

AGL Resources

Corporate Responsibility
Report



The Right Reasons





The Right Reasons

Dear Friends:

At AGL Resources, we believe there is not just a good way to do business, there is a right way to do business.

We believe doing business the right way means placing the highest value on safety. It means being good environmental stewards, using clean, efficient natural gas and promoting wise energy use. It means embracing diversity and treating our employees with fairness and respect so we can attract and keep them. It means we must be the good corporate citizen that our communities deserve and have come to expect.

Our corporate values reflect these beliefs, and they are the basis for everything we do.

We talk about these values briefly in our annual report each year. In recent years, however, many people like you, including our customers, employees, regulators, elected officials and shareholders, have asked us for more details. You've asked us why and how we do the things we do, how we make sure our employees and communities are safe, how we confront climate change and what we are doing to give back to our communities.

We decided to issue this corporate responsibility report as one way to provide more information about our company, people and operations. This is our first report, and we intend to issue these reports periodically.

I hope you find this report helpful and informative, and please share with us any comments you have about this report or our company.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Somerhalder II". The signature is written in a cursive style with a large initial "J".

John W. Somerhalder II

Chairman, President and Chief Executive Officer

June 2008



Our Corporate Values

Honesty, Integrity and Respect

We strive to treat others as we wish to be treated: with honesty, integrity, respect and fairness.

Stewardship


As employees and leaders, we have the highest level of responsibility to be diligent caretakers of our businesses and assets, and to serve our customers, shareholders and other important stakeholders and each other.

Value Seeking

We are a public company, answerable to our shareholders, customers, communities, regulators and legislators. By doing the best possible job each day, by examining each operational and financial decision, AGL Resources employees find value where others don't.

Generosity of Spirit

AGL Resources supports and encourages both individual and corporate efforts to give back to the communities we live in and serve. Writing a check is nice, but giving our time and effort reflects the spirit of the gift, not just the end result.

An aerial photograph of a lush green field, possibly a golf course or a large lawn. A winding path or fairway cuts through the grass, leading towards a circular structure or bunker in the lower right quadrant. The grass is a vibrant green, and the overall scene is well-maintained.

Readily available natural gas is the cleanest burning and most efficient fossil fuel with a smaller carbon footprint than coal or oil. It produces 45 percent less greenhouse gases than coal and 30 percent less than oil.¹

Stewardship

As employees and leaders, we have the highest level of responsibility to be diligent caretakers of our businesses and assets, and to serve our customers, shareholders and other important stakeholders and each other.

We conduct our operations every day with this principle in mind, especially when it comes to protecting our environment and the health and safety of our employees and the customers we serve.

Natural Gas. Comfortable. Responsible.™

Natural gas is the cleanest burning and most efficient fossil fuel, producing 45 percent fewer greenhouse gases than coal and 30 percent fewer than oil¹. Natural gas also produces fewer of the principal components of smog and acid rain — nitrogen oxides (NOx), particulate matter and sulfur dioxide (SO₂). Compared to other fossil fuels, natural gas virtually eliminates the presence of fine particles in the air and other pollutants, including SO₂ and mercury, when compared to coal and oil. It also produces no solid waste. In addition:

- Homes that use natural gas for heating, hot water and other appliances produce about 40 percent less carbon dioxide (CO₂) for these services than homes using electric appliances.¹
- Natural gas is efficient. More than 90 percent of the energy in natural gas is delivered directly to the customer as compared to less than one-third of the energy used to make electricity.¹

Simply put, increasing the direct use of natural gas is the best alternative available to make a significant and positive immediate impact on energy efficiency and carbon reduction.

Reducing Emissions

In addition to providing cleaner, greener natural gas to our customers, AGL Resources makes environmental performance a top priority in our operations, and we have worked to reduce our overall environmental footprint in recent years.

We are one of the founding members of the U.S. EPA Natural Gas Star Program, a voluntary program that promotes cost-effective technologies and practices to reduce methane emissions.

Since joining the program in 1993, we have reduced fugitive methane emissions by almost 600,000 thousand cubic feet (Mcf), equal to:

- The carbon equivalent to power nearly 30,000 homes for one year.
- The carbon equivalent of planting more than 198,000 acres of trees.
- The carbon equivalent of removing more than 51,000 cars from the nation's highways for one year.

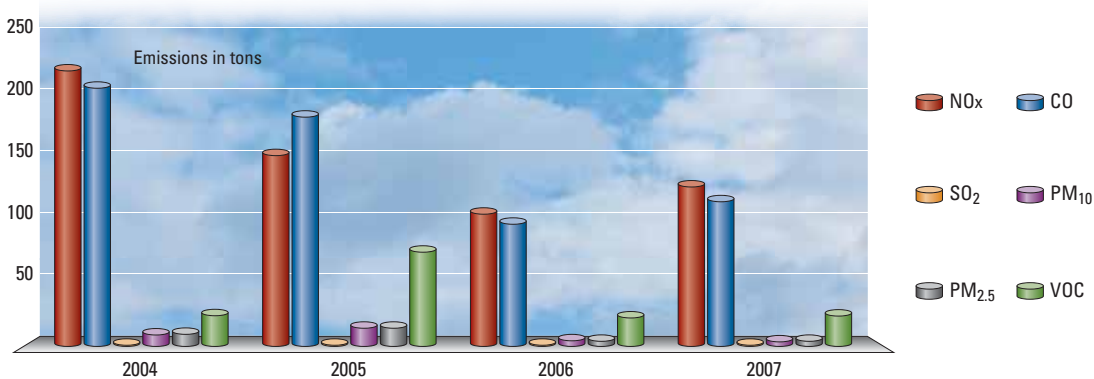


1. Based on information obtained from the American Gas Association and the U.S. Department of Energy.

In order to minimize the impact on the environment from our natural gas distribution system, from our fleet to our distribution equipment, AGL Resources invests in the most efficient technology and fine tunes our operating procedures to minimize waste and pollution. We have taken aggressive steps to reduce NOx emissions at our Chattanooga and Macon liquefied natural gas (LNG) facilities. We have installed new, more efficient equipment, such as generators, turbines and boilers that emit less NOx, reducing overall emissions at the facilities enough to reclassify them from major sources to minor sources for NOx emissions.

