

**Notice to Employees and Eligible Retirees of AGL Resources Inc.
of Application for Authorization Under Prohibited Transaction
Exemption 96-62, as Amended**

Purpose of This Document

You are hereby notified that AGL Resources Inc. ("AGL") and Global Energy Resource Insurance Corporation ("GERIC"), a captive insurance company wholly owned by AGL, have applied to the U.S. Department of Labor ("DOL") for authorization of a reinsurance transaction. This notice informs you of the application to the DOL and certain changes to the life insurance and LTD benefits offered under the Plans, and describes your right to comment to the DOL about the proposed transaction.

The purpose of the authorization is to exempt the transaction from certain of the prohibited transaction rules of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The authorization is necessary because GERIC is an affiliate of AGL. Because of the relationship between GERIC and AGL, such reinsurance might otherwise constitute a prohibited transaction under ERISA.

The transaction involves the reinsurance of risks and the receipt of premiums by GERIC from insurance contracts currently funding basic life insurance, accidental death and dismemberment ("AD&D") insurance, and long-term disability ("LTD") insurance offered under the Group Insurance Plan for the Employees of AGL Resources Inc. (the "Life Plan"), the Health & Welfare Plan for the Retirees and Inactive Employees of AGL Resources Inc. (the "Retiree Plan"), and the AGL Resources Inc. Disability Income Plan (the "LTD Plan") (collectively, the "Plans").

Overview

The Plans, which provide life insurance to eligible active employees and retirees and AD&D insurance and LTD insurance to active employees, will be insured with the Hartford GroupRe Plus ("Hartford"). Hartford will reinsure the risks with GERIC's U.S. branch, Global Energy Resource Insurance Company USA ("GERIC USA"). The Plan Administrator of the Plans has determined that the transaction is in the best interest of the participants and beneficiaries of the Plans because of benefit improvements that will be provided to them if the transaction is authorized by the DOL. The authorization by the DOL will be subject to the conditions described below and set forth in more detail in Exhibit A.

The reinsurance arrangement is simply an internal arrangement between GERIC and Hartford. Hartford will insure the benefits provided to you under the Plans.

Parties to the Proposed Reinsurance Transaction

AGL

AGL is a regional energy services holding company whose principal business is the distribution of natural gas, primarily in the southeastern United States. AGL operates utilities (in Georgia, Tennessee, Virginia, Maryland, Florida, and New Jersey) which, combined, serve more than 2.2 million customers – making AGL the largest gas utility in the southeastern U. S. and the second largest pure gas distribution utility in the country. AGL also owns, in whole or in part, a number of entities which provide energy-related services at the wholesale level, including asset management, natural gas storage, and natural gas distribution throughout the southeastern U.S. Finally, one AGL subsidiary leases telecommunications fiber and provides telecommunication construction services to customers in Atlanta, Georgia, and Phoenix, Arizona. AGL employs approximately 2,600 people. In 2004, AGL's operating revenue was \$1.8 billion.

GERIC

GERIC is a captive insurance and reinsurance corporation wholly-owned by AGL. GERIC was established in the British Virgin Islands on January 19, 2001, to provide direct coverage to AGL and affiliates for various exposures. GERIC was issued a Certificate of Authority permitting it to transact the business of a captive insurance company by the Commission of Insurance of the British Virgin Islands on February 28, 2001. GERIC has established GERIC USA as a branch in Hawaii to provide coverage to AGL for certain employee benefits risks. GERIC USA was granted a Certificate of Authority permitting it to transact the business of a captive insurance company by the Hawaii Insurance Division on January 6, 2006.

GERIC provides the following coverage to AGL and its subsidiaries: Property, Liability, Workers Compensation, and Executive Risk. As of December 31, 2004, total capital and surplus of GERIC was \$120,088 (plus a \$5 million line of credit) and gross written premium was \$2,123,990.

The Plans

AGL maintains the Plans for the benefit of its eligible U.S. employees and retirees. Under the Life Plan, AGL provides eligible employees with employer-paid basic life insurance and AD&D insurance in an amount equal to \$55,000. Employees may purchase supplemental life insurance in an amount equal to four time salary (up to \$500,000), spouse life insurance in an amount up to \$250,000, and dependent life insurance in an amount up to \$10,000. Under the Retiree Plan, AGL provides eligible

with retirees with employer-paid basic life insurance.¹ These benefits are provided in varying amounts that depend on the date of retirement, the specific AGL company by which the retiree was employed, and the terms of various collective bargaining agreements. The amount of Retiree Plan benefits ranges from \$10,000 to 100% of pre-retirement annual salary, depending on the particular class of the retiree. Under the LTD Plan, AGL provides eligible employees with employer-paid LTD insurance in an amount equal to 40% of base salary. Employees may elect a buy-up option which increases LTD coverage to 60% of base salary; if an employee makes this election, AGL pays 60% of the additional premium and the employee pays 40%.

