East Tennessee Natural Gas Co.
- Florida Gas Transmission Co.
- Natural Gas Pipeline Co. of America
- Northern Natural Gas Co.
- Panhandle Eastern Pipe Line Co.
- Sabine Pipe Line, LLC
- Southern Natural Gas Co.
- Tennessee Gas Pipeline Co.
- Texas Eastern Transmission Corp.
- Texas Gas Transmission, LLC
- Trailblazer Pipeline Co.
- Transcontinental Gas Pipe Line Corp.



A Story of Growth



A Story of Growth (cont.)



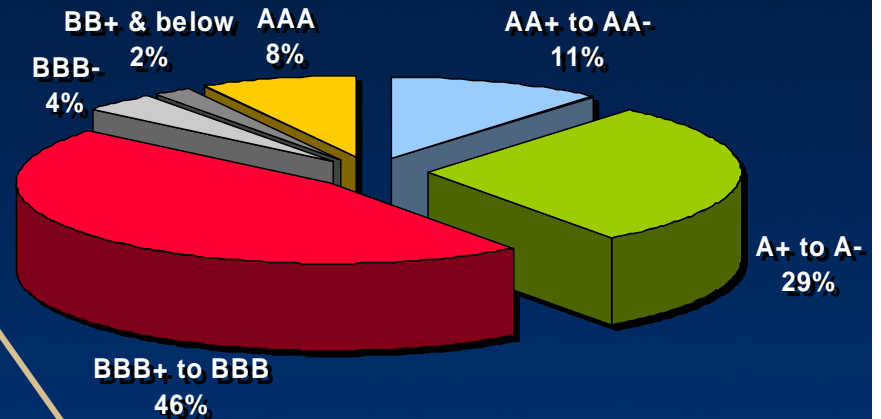
Analysis of 2006 and Bridge to 2007

(amounts in \$ millions)

2006 Reported EBIT	\$	90
Less: Physical Inventory Rollout Value from 2005		(16)
Less: Total Storage Hedge Gains		(41)
Less: Total Transportation Hedge Gains		(12)
Less: Better than Expected Storage Spreads		(10)
Plus: LOCOM Adjustments		<u>21</u>
2006 Baseline EBIT	\$	32
Plus: Physical Inventory Rollout Value from 2006		13
Less: Unavailable Storage Capacity at Jan 1st		(5)
Plus: New Commercial Activity Impacting 2007		5
Plus: Decrease in SG&A Costs from Prior Year		<u>5</u>
2007 Baseline EBIT	\$	50
Additional Commercial Activity		0-10
2007 EBIT Range		<u>\$50 - \$60</u>