In fact, over the last several years, our emissions of NOx, carbon monoxide (CO), SO₂, large and fine particulate matter (PM₁₀ and PM_{2.5}) and volatile organic compounds (VOC) have been trending downward.

AGL Resources Emissions 2004-2007



In 2007, we conducted our first comprehensive greenhouse gas emissions inventory, which showed the company's main contribution to greenhouse gas emissions was direct fugitive emissions of methane (CH₄), followed by carbon dioxide (CO₂) and nitrous oxide (N₂O). The chart below shows the source of these emissions.

2006 Greenhouse Gas Emissions*

Emissions Source	CO ₂ (MTCO ₂ /yr)	CH ₄ (MTCO ₂ e/yr)	N ₂ O (MTCO ₂ e/yr)	Total (MTCO ₂ e)
Direct Stationary Combustion Source Emissions	92,049	3,531	543	96,122
Direct Vented Emissions	-	127,060	-	127,060
Direct Fugitive Emissions	11,529	784,538	-	796,068
Direct Emissions from Mobile Combustion	15,614	31	545	16,189
Indirect Emissions from Electricity Consumption	11,364	7	398	11,769
Total	130,556	915,167	1,485	1,047,208

Source: Trinity Consultants report to AGL Resources, October 15, 2007

*All figures are rounded.



AGL Resources has taken steps to reduce miles driven by its fleet. Since 2005, we have reduced our total mileage by approximately 240,000 miles and used 7,500 fewer gallons of fuel, avoiding the emission of 66 tons of carbon dioxide.² We achieved these results through technology upgrades, basing more field service employees at home and replacing older service trucks with new fuel-efficient Toyota Tacomas. Using state-of-the-art dispatching technology, coupled with global positioning software, our home-based field service personnel go straight from home to their first appointment. From there, each customer order is dispatched to minimize travel. If an emergency occurs, such as a damaged line or customer leak, in most cases the nearest employee with the right equipment is sent to the address immediately. This approach allows quicker response while saving fuel and reducing pollution.

MTCO₂/yr: Metric tons of carbon dioxide per year
MTCO₂e/year: Metric tons of carbon dioxide equivalent per year
2. U.S. EPA Greenhouse Gas Equivalencies Calculator. <http://www.epa.gov/cleanenergy/energy-resources/calculator.html>

Managing our Materials

AGL Resources works to reduce the use of or recycles many of its work-related materials. For example, we:

- Use low-energy lighting in our headquarters building, and we typically replace 675 bulbs in the building per year.
- Purchase paper from sources certified by the Sustainable Forests Council initiative.
- Recycle tires and used motor oil from our fleet vehicles.
- Recycled almost 600 pounds of lithium batteries in 2007.
- Recycled 5,600 gallons of engine oil from equipment at the Cherokee and Chattanooga LNG facilities.



Taking the Initiative

Continuously improving our environmental performance is the right thing to do, and it takes smart people and innovative ideas. Our employees have taken the lead on initiatives that will continue to improve our environmental performance in the years to come.

Water use and conservation To do our part to address the historic drought in Georgia, our company has reduced water use from 14,000 gallons per day to 11,000 gallons per day at our Georgia locations. This 20 percent reduction is double the amount requested by Georgia Gov. Sonny Perdue. To meet this goal, we instituted water-saving methods at all Atlanta Gas Light (AGL) locations, AGL peaking facilities, our Customer Care Center and our headquarters building, including:

- Installing low-flow faucets.
- Detecting and eliminating leaks.
- Eliminating landscape watering and vehicle washing.
- Reducing toilet flush volume.
- Encouraging the use of waterless hand sanitizers.

We also encourage employees to reduce their water use at home and set up an e-mail address for employees to share their tips for conserving at home and work. The tips are shared through the company's daily newsletter.

In addition, AGL Resources Chairman, President and CEO John Somerhalder serves as co-chairman of the Metro Atlanta Chamber of Commerce's Environmental Policy and Sustainability Committee. Tim Goodson, managing director of Environment, Health and Safety and Crisis Management also serves on the committee. Somerhalder taped public service announcements for Georgia Public Broadcasting radio stations urging the state's residents to conserve water. Suzanne Sitherwood, senior vice president, Southern Operations, and president, Atlanta Gas Light, Chattanooga Gas and Florida City Gas, chairs the Metro Atlanta Chamber of Commerce's Environment and Energy Committee and serves on the board of the Metropolitan North Georgia Water Planning District.

Pipeline Replacement Program To address methane emissions, AGL Resources has been modernizing its infrastructure, replacing more than 2,600 miles of natural gas pipeline in Georgia and more than 60 miles in New Jersey with plastic and protected steel pipes. The Georgia Pipeline Replacement Program, which will be complete in 2013, and the New Jersey program, which will be complete in 2009, increases safety, reduces methane emissions, decreases leaks, and improves reliability for our customers.