The Life Plan has the official plan number 501 and its official name is: Group Insurance Plan for the Employees of AGL Resources Inc. The Retiree Plan has the official plan number 518, and its official name is: Health & Welfare Plan for Retirees and Inactive Employees of AGL Resources Inc. The LTD Plan has the official plan number 504, and its official name is: AGL Resources Inc. Disability Income Plan. The federal employer identification number of AGL, the plan sponsor, is 58-2210952.

Changes to the Plan

AGL recently formulated a plan to utilize GERIC for the reinsurance of benefits and will make improvements, described below, to the Plan if the DOL authorization is granted. Hartford will insure the Plans with the new enhanced benefits. However, Hartford will reinsure the Plan risks with GERIC (through GERIC USA). The changes will be effective when the transaction has been approved by DOL.

The benefit improvements AGL will institute are as follows. In anticipation of the proposed transaction, the employer-paid share of the premium for employees electing the buy-up option under the LTD plan was increased from 50% to 60% effective January 1, 2005. Further, the definition of "disability" will be expanded, providing for greater eligibility for benefits. Currently, a participant is eligible for an LTD benefit if he or she is unable to perform "all the material duties" of his or her regular occupation; after the proposed transaction is in effect, a participant will be eligible for an LTD benefit if he or she is unable to perform "one or more of the essential duties" of his or her occupation. AGL will also add a Family Care Credit to the LTD Plan, which will reduce the offset for income earned as part of a rehabilitation program if the participant has family care responsibilities for a qualifying child or other family member, in an amount up to \$2,500 per year. AGL will also add an Ability Assist benefit to the LTD Plan. Before a participant becomes disabled, he or she is eligible to receive unlimited telephone contact with a staff made up of licensed counselors, certified financial planners, certified public

¹ The Retiree Plan provides other benefits in addition to life insurance. Those benefits are either separately insured or self-insured, and are not part of the proposed transaction.

accountants, and attorneys who will provide grief counseling, financial planning assistance, and legal advice. Participants will also receive up to five face-to-face sessions with counselors, financial planners, accountants, and attorneys (all of whom are certified and licensed by the states in which they practice) drawn from a national network of 23,000 professionals. During these face-to-face sessions, participants may receive grief counseling, tax advice, assistance in drawing up an investment or estate plan, or other financial or legal assistance. After a participant becomes disabled, the participant and the participant's family members will be eligible to receive unlimited telephone contact and up to five face-to-face consultations per year, for so long as the participant is eligible for an LTD benefit.

In anticipation of the proposed transaction, the basic employer-paid life insurance benefit was increased from \$50,000 to \$55,000 effective January 1, 2005; effective January 1, 2006, it was increased again to \$60,000. The Life Plan currently provides for an Accelerated Death Benefit ("ADB") for covered individuals who are diagnosed with a terminal illness, as defined in the Life Plan. The ADB currently allows an eligible participant to receive 50% of the death benefit before death, up to a maximum of \$50,000; under the proposed transaction, that amount will be increased to 80% of the death benefit, up to \$500,000. AGL will also add a Travel Assist benefit to the Life Plan, which will provide participants with a variety of support and assistance services if they experience medical, legal, or family care emergencies while traveling. AGL will add a Beneficiary Assistance benefit to the Life Plan and the Retiree Plan. Under this benefit, for up to one year after the death of a covered individual, his or her beneficiary will be eligible to receive unlimited telephone contact with a staff made up of licensed counselors, certified financial planners, certified public accountants, and attorneys who will provide grief counseling, financial planning assistance, and legal advice. Beneficiaries will also receive up to five face-to-face sessions with counselors, financial planners, accountants, and attorneys (all of whom are certified and licensed by the states in which they practice) drawn from a national network of 23,000 professionals. During these face-to-face sessions, beneficiaries may receive grief counseling, tax advice, assistance in drawing up an investment or estate plan, or other financial or legal assistance. Current retirees are guaranteed enrollment in the Retiree Plan for life; therefore, it is reasonably expected that every participant in the Retiree Plan will eventually have a beneficiary who is eligible to receive services under the Beneficiary Assistance benefit.

