My Schedule 19 shows my analysis. At page 1 of Schedule 19, AGL is shown to have 63.7 million shares outstanding according to its most recent SEC Form 10-K. In my analysis I assumed there would be little difference in stock outstanding on March 26, 2004 and the amount provided in the 10-K. At page 2 of Schedule 19, for example, 182,000 shares of AGL Resources were traded on March 23, 2004. I added up the shares traded, starting from March 26, to March 25 and so on, until I reached a date where the total number of shares traded was equal to or greater than the number of shares outstanding. That date is shown on page 1, in the column titled "100% TurnOver Since."

For AGL Resources, 100 percent of the shares turn over within about one year. The other companies have slower turnover rates but the slowest rate is three years.

Q_126. **Do these results reflect the behavior of any single individual or institutional investor?**

A_126. No. These results do not reflect the behavior of any single individual or institutional investor. The results reflect the behavior of all investors as a whole.

Q_127. **In your opinion, do these results confirm Dr. Morin's opinion that "common stock is a very long-term investment?"**

A_127. No. In my opinion these results contradict his opinion, and reveal the economic contradictions in his testimony.

For example, Dr. Morin quotes the U.S. Supreme Court's Permian decision to suggest that the TRA's order for this case should "fairly compensate investors for the risks they have assumed..." but at the same time he dismisses equity investors' holding period as irrelevant:

> *"The expected common stock return is based on very long-term cash flows, regardless of an individual's holding time period. [Morin page 22 line 3]"*

By Dr. Morin's methods, an investor who holds AGL Resources stock for one year is taking a risk that merits a return of 11.25%, more than twice the rate for a debt investor who commits for thirty years at 5.3%.

This is an unreasonable position, and Dr. Morin reached it through his widely different treatment of the duration of investment for equity and debt holders. According to Dr. Morin's testimony debt investors have an "investment planning period" [Morin page 22, line 15] and equity investors have the "investor's planning horizon" [Morin page 21, lines 14-15].

According to Dr. Morin the debt holder takes a very long view of the market. At page 21 line 3 and page 22 line 10 Dr. Morin testifies:

"As a proxy for the risk-free rate, I have relied on the actual yields on thirty-year Treasury bonds . "

"While long-term Treasury bonds are potentially subjected to interest rate risk, this is only true if the bonds are sold prior to maturity A substantial fraction of bond market participants, usually institutional investors with long-term liabilities (pension funds, insurance companies), in fact hold bonds until they mature, and therefore are not subject to interest rate risk "

But Dr. Morin's analysis does not hold equity investors to a thirty-year planning horizon. Instead, Dr. Morin's analysis gives equity investors plenty of leeway for their "investment horizon" testifying only that:

"yields on 90-day Treasury Bills typically do not match the equity investor's planning horizon. Equity investors generally have an investment horizon far in excess of 90 days [Morin page 21, lines 14-15] "

Thus Dr. Morin's analysis rests on an economic contradiction. Debt holders stay put for 30 years, and equity holders stay put for at least 90 days.

Dr. Morin's recommended rate of 11.25% is a composite of all 4 cost-of-equity methods he employs, but his disparate treatment of debt and equity investment is an unreasonable position, not only in view of AGL Resources 5.5% total debt cost, but also in light of the prevailing equity returns in the American economy.

Q_128. **What is the prevailing equity return in the market?**

A_128. My Schedule 20 displays the prevailing return on equity in our economy. The schedule shows a range of equity returns for approximately 5600 companies for the twelve months ending March 2004. The information is compiled by MorningStar, a data base firm that maintains a data base on stocks, mutual funds and tracks their performance. MorningStar is a subscriber service and the information can be accessed through the internet.

One-half of the stocks achieved equity returns of less than 7%. Less than one-third achieved returns higher than 11 percent, which is the company's requested return.

XI. DCF Analysis

Q_129. What is your opinion of Dr. Morin's DCF analysis shown in his exhibits RAM-6 and RAM-7?

A_129. In my opinion his DCF analyses are flawed in three ways. They includes companies that I do not consider as part of the analysis, -UGI and Energen which I exclude because in my opinion they are not comparable - and AGL Resources itself which a 100% owner of CGC. Dr. Morin's DCF analysis includes unreasonable dividend growth rates from Value Line. The analysis includes a compounding method explicitly rejected by the TRA when I proposed that method in 1997. I also note for the record that Dr. Morin's DCF analysis excludes Amerigas and Southern Union without any explanation even though he includes them in his exhibits RAM-2 and RAM-9.