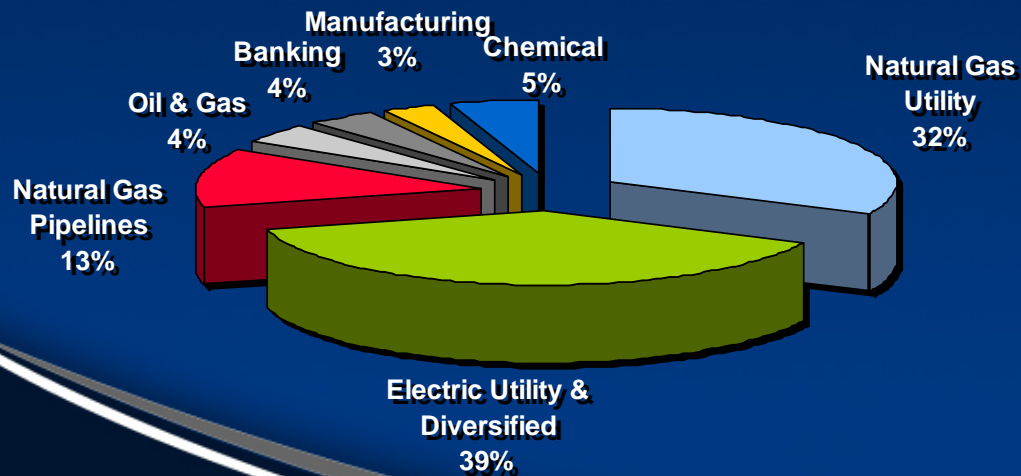
Credit Metrics

Credit Exposure Rating Tiers



Weighted average portfolio credit rating of A-

Credit Exposure by Industry



As of January 31, 2007

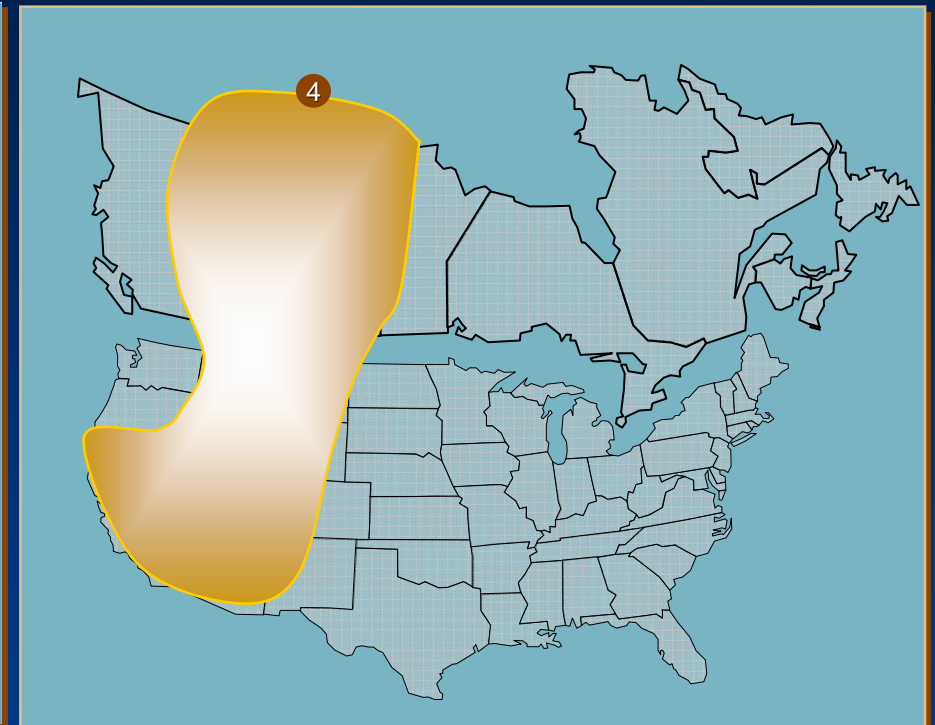
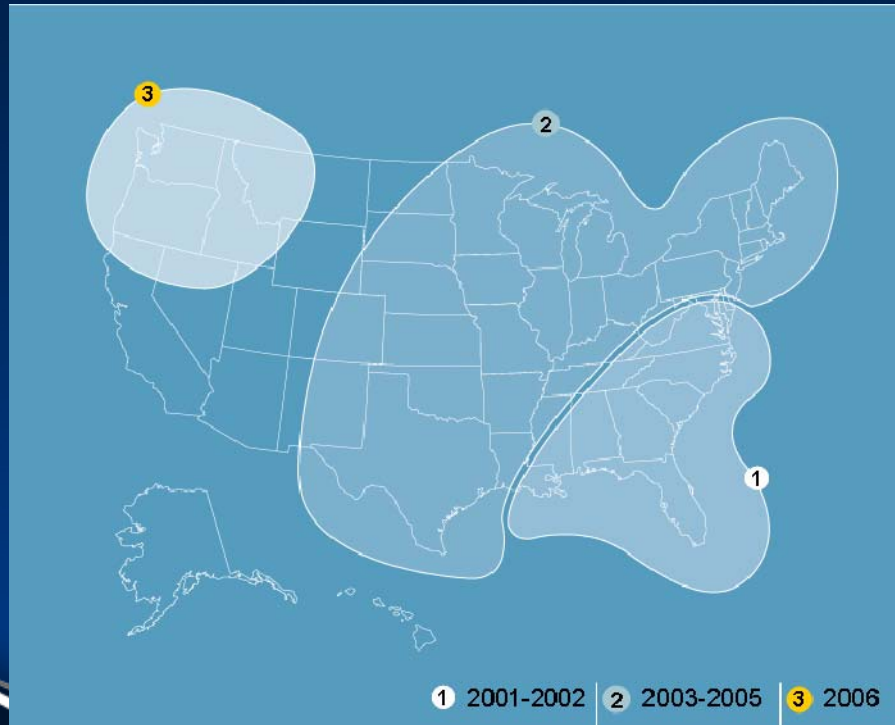
Growth Initiatives

- Move west and into Canada
- More penetration of the power generation business
- Contract additional salt dome storage capacity
- Contract key West to East transportation corridors
- Aggressively expand producer services activities
- Set up and build commercial and industrial marketing effort

Geographic Footprint Expansion

Current Footprint

2007/2008



Sequent Beyond 2007

- “Song Remains the Same” – the business model is sound
- Growth in “baseline earnings” of about 10% / year
 - Opportunity to earn more with high volatility
- Leverage investments in systems and processes
 - “Economies of scale” benefit in mid and back office
- Focus on bench strength will provide headroom
- Provide AGL Resources with substantial market intelligence

Questions?