Finally, premiums for employee-paid supplemental, dependent, and spouse life insurance, along with the employee-paid share of the buy-up option under the LTD plan, are guaranteed to remain at current levels for three years.

All the benefit improvements described herein are not required of AGL as part of a legal proceeding, court order or judgment, or by State law.

As stated above, the reinsurance arrangement is simply an internal arrangement between GERIC and Hartford. Hartford will insure the benefits provided under the Plans, including the improved benefits.

Independent Fiduciary

In connection with the application to the DOL, AGL has retained, at its sole expense, Milliman, Inc. (“Milliman”) which provides specialized fiduciary services on behalf of employee benefit plans. Milliman, as the Independent Fiduciary for the Plans, has analyzed the transaction and rendered an opinion that the requirements of subsections (a) through (f) of the draft requested authorization, attached as Exhibit A, have been complied with. In addition, Milliman will represent the interests of the Plans as the Independent Fiduciary at all times with respect to the proposed transaction. Milliman will monitor compliance by the parties with the terms and conditions of the proposed transaction, and will take whatever action is necessary and appropriate to safeguard the interests of the Plans and their participants and beneficiaries with respect thereto, and to insure that the proposed transaction remains in the interest of the Plans and their participants and beneficiaries.

Overview of Exemption Conditions

The following is a summary of the principal conditions that would be imposed by the DOL authorization (a full version of which is attached as Exhibit A):

- The Plan will pay no more than adequate consideration for the insurance contracts.
- No commissions will be paid by the Plan with respect to the direct sale of such contracts or the reinsurance thereof;
- In the initial year of any such contract involving GERIC, there will be an immediate and objectively determined benefit to the participants and beneficiaries of the Plans in form of increased benefits.
- AGL has retained an independent fiduciary, at its sole expense, to analyze the transaction and render an opinion that the requirements of subsections (a) through (f) of Exhibit A have been complied with.

Tentative Authorization of Proposed Transaction

Authorization of the DOL was requested under a procedure, Prohibited Transaction Exemption (“PTE”) 96-62, which requires that at least two prior exemptions that are substantially similar to the proposed transaction have been granted by the DOL. A description of these transactions and the DOL’s comments relating thereto may be found

in the Federal Register as Prohibited Transaction Exemptions 2004-12 (Svenska Cellulosa Akiebolaget) ("SCA"), 69 Fed. Reg. 40978 (July 7, 2004) and 2003-07 (Archer Daniels Midland Company) ("ADM"), 68 Fed. Reg. 23764 (May 5, 2003). Like the proposed transaction, the exemptions granted to SCA and ADM involved the reinsurance of life insurance, AD&D insurance, and LTD insurance with a captive reinsurer. Each of the exemptions involved an improvement to benefits, and in each case an independent fiduciary was appointed to review the transaction on behalf of the plan and its participants.

The proposed transaction described in this notice has met the requirements for tentative authorization from the DOL under PTE 96-62. Unless the DOL otherwise notifies AGL, a final authorization would be effective April 28, 2006.

Your Right to Comment on Tentative Authorization

As an interested party, you have the right to submit comments to the DOL on the tentative authorization. If you decide to do so, you should submit your comments to the following address:

Employee Benefits Security Administration
Office of Exemption Determinations, Division of Individual Exemptions
U.S. Department of Labor
200 Constitution Avenue, N.W.
Room N-5649
Washington, D.C. 20210
Attn: Gary Lefkowitz – Re: E-00518.

Be sure to refer to the submission number, which is E-00518. Comments must be received by the DOL no later than April 23, 2006.

Comments may be faxed or e-mailed to the DOL. The fax number is (202) 219-0204 and the e-mail address is lefkowitz.gary@dol.gov. If you have questions regarding your right to comment on this tentative authorization, you may call Gary Lefkowitz at (202) 693-8546.

We expect to implement the benefit improvements and the reinsurance program shortly after the expiration of the comment period.

If you have any questions about any information in this notice, please contact Tom Atwood, via telephone ((404) 584-4717) or e-mail (tatwood@aglresources.com).

Exhibit A

Pending Authorization

[AGL Resources Inc.]