In addition, we are minimizing our impact when building new pipelines. Through our Virginia Natural Gas subsidiary, we are constructing the Hampton Roads Crossing (HRX) pipeline under the Hampton Roads harbor from Newport News to Norfolk to connect its northern and southern gas distribution systems. We are working to ensure that the pipeline route across the harbor is designed to minimize impacts to shell fishery and lands. In addition, we are using environmentally friendly building methods, such as horizontal directional drilling, and following existing utility corridors where possible to minimize impacts to adjacent neighborhoods and sensitive areas, such as wetlands.

Manufactured gas plants Many utilities are involved in efforts to clean up old manufactured gas plant (MGP) sites. Thousands of MGPs operated from the 1800s to mid-1900s to produce gas from coal and other fuels for use in lighting, cooking and heating before pipelines brought natural gas to the East Coast.

AGL Resources has taken the lead on or has been a partner in the clean-up of 20 MGP sites in Georgia, Florida, New Jersey and North Carolina. Our goal is to restore these properties so they can be safely used for future generations.

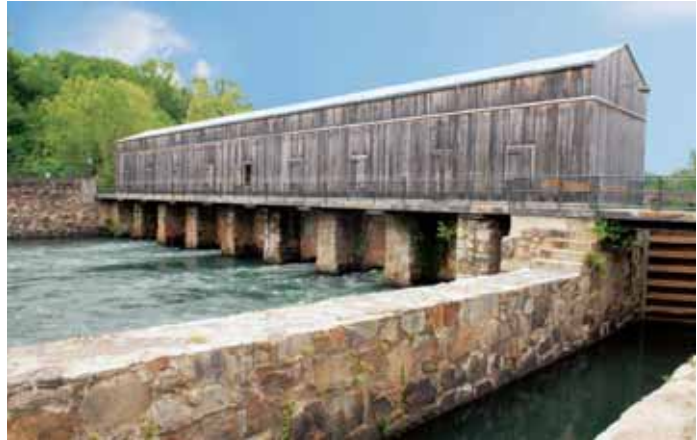
Renewable energy development In September 2007, Atlanta Gas Light (AGL) partnered with Jacoby Energy Development, Inc., Waste Management and DeKalb County to recover and clean methane gas from the Live Oak landfill, which closed in 2004 and was one of the largest in the metro Atlanta area. Jacoby Energy will recover and process the methane from the landfill and pump it into AGL's pipeline network, providing renewable methane gas to AGL customers.

In New Jersey, Elizabethtown Gas is developing two related but distinct environmentally focused programs that will reduce the company's carbon footprint and energy usage. Our carbon reduction program is in response to New Jersey's Global Warming Response Act, which calls for the state to reduce greenhouse emissions to 1990 levels (about 24 percent below today's levels) by the year 2020.

In addition, Elizabethtown Gas is actively developing an energy conservation and carbon-reduction program to comply with the New Jersey's Energy Master Plan's goal of reducing the state's energy usage by 20 percent by the year 2020.

Energy efficiency Energy efficiency is more than conservation — it's developing new and better ways of meeting and managing energy needs. For example:

- AGL partnered with Tivoli Properties, Inc. at its "Mezzo" project in Atlanta to build the first "vertical main" project, which allows customers to use natural gas in high-rise condos. This allows residents to have the benefits of more efficient natural gas, where they could not before. In addition, AGL is partnering with the Trump Organization and Wood Partners on a similar project in midtown Atlanta.



In 2005, Atlanta Gas Light (AGL) completed a clean-up of an eight-acre site in Augusta, Georgia, which has stimulated redevelopment of historic neighborhoods and the restoration of a portion of the Augusta Canal, originally built to harness the Savannah River for electrical power and for agricultural transport. Spurred by AGL's efforts, the city expanded its plans for the redevelopment of areas surrounding the newly restored canal, including trails, a new Heritage Square Park, a new courthouse and judicial center and the James Brown Experience Museum. AGL received the 2007 Southern Gas Association Environmental Excellence Partnership Award for its work on this project.



Atlanta Gas Light's partnership with Tivoli Properties, Inc. at its "Mezzo" project allows customers to use natural gas in high-rise buildings.

- We are increasing the use of compressed natural gas (CNG) as a transportation fuel. In Virginia, a ferry is running on this cleaner-burning fuel, and in Atlanta, UPS and the Metropolitan Atlanta Rapid Transit Authority (MARTA) have already converted portions of their fleets to use CNG instead of diesel or gasoline.
- We are piloting the use of desiccants, which are natural-gas powered dehumidifiers. Desiccants remove moisture to improve indoor comfort, air quality and energy efficiency. Desiccants allow people to set thermostats at higher temperatures, meaning they use less energy. We are partnering with NovelAire Comfort Products, a manufacturer of small desiccant units for residences and small businesses to test the units in a home and a restaurant in Georgia.
- We are helping shape tomorrow's standards, with active involvement in the National Association of Homebuilders' GreenBuild program, which will result in a set of efficiency standards that can be used throughout the country.
- We hold an agreement which allows us to perform energy management services for any federal government facility in our service territory, including Fort Gordon in Georgia and Naval Station Norfolk in Virginia. We help them manage resources and minimize their environmental impact by providing services ranging from HVAC and lighting retrofits to implementing water conservation measures and evaluating new technologies.

Health & Safety

At AGL Resources, nothing is more important to us than the health and safety of the public and our employees.

Public safety We regularly communicate with our customers to help them understand how to use natural gas safely, and we conduct our operations to minimize impact on the public.