Q_130. Have you performed a DCF analysis?

A_130. Yes. I have performed a DCF analysis, and it consists of correcting the flaws in Dr. Morin's DCF model.

Q_131. What steps did you take to correct the flaws?

A_131. The steps I took were: 1) eliminating AGL Resources, Energen, and UGI from the companies listed in exhibits RAM-5 and RAM-6; 2)not accepting Value Line's projected growth rates employed by Dr. Morin in exhibit RAM-6; 3) relying in part on the projected growth rates by Zack's in exhibit RAM-5; 4) supplementing Zack's growth rates with additional growth rates from Yahoo; 5)averaging all the growth rates; 6) averaging the current dividend yields from Value Line and MorningStar; 7)not accepting the "expected dividend yield" shown in column (4) of exhibits RAM-5 and RAM-6. I calculated a DCF equity return of 9.28%, which is the sum of a dividend yield of 4.6% and a growth rate of 4.68%.

Schedule 21 displays a comparison of my comparable companies' current dividend yields from two sources, MorningStar's database and Value Line's. There is little difference between the current dividend yields, regardless of the source.

Once the current dividend yields were established as reasonable, the next consideration was an assessment of Dr. Morin's dividend growth rates, which are actually Value Line's projected earnings rates which Dr. Morin uses as a surrogate or proxy for dividend growth rates.

In the 1997 rate case involving AGL Resources I accepted Value Line's growth projection. However, AGL's actual performance never came close to that projection. That experience, combined with my review of the comparable companies' dividend history, persuades me that Value Line's projections are not credible.

Schedule 22, pages 1-10, displays a history of dividend growth for all the comparable companies. Regarding AGL Resources' earnings and dividends, Schedule 23 page 1 displays Value Line's forecasts from 40 different publication dates ranging from January 1994 to December 2003. Those 40 different issues are not provided as schedules in my testimony but they are attached in the appendix.

Schedules 22 and 23 taken together prove that most of Value Line's projected growth rates are unprecedented: Atmos - 9% projected growth versus actual growth of 2% - 3% over 5 years; KeySpan - 7.5% projected growth versus no growth; LaClede - 5.5% projected growth versus no growth; New Jersey - 8.5% projected growth versus actual growth of 2%-3% over 5 years; Northwest - 5% projected growth versus actual growth of 1% - 2% over 5 years; Peoples - 4% projected growth versus actual growth of 2% over 5 years; Piedmont - 7.5% projected growth versus actual growth of 5.7% over 5 years; Southwest - 9.5% projected growth versus no growth over at least 5 years; WGL - 7% projected growth versus actual growth of 2% over 5 years. The only projection that is not without precedent is Nicor's - 3% projected versus actual growth of 4% - 6% over five years.

Therefore, my opinion is that Value Line's projections are not credible. Further substantiation is provided in my Schedule 23 page 2. It displays my analysis of the accuracy of Value Line's forecast regarding AGL Resources. Value Line has always over-forecasted AGL Resources' dividends. Four out of five times Value Line has over-forecasted AGL Resources' earnings.

Most of the companies have an actual dividend growth performance not unlike AGL Resources, where long periods of no or little growth punctuated by an occasional increase.

For example, after several years of keeping its dividend at a fixed amount, AGL has raised its annual dividend by 4% two years in a row:

> *"04-28-04 01 49 PM EST | ATLANTA --(BUSINESS WIRE)--The Board of Directors of AGL Resources (NYSE· ATG) today approved a 4 percent increase in the AGL Resources common stock dividend The increase raises the quarterly dividend to $0.29 per share, for an indicated annual dividend of $1.16 per share. It also marks the second annual dividend increase, following a 4 percent increase in April 2003 . "*

At the same time of its press release, AGL Resources' current dividend yield was 3.92%, or about .7% below the average yield of 4.6% for the comparable companies. If the DCF method were applied directly to AGL Resources alone as of May 1, 2004, the company's investors would have an equity return equal to the sum of dividend yield and dividend growth, or 7.92%, which is the sum 3.92% and 4%.

AGL Resources most recent growth is much more like the ZACK's growth rate in Dr. Morin's exhibit RAM-5, once AGL Resources, UGI and Energen are removed from the list. But even ZACK's figures are above the actual performance of the comparable companies.