The restrictions of sections 406(a) and 406(b) of the Employee Retirement Income Security Act of 1974, as amended (the "Act") shall not apply to the reinsurance of risks and the receipt of premiums therefrom by Global Energy Resource Insurance Corporation ("GERIC") and its U.S. branch, Global Energy Resource Insurance Company USA ("GERIC USA") in connection with an insurance contract sold by the Hartford GroupRe Plus ("Hartford"), or any successor insurance company to Hartford which is unrelated to AGL Resources Inc. ("AGL"), to provide life insurance, accidental death and dismemberment ("AD&D") insurance, and long-term disability ("LTD") insurance to participants in the Group Insurance Plan for the Employees of AGL Resources Inc. (the "Life Plan"), the Health & Welfare Plan for Retirees and Inactive Employees of AGL Resources Inc. (the "Retiree Plan"), and the AGL Resources Inc. Disability Income Plan (the "LTD Plan") (collectively, the "Plans"), provided that the following conditions are met:

- (a) GERIC –
 - (1) Is a party in interest with respect to the Plans by reason of a stock or partnership affiliation with AGL that is described in section 3(14)(E) or (G) of the Act;
 - (2) Is licensed, as GERIC USA, to sell insurance or conduct reinsurance operations in at least one State as defined in section 3(10) of the Act;
 - (3) Has obtained a Certificate of Authority, as GERIC USA, from the Insurance Commissioner of its domiciliary state that has neither been revoked nor suspended;
 - (4)(A) Has undergone an examination by an independent certified public accountant for its last completed taxable year immediately prior to the taxable year of the reinsurance transaction; or
 - (B) Has undergone a financial examination (within the meaning of the law of its domiciliary State) by the Insurance Commissioner of the State within 5 years prior to the end of the year preceding the year in which the reinsurance transaction occurred; and

(5) Is licensed, as GERIC USA, to conduct reinsurance transactions by a State whose law requires that an actuarial review of reserves be conducted annually by an independent firm of actuaries and reported to the appropriate regulatory authority; and

(b) The Plans pay no more than adequate consideration for the insurance contracts;

(c) No commissions are paid by the Plans with respect to the direct sale of such contracts or the reinsurance thereof;

(d) In the initial year of any contract involving GERIC, there will be an immediate and objectively determined benefit to the Plans' participants and beneficiaries in the form of increased benefits and decreased premium cost;

(e) In subsequent years, the formula used to calculate premiums by Hartford or any successor insurer will be similar to formulae used by other insurers providing comparable life, AD&D, and LTD coverage under similar programs. Furthermore, the premium charge calculated in accordance with the formula will be reasonable and will be comparable to the premium charged by the insurer and its competitors with the same or a better rating providing the same coverage under comparable programs;

(f) The Plans only contract with insurers with a rating of A or better from A.M. Best Company (Best's). The reinsurance arrangement between the insurers and GERIC will be indemnity only, *i.e.*, the insurer will not be relieved of liability to the Plans should GERIC be unable or unwilling to cover any liability arising from the reinsurance arrangement;

(g) GERIC retains an independent fiduciary (the "Independent Fiduciary") at AGL's expense, to analyze the transactions and render an opinion that the requirements of sections (a) through (f) have been complied with. For purposes of this exemption, the Independent Fiduciary is a person who:

(1) Is not directly or indirectly, through one or more intermediaries, controlling, controlled by, or under common control with AGL or GERIC (this relationship hereinafter referred to as an "Affiliate");

(2) Is not an officer, director, employee of, or partner in AGL or GERIC (or any Affiliate of either);

(3) Is not a corporation or partnership in which AGL or GERIC has an ownership interest or is a partner;

(4) Does not have an ownership interest in AGL, GERIC, or any of either's Affiliates;

(5) Is not a fiduciary with respect to the Plans prior to the appointment; and

(6) Has acknowledged in writing acceptance of fiduciary responsibility and has agreed not to participate in any decision with respect to any transaction in which the Independent Fiduciary has an interest that might affect its best judgment as a fiduciary.

For purposes of this definition of an "Independent Fiduciary", no organization or individual may serve as an Independent Fiduciary for any fiscal year if the gross income received by such organization or individual (or partnership or corporation of which such individual is an officer, director, or 10 percent or more partner or shareholder) from AGL, GERIC, or their Affiliates (including amounts received for services as Independent Fiduciary under any prohibited transaction exemption granted by the Department) for the fiscal year exceeds 5 percent of that organization or individual's annual gross income from all sources for such fiscal year.

In addition, no organization or individual who is an Independent Fiduciary, and no partnership or corporation of which such organization or individual is an officer, director, or 10 percent or more partner or shareholder, may acquire any property from, sell any property to, or borrow funds from AGL, GERIC, or their Affiliates during the period that such organization or individual serves as Independent Fiduciary, and continuing for a period of six months after such organization or individual ceases to be an Independent Fiduciary, or negotiates any such transaction during the period that such organization or individual serves as Independent Fiduciary.