In addition, AGL Resources has worked with federal and state emergency management officials in the areas it serves to develop evacuation plans and to use reverse 911 systems. These steps are not required by regulation, but we believe they are important to handle any potential events.

In fact, we are recognized as having one of the most comprehensive incident plans in the industry. Applying lessons we have learned from actual and simulated natural disasters and other incidents, we overhauled our plan and developed “incident templates,” which supplement the crisis management plan and help team members focus their efforts on strategic needs. Following an event, the templates are updated based on findings from post-incident reviews. We focused on a unified and simplified approach, and many of our industry peers ask us to assist them in updating and refining their plans.

Maintaining our infrastructure also is a key focus area. Safety and reliability are assured through rigorous analysis of key system data and aggressive programs to renew and maintain our system.

Occupational safety We expect our employees to keep health and safety issues as their number one value. To help them do that, we continuously train and evaluate our employees on proper job procedures. In 2007, our rate of vehicle incidents was 6.5 per million miles traveled. Our 2007 on-the-job injury rate was down almost 30 percent from 2006, at 2.2 per 100 employees, which puts us well into the top quartile of our industry peers.

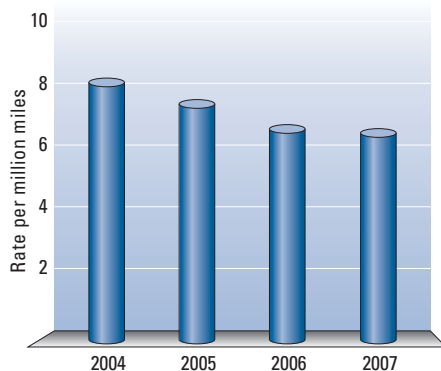
These results are due to years of focus and hard work to establish a strong safety culture. It has taken investment in new technologies, management commitment and infrastructure to make it happen.

For example, in 2007, AGL Resources completed its installation of the DriveCam system, which records the 10 seconds prior to and after a “triggering” event, such as an accident or driving error. In addition, we have upgraded our fleet — about 40 percent of our miles in 2007 were driven in newer, safer vehicles.

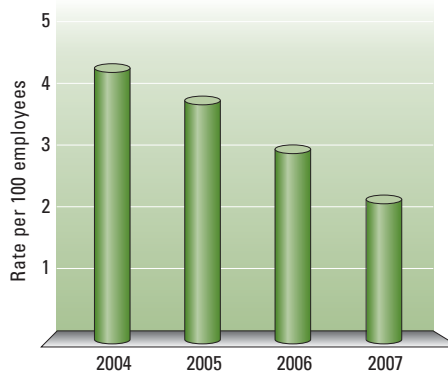
We have a systematic approach to addressing safety issues. Through our Process Safety Program, we look at each facility, its procedures and the people who work there. There also are Center for Process Safety standards in place at our AGL Resources liquefied natural gas and propane storage facilities.



Vehicle Accident Rate



On-The-Job Injury Rate





Michael Brown, Distribution Operator, Conyers Service Center, at AGL Resources' 2007 Habitat for Humanity project

Generosity of Spirit

AGL Resources supports and encourages both individual and corporate efforts to give back to the communities we live in and serve. Writing a check is nice, but giving our time and effort reflects the spirit of the gift, not just the end result.

That's why we focus our community efforts on donations and volunteerism. We want to make an impact by providing funds and helping people.

The AGL Resources Foundation, a charitable foundation that operates independently of AGL Resources, is a \$16.5 million organization with approximately 8 percent growth each year. We typically distribute \$2.5 million per year to causes in four focus areas: community enrichment, energy assistance, education and environmental stewardship.

Our V-Force program is one of the most comprehensive employee volunteer programs in the industry and allows our employees to branch out beyond our four corporate philanthropic areas. In recent years, we have seen an increase in employees volunteering for health-related causes, such as Relay for Life, HeartWalk, the Juvenile Diabetes Research Foundation and the March of Dimes. All of our 2,300-plus employees across the company can participate in V-Force activities, and in 2007, they volunteered more than 22,000 hours of their time.

Community Enrichment

We give back to the communities we serve and are active participants in the United Way's fundraising efforts and its Days of Caring throughout our service territories. In 2007, employees pledged more than \$500,000 to United Way programs. In addition, our employees volunteered their time on many projects, including:

- Building Habitat for Humanity houses throughout our service territories.
- Donating blood to American Red Cross chapters throughout our service territories.
- Participating in the Special Olympics Polar Plunge into the Atlantic Ocean in Virginia.
- Delivering hot meals to senior citizens through the Meals on Wheels program in Georgia and Florida.
- Helping to feed the homeless at the Atlanta Union Mission.
- Continuing our blanket-making project, through which employees make and donate blankets to senior citizens and low-income customers throughout the company's service territories. Since the program began in 2004, more than 1,000 blankets have been made and donated.



Robert Duvall, Vice President and General Manager, Virginia and Maryland Operations, and April Litton, Virginia Natural Gas Account Executive, plant flowers during the 14th Annual Day of Caring organized by the United Way of the Virginia Peninsula.

Energy Assistance

An increasing number of our customers need help paying their utility bills. In 2007, we saw a 9 percent increase in our Virginia Natural Gas service area alone. Through the EnergyShare program, which is run by the Salvation Army, our customers can add donations directly to their monthly bills to help others with their energy costs. In 2007, Virginia Natural Gas customers contributed almost \$75,000, and the company provided an additional \$40,000 for direct assistance and an administrator to help customers with their applications.