I compared Zack's growth rates to 5-year growth rates published by Yahoo. The results are displayed in Schedule 24, where I averaged the growth rates from the two different sources.

Q_132. **In your opinion, what is the appropriate equity return based on the DCF analysis?**

A_132. In my opinion the appropriate equity return based on the DCF analysis is 9.28%, which is the sum of the 4.68% growth rate in my Schedule 24 and the current dividend yield of 4.6% in my Schedule 21.

Q_133. **Does your DCF equity return of 9.28% include the effect of the company compounding its rate of return?**

A_133. No. My DCF equity return of 9.28% does not include the effect of compounding.

For example, in TRA Docket 97-00982 I testified that compounding a gives a company the opportunity to earn about one-half percent more on its return than what is granted. In this instance a DCF return of 9.28% when compounded throughout a year gives AGL Resources an opportunity to earn about 9.75%. In the last docket the TRA found: "The Directors rejected Dr. Brown's compounding theory that formed the basis of his 10.55% cost of equity [TRA Docket 97-00982 , final order, page 50]." However, Dr. Morin's DCF analysis builds in compounding.

For example, in his exhibit RAM-5 he compounds (multiplies) the current dividend yield in column (2) by the growth rate in column (3), and the result is a compounded dividend yield in column (4). Thus his DCF cost of equity is 9.7% in column (5) instead of 9.5% in column (4). In effect, Dr. Morin has applied compounding to augment his DCF return by about one-quarter of a point. To the extent that the TRA has previously rejected compounding as a method to augment returns, Dr. Morin's compounding is inconsistent with the TRA's order in Docket 97-00982.

Q_134. **In Dr. Morin's exhibit RAM-5, is 9.7% the DCF return the return on equity?**

A_134. No. In Dr. Morin's exhibit RAM-5, 9.7% is not the DCF equity return. Dr. Morin identifies an equity return of 9.9%, shown in column (6) of his exhibit RAM-5.

The difference between 9.9% and 9.7% is his so-called "flotation adjustment," which is his effort to recoup the market's discounting of AGL Resources' stock-offerings, whether in the past or the future. Dr. Morin explains his "flotation adjustment" in his testimony at page 40 lines 7-17 and page 41 lines 6-7:

> *"The simple fact of the matter is that common equity capital is not free. Flotation costs associated with stock issues are exactly like the flotation costs associated with bonds and preferred stocks. Flotation costs are incurred, they are not expensed at the time of issue, and therefore must be recovered via a rate of return adjustment. This is done routinely for bond and preferred stock issues by most regulatory commissions, including FERC and the TRA. Clearly, the common equity capital accumulated by the Company is not cost-free . . it is unreasonable to ignore the need for such an adjustment. Flotation costs are very similar to the closing costs on a home mortgage In the case of issues of new equity, flotation costs represent the discounts that must be provided to place the new securities.. . it is necessary to apply an allowance of 5% to the dividend yield component of equity cost "*

Q_135. **In your opinion is it appropriate to include so-called "flotation costs" in the equity cost?**

A_135. No, in my opinion it is inappropriate, as revealed by what Dr. Morin does not say and by the contradictions in Dr. Morin's argument.

Dr. Morin does not mention that AGL Resources' stock is trading well above its book value, and that AGL has already reaped a premium from any stock issue where the stock's issue value exceeds the book value. Dr. Morin's "flotation cost" is just one more premium added to that premium the stockholders have already paid, but he wants the ratepayers to pay for that additional premium.

Dr. Morin's "flotation adjustment" is a method where ratepayers are in effect compensating the company for the market's judgment. Continuing with this example, suppose AGL Resources makes a stock offering at $25 a share and the public bids only $24, thus the company gets only 96%, or 5% less than what it wanted. According to Dr. Morin, the ratepayers are liable for the difference. Thus he seeks to negate the demand-supply relationship for capital costs which he invokes in his testimony at page 5, lines 10-11:

> *"Two fundamental economic principles underlie the appraisal of the Company's cost of equity. one relating to the supply side of capital markets, the other to the demand side "*

According to Dr. Morin, what the market takes away, the regulatory agency should give back. But his logic has been rejected once before in Tennessee. In TPSC Dockets U-83-7226 and U-85-7338, the Tennessee Public Service Commission explicitly rejected Dr. Morin's proposal to raise the equity cost to include so-called "flotation cost."