In addition, Virginia Natural Gas holds information sessions at churches and community centers to educate elderly and low-income customers about energy assistance programs and how to access them.

We also help customers make their homes more energy efficient. Through the New Jersey Comfort Partners™ program, nearly 700 low-income Elizabethtown Gas customers got efficiency advice and upgrades in 2007. We are on course to serve nearly 850 customers in 2008. We provide whole house evaluations to determine what measures are needed, such as insulation, air sealing, heating system repair or replacement. We also provide low-energy light bulbs, low-flow showerheads and faucet aerators. The amount of energy efficiency measures installed in the home is determined by the customer's energy consumption. Some homes with extreme energy usage may receive new refrigerators or window and door replacements.

Atlanta Gas Light also runs the Home and Heart Warming Program, which provides furnaces, water heater repair and replacement and weatherization services to low-income and senior customers in Georgia who qualify. Since 2005, the company has spent more than \$2.8 million on the program, improving the energy efficiency of more than 1,640 households, including 380 families in public housing in addition.

- Chattanooga Gas, based in Tennessee, distributed energy assistance grants totaling \$50,000 to two city departments of human services to help low-income elderly residents pay their heating bills.
- Through the Senior Connections program, we winterized the homes of 250 senior citizens in Georgia. We also partner with Resource Services Ministries, United Way of the Coastal Empire and Georgia Environmental Facilities Authority on similar programs in Georgia.

Education

Our investments include the full educational cycle — from early childhood to higher education. Our employees are especially active in supporting local YMCAs and schools, including:

- Our Elkton Gas subsidiary in Maryland donated computers to local YMCAs.
- Employees from our Virginia Natural Gas subsidiary teach business ethics classes at Virginia Beach high schools through the Junior Achievement program.
- Chattanooga Gas employees donated their time and effort to the North River YMCA as part of its support of the “Strong Kids” campaign.
- Employees work with Parkside Elementary School students in Atlanta through mentoring and tutoring programs, service projects and Junior Achievement. AGL Resources has also participated in the school's Principal for a Day program and Career Day.
- Elizabethtown Gas employees mentor Elizabeth High School students in New Jersey, and the utility offers an internship program.
- Sequent Energy Management employees tutored students at Turner Elementary School in Houston, set up the school's computer lab and planted the school's urban harvest garden.
- Florida City Gas employees tutor students at Meadowlane Elementary in West Melbourne, Florida, and Barbara Goleman High School in Miami Lakes, Florida.



Michele Mustillo, Senior Business Analyst at Elizabethtown Gas, and her co-workers mentor high school students at Elizabeth High School. Many of the participating students have troubled home lives and most hold jobs to help support their families. They have had problems with tardiness and attendance, homework and testing. The benefits of these once-a-week meetings are startling: absenteeism has decreased dramatically and grades have improved among participating students.

Environmental Stewardship

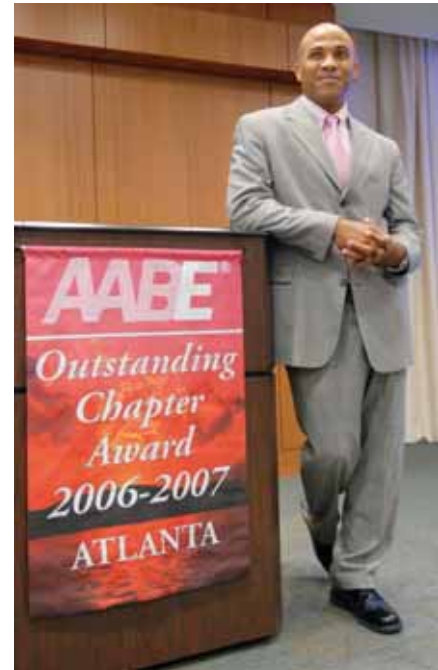
In addition to improving our company’s environmental performance, we believe it is important to support organizations that focus on environmental awareness and responsibility. For example:

- Atlanta Gas Light is working with the Southeastern Natural Sciences Academy in Augusta, Georgia, on its swamps to estuaries program. This program promotes the natural recycling of water back to the ocean. In addition, we work with Hands On Atlanta on its annual cleanup efforts.
- Elizabethtown Gas employees participate in tree and shrub planting each year on Earth Day.
- Florida City Gas employees participate in a beach cleanup day at least once per year.

Our executives serve on the boards of community organizations throughout our service territory, and we believe this participation is crucial to being good corporate citizens. Organizations include:

100 Black Men of Atlanta	Consumer Credit Counseling	Southeastern Energy Efficiency Alliance
Aid Atlanta	Emory University Board of Visitors	Southface
Alliance Theatre	Fernbank Museum of Natural History	State of Georgia Workforce Investment
American Association of Blacks in Energy	Georgia CIO Leadership Advisory Board	UGA Press
American Cancer Society	Georgia Conservancy	United Way of South Hampton Roads
American Red Cross	Girl Scouts	University of Houston Global Energy Management
Atlanta Botanical Garden	Grady Health Systems	Virginia FREE
Atlanta Habitat for Humanity	Hampton Roads Economic Development Alliance	World-at-Work
Atlanta Neighborhood Development Partnership	Heritage Wildlife and Conservation, Georgia Chapter	YWCA
Atlanta Public Schools Advisory Board	International Conservation Caucus Foundation	Zoo Atlanta
Atlanta Union Mission	Juvenile Diabetes Research Foundation	
Benevolink	Leadership Atlanta	
Boys and Girls Club of Metro Atlanta	Metro Atlanta YMCA	
Center for Wildlife Education — Georgia Alliance	The Nature Conservancy	
Central Atlanta Progress	NGV America	
Childhood Autism Foundation	Park Pride	
Children’s Healthcare of Atlanta	Piedmont Park Conservancy	
Children’s Museum of Atlanta	Senior Connections	
Chris Kids		
Clean Air Campaign		

Wendell Dallas, Vice President and General Manager, Atlanta Gas Light, shared his thoughts on why being involved in legislative issues is important with attendees of an Atlanta chapter meeting of the American Association of Blacks in Energy.





Our employees focus on delivering to our residential, commercial and industrial, retail and wholesale customers the reliable and affordable natural gas solutions they need and want. Employees like (left to right): Wanda Rodríguez, Senior Customer Service Representative; Alpa Patel, Director, Finance; Caryn Schilstra, Director, Talent Development; Joe Surber, Managing Director, Information Services; Gary Sanchez, Director, Key Accounts and Wholesale Services; Jesse Killings, Region Manager - Northeast Georgia; Blake O'Farrow, Regulatory Analyst; Malcolm (Rocky) Sporer, Field Service Representative; and Kim Tarr, Managing Director, Midstream Projects

Honesty, Integrity, Respect

We strive to treat others as we wish to be treated: with honesty, integrity, respect and fairness.

We have redoubled our efforts to boost our diversity-both internally and with our suppliers-and recruit and retain the best employees. Without good employees who value and treat their customers and each other with respect, AGL Resources cannot succeed.

Diversity

Occupational diversity We believe diversity starts at the top, and we pursue a diverse makeup among our leadership team. For example, at our corporate headquarters in Atlanta, minorities make up 10 percent and women make up 15 percent of the executive leadership team. At our Sequent subsidiary in Texas, Hispanics and Latinos make up 8 percent and women make up 15 percent of our executive leadership.

We created our corporate Diversity Council in 2006 and support five subcouncils, comprised of employees throughout the company. The Diversity Council is charged with cultivating an environment that promotes mutual respect, acceptance and cooperation. The Council's work positions us to generate the best possible responses to the challenges and opportunities in our workforce, workplace and marketplace.

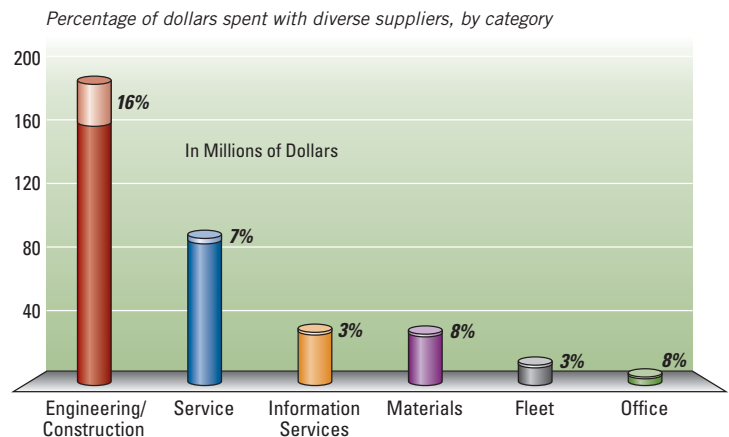
Supplier diversity We value diversity among our employees, and we also reach out to small, minority and women-owned businesses through our supplier diversity program. In 2007, 11.5 percent of the dollars AGL Resources spent on procuring supplies and services went to these businesses - almost \$40 million.

In addition to spending money with these companies, AGL Resources has developed the Supplier Diversity Business Development Program to help our suppliers grow their businesses.

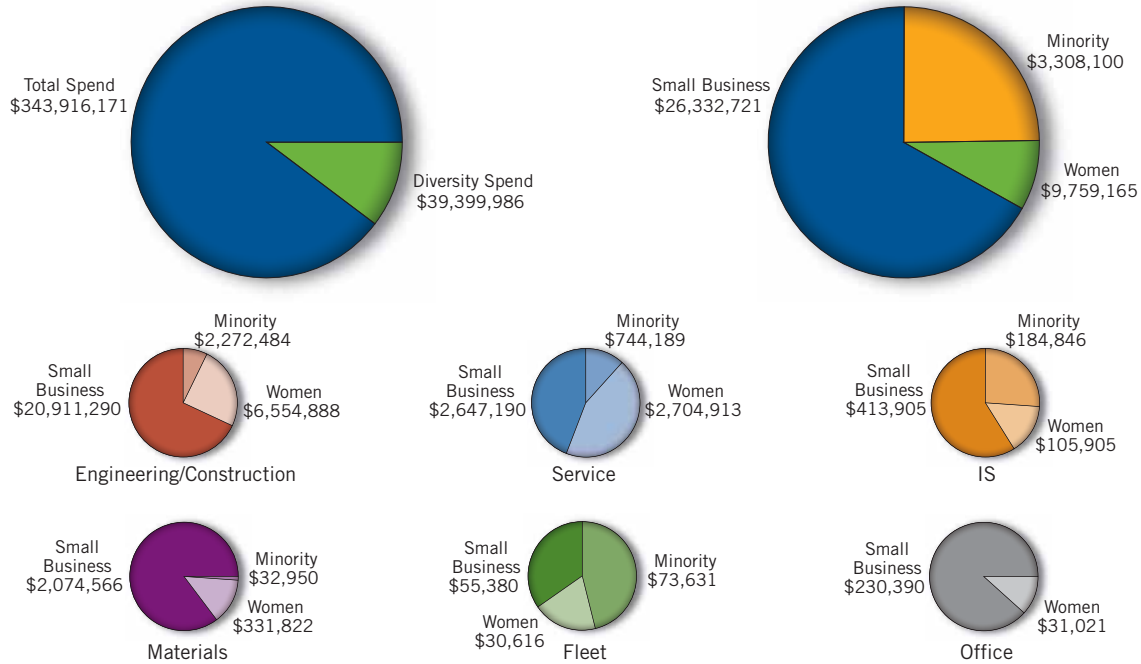
One of those companies is Integrated Construction Management (ICM). A minority-owned business, ICM participated in our mentoring program and Don Thomason, an AGL Resources employee, served as ICM's relationship manager and mentor. Thomason taught ICM about the gas industry and met with ICM periodically to learn about their business strengths. AGL Resources also provided ICM with a scholarship to participate in a Georgia small business development program.