Of course, common equity is not free, as everyone acknowledges, but Dr. Morin has leapt from that premise to one that is unsubstantiated when he testifies that "flotation costs ... are not expensed at the time of issue... it is unreasonable to ignore the need for such an adjustment." But this begs the question: if a flotation cost is a reasonable expense, why doesn't the company book the "flotation cost" as an expense in the first place? To paraphrase Dr. Morin's argument, the floatation cost is so dubious that the company will not book the expense, but it will base ratepayers' prices on that dubious expense if it is represented as a capital cost. However, this is an argument that has been rejected before in Tennessee.

Q_136. **What is Dr. Morin's DCF return after removing UGI, Energen, and AGL Resources from the companies listed in RAM-5, and after removing the effects of the flotation cost, the compounding, and Value Line's growth projections on his estimate?**

A_136. After removing the noncomparable companies and effects of the flotation cost, the compounding, and Value Line's growth projections on Dr. Morin's DCF return, it falls to 9.5%, which is also the sum of 4.2 percent and 5.3%, which he displays in columns (2) and (3) of his exhibit RAM-5.

Q_137. How does Dr. Morin's DCF return compare to your DCF return 9.28 percent?

A_137. There is less difference between them, once Dr. Morin's improper adjustments are removed. Once they are his DCF return is 9.5%.

Q_138. In your opinion, what does the similarity between your return and Dr. Morin's return imply about the DCF model?

A_138. In my opinion the similarity suggests that the DCF is a sound model, not easily construed to give results far from the mainstream. The DCF model's inputs are simple and available from many different sources. For example, I was able to confirm Value Line's current dividend yields by reference to the MorningStar database. I was able to temper Zack's growth forecasts with those from Yahoo. In my opinion the public availability of the inputs and the ease with which they can be applied explain why the model appears in every rate case and in every jurisdiction, despite Dr. Morin's testimony at page 18 line 22 that "Caution must also be exercised when implementing the <u>standard</u> [emphasis added by CPAD] DCF model."

However, Dr. Morin did not implement the standard DCF model, but reached out to the Value Line growth projections to derive a DCF return that would not be derived from a standard model. Furthermore, despite his DCF warning, he pays no heed to Value line's own warning about its data:

> *"Factual material is obtained from sources believed to be reliable and is provided without warranties of any kind. THE PUBLISHER IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS HEREIN [sic] "*

Not only does Dr. Morin's DCF analysis heavily rely on Value Line's growth forecasts, he provides no means to evaluate those projections. I was able to disregard those projections only by comparing them to dividend histories from the SEC forms and by comparing AGL Resources actual performance to Value Line's past forecasts, items not generally available in public records.

Thus to the extent Value Line's projection are the basis of Dr. Morin's DCF analysis, it suffers from the same lack of verification that prevents his Historical and Allowed Risk premium models from being credible, in my opinion.

To a large extent, the same problems pervade his CAPM analysis.

XII. *CAPM Analysis Of Equity Return*

Q_139. **Beside the Discounted Cash Flow, what other method do you employ to reach a cost-of-equity in this case?**

A_139. Besides the DCF analysis, I employ a CAPM model. However, just as my implementation of the DCF model differs from DR. Morin's implementation of the DCF model, my implementation of the CAPM model differs from Dr. Morin's implementation of the CAPM model.

Q_140. **What is the CAPM model?**

A_140. The model defines the cost-of-equity as the market's risk-free rate of return plus an estimated risk premium which is multiplied by a beta. The risk premium is the difference between the overall market return and the risk-free return. The model is often expressed by the following general formula:

$K_e = R_f + (R_m - R_f) * B_e$ (1)

where

+ is the symbol for addition

* is the symbol for multiplication

K_e is the cost-of-equity

R_m is the overall market rate of return

R_f is the risk-free rate of return

$(R_m - R_f)$ is the risk premium

B_e is the beta for common stock

There is an exact correspondence between this formula and the formula shown in Dr. Morin's testimony at page 20 line 14.

Dr. Morin implements the CAPM model by substituting certain values for the values in formula (1) shown above:

K_e = .053+ (.123-.053)*.77

or

10.69%= 5.3% + (12.3% -5.3%)*.77

the result is

10.69%= 5.3% + (7%)*.77

In his testimony at page 28 line 14 Dr. Morin raises the cost of equity from 10.69% to 11.1% by multiplying the risk premium of 7% by the term: $(B_e * .75) + .25$, and adding the result to 10.69% to give a total of 11.1%.