In 2007, ICM submitted a bid for an opportunity to paint meters for AGL Resources. ICM was one of the most competitive suppliers and was awarded a large volume of the available meter inspection and paint work, and they now are seeking to expand their relationship with AGL Resources to provide other field services.

2007 Diversity Spending



Diversity Spending Breakdown



Workforce

Employee recruitment and retention

To compete both today and tomorrow, AGL Resources recognizes it must recruit a diverse, educated workforce. We are asking technical college students what they want in an employer and are looking at those results to see what we will need to provide in the future to attract the best and brightest.



Ken Born, Operations Foreman of Atlanta Gas Light (AGL), observes Robert Williams of Integrated Construction Management (ICM) inspect a gas meter. Through the Supplier Diversity Business Development Program, AGL worked with ICM to help them grow their business and provided field training on identifying whether a meter needs painting and properly painting a meter.

We are reaching out to the Hispanic/Latino community and working with the United Negro College Fund to provide scholarships for minority engineering students.

We also work hard to keep the great employees we have. AGL Resources has a broad list of benefits, including retirement plans, stock purchase plans, health insurance, tuition assistance, credit union membership and flex scheduling. In 2008 and beyond, we are tailoring a large portion of our benefits around employee wellness.

Under our Reach Your Potential initiative, we are instituting a health risk assessment and levying a surcharge for those who use tobacco products. We also provide wellness leave, which pays 100 percent of an employee's salary for personal and dependent doctor visits.



At Health Fairs held throughout the company, employees assess their personal health through blood pressure, glucose and cholesterol screenings, and speak with health experts about healthy eating, exercising and more.



*Peter Snow,
Field Service Representative,
Florida City Gas*

Value Seeking

We are a public company, answerable to our shareholders, customers, communities, regulators and legislators. By doing the best possible job each day, by examining each operational and financial decision, AGL Resources employees find value where others don't.

Financial Performance

AGL Resources earned \$2.74 per share in 2007, which were record earnings per share for the company. Our utility and retail marketing businesses performed very well during the year, increasing the number of customers they serve despite the challenges of a slowing economy and weaker housing market. Our wholesale services business, which captures value from volatility in the wholesale natural gas markets, had lower year-over-year results, which were consistent with our expectations as we saw a return to more normal levels of market activity in 2007 as compared to the previous year. Our energy investments segment performed well, and continued to make strategic capital investments in Gulf Coast high-deliverability storage projects that position the company well for long-term growth.

Also in 2007, the board of directors approved an 11 percent increase in the annual dividend, and in February 2008 raised the dividend another 2 percent to \$1.68 per share. We have established a track record of five consecutive years of dividend increases, reflecting the company's strong financial position and the long-term sustainability of our earnings growth, as well as our commitment to reward shareholders for their investment in our company.

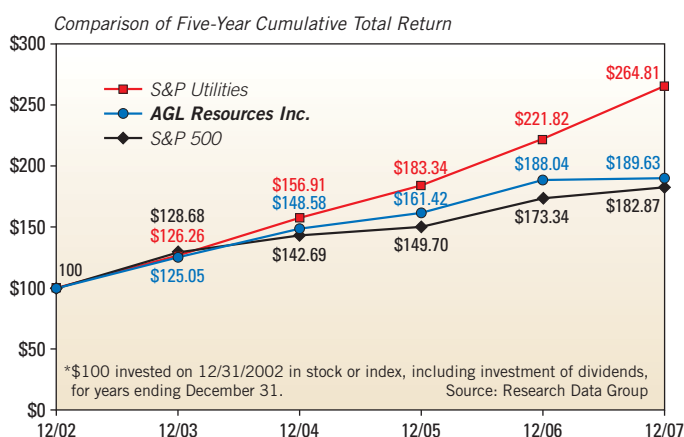
Code of Conduct and Ethics

We run our business with the highest ethics and conduct. Our Code of Conduct and Ethics helps ensure that we always comply with laws that apply to our company. In cases where a clear governing law does not exist, our Code helps guide our employees and board members to make good decisions. Simply put, our Code reminds us of what we all learned growing up — that there is a right way and a wrong way to do things. The Code of Conduct and Ethics is shared with all employees and is available on our company Web site.

Board of Directors

Our Code of Conduct extends to our Board of Directors, which is tasked with overseeing our business. They all are independent members, with the exception of the chairman, and come from diverse industries, backgrounds and occupations.

Dividend Performance



AGL Resources Operations at a Glance

Distribution Operations

[Atlanta Gas Light](#) is the largest natural gas distributor in the southeast in terms of customers, providing gas delivery service to more than 1.5 million residential, commercial and industrial end-use customers throughout Georgia.

[Chattanooga Gas](#) provides retail natural gas service to approximately 61,000 residential, commercial and industrial customers in Hamilton County and Bradley County, Tennessee.

[Elizabethtown Gas](#) provides natural gas service to approximately 272,000 residential, commercial and industrial customers in northwestern and east central New Jersey.

[Elkton Gas](#) provides natural gas service to approximately 6,000 residential, commercial and industrial customers in northeastern Maryland.

[Florida City Gas](#) provides natural gas service to approximately 104,000 residential, commercial and industrial customers in southeastern and east central Florida.

[Virginia Natural Gas](#) provides natural gas service to approximately 269,000 residential, commercial and industrial customers in southeastern Virginia.

Retail Energy Operations

[SouthStar Energy Services](#) is a joint venture operating in Georgia under the trade name Georgia Natural Gas. The business supplies natural gas to approximately 540,000 retail and commercial customers in Georgia and to more than 270 industrial customers throughout the southeast. SouthStar also provides gas supply to a large utility in Ohio.

Wholesale Services

[Sequent Energy Management](#) provides customers throughout the United States and in Canada with the ability to optimize their natural gas asset portfolio and increase cost effectiveness from wellhead to burner tip. Services include natural gas asset management, producer and storage services, and full-requirements supply, including peaking needs.

[Compass Energy](#) provides natural gas commodity services and offers consulting services and logistics of natural gas to commercial and industrial customers. Its commodity business is focused in the mid-Atlantic states and its consulting services business serves clients throughout the United States.

Energy Investments

[Jefferson Island Storage & Hub](#) operates a high-deliverability natural gas storage facility in Louisiana. The facility consists of two salt dome storage caverns with 10 Bcf of total capacity and approximately 7 Bcf of working gas capacity.

[Golden Triangle Storage](#) plans to build a high-deliverability natural gas storage facility in Texas. The project initially will consist of two underground salt dome storage caverns that will hold approximately 17 Bcf of total capacity and approximately 12 Bcf of working gas capacity.

[AGL Networks](#) is a carrier-neutral provider that leases telecommunication fiber to a variety of customers in the Atlanta, Georgia, and Phoenix, Arizona, metropolitan areas, and has a small presence in other cities in the United States. AGL Networks provides conduit and dark fiber to its customers under long-term lease arrangements, as well as telecommunications construction services.

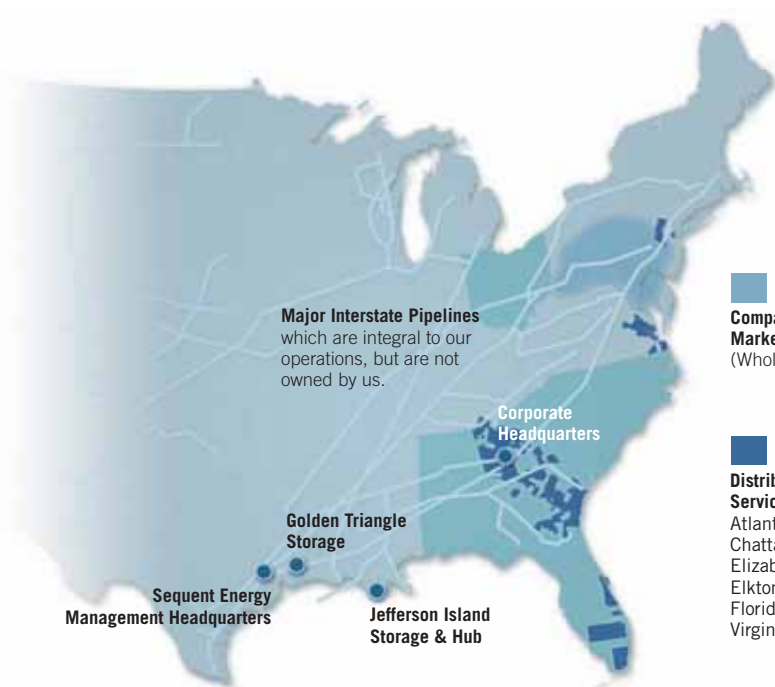


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Who We Are

AGL Resources serves more than 2.3 million end-use natural gas customers in six states through its utility subsidiaries: Atlanta Gas Light, Chattanooga Gas, Elizabethtown Gas, Elkton Gas, Florida City Gas and Virginia Natural Gas. We provide asset management and related services to wholesale natural gas customers across the United States and in Canada through our subsidiary, Sequent Energy Management. We market natural gas in Georgia, Ohio and portions of the southeast U.S. through a 70 percent ownership in SouthStar Energy Services. We own and operate complementary energy investments including Jefferson Island Storage & Hub, a high-deliverability natural gas storage facility near the Henry Hub in Louisiana, and the Golden Triangle Storage project, currently under development near Beaumont, Texas.



Wholesale Services Geographic Reach: Our Houston-based subsidiary, Sequent, is involved in asset management, energy marketing and trading. Sequent serves the asset optimization needs of utilities, marketers, energy poolers, municipalities and industrial customers across the U.S. and in Canada.

Compass Energy Market Area
 (Wholesale Services)

SouthStar Energy Services Market Area
 (Retail Energy Operations)
 Alabama
 Florida
 Georgia
 North Carolina
 Ohio
 South Carolina
 Tennessee

Distribution Operations Service Territory
 Atlanta Gas Light
 Chattanooga Gas
 Elizabethtown Gas
 Elkton Gas
 Florida City Gas
 Virginia Natural Gas

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