Q_141. **Does Dr. Morin explain his reasoning for such an adjustment?**

A_141. No. In my opinion Dr. Morin has not explained his reasoning for such an adjustment. He testifies that he relaxes "some of the more restrictive assumptions" of the CAPM model" and that the "the literature is conveniently summarized in Chapter 13 of my book..."

Q_142. **Has Dr. Morin provided a copy of his book or Chapter 13 of his book so that it can be placed into the record of this rate case?**

A_142. No. Dr. Morin has not provided a copy of his book or Chapter 13.

Q_143. **What is your opinion of Dr. Morin's raising his CAPM return from 10.69% to 11.1%.**

A_143. In my opinion his adjustment is not justified for the same reason his ARP and HRP methods are not justified. His adjustment is impossible to cross-check and verify because it is not based on the comparable natural gas distribution companies. My opinion is to disregard his adjustment.

Q_144. What other adjustment does Dr. Morin apply to his CAPM equity cost?

A_144. Besides raising his CAPM amount of 10.69 percent to 11.1 percent, he adds another .3 percent for a "flotation adjustment" so that his final CAPM equity cost is 11.4 percent, as shown at page 28 lines 16-17 of his testimony. Thus by means of two adjustments Dr. Morin has nudged his 10.69 percent return to 11.4 percent. However, my opinion is to disregard both adjustments because they are arbitrary.

Q_145. How do you implement the CAPM model?

A_145. I implement the CAPM model in these steps.

Whereas Dr. Morin's model is

$$K_e = R_f + (R_m - R_f) * B_e \quad (1)$$

mine is

$$K_e = K_d + (R_m - R_f) * B_e \quad (2)$$

The only difference is that in my model K_d is the cost-of-debt and substitutes for R_f in Dr. Morin's model

The formula's terms have the same meanings as already discussed.

I arrived at my formula by treating debt as if its market rate is determined in the same way as the market rate for equity:

$K_d = R_f + (R_m-R_f)*B_d$ (3)

Where B_d is the beta for debt capital

There is a market for debt capital just like there is a market for equity capital. I derived equation (2) by subtracting equation (3) from equation (1) and the result is equation (2):

$K_e = K_d + (R_m-R_f)*(B_e-B_d)$ (2).

I've assumed that B_d is zero, which means that I am treating debt cost as risk free, so that equation (2) reduces to equation (1) but K_d substitutes for R_f This formulation practically assures that the equity cost will be higher than debt cost.

Therefore, the differences between Dr. Morin's CAPM model and my CAPM model are not great.

For example, my Schedule 25 lists returns to large company stocks from the period 1925 through 2002 taken from Ibbotson Associates 2002 Yearbook - "Stocks Bonds, Bills and Inflation," Tables A-1 and B-1. Column 1 lists the year, column 2 lists the actual value of the return and column 3 lists the percentage gain or loss from the prior year. The actual or "geometric" return over the entire period is 10.20%, shown at the bottom of column 2. The 'arithmetic' return is 12.20%. I do not use the 'arithmetic' return overstates the real return by 2%. However, in my model 10.20% is R_m, the market return.

The risk free rate, R_f, is derived from Schedule 26. In this case I am using the three-month U.S. Treasury bills. The three-month rate is based on a long term perspective of the riskless rate and that it is a better concept to use in this case than a long-term bond or note. The risk free rate, R_f, is 3.79%

Q_146. **In your CAPM model what risk premium is derived from the market return R_m, and the market return the risk free rate, R_f?**

A_146. In my CAPM model the risk premium is 6.41%, which is the difference between 10.2% and 3.79%.

Q_147. **At this point, what is the practical difference between Dr. Morin's CAPM Model and yours?**

A_147. The practical difference is in the value of the beta used in Dr. Morin's model versus the beta I use. Dr. Morin's model is

10.69%= 5.3% + (7%)*.77

Mine is:

Equity= DebtCost + (6.41%)*Beta

At this point there are just two items left to fill-in for my model - the cost of debt and the beta.

Q_148. **What debt cost are you using?**

A_148. I am using a debt cost of 6.74 % because it matches the long-term debt cost in this case. In addition, as shown in my Schedule 5, AGL Resources' long-term debt has a large "floating" portion. There are no public records that I know of where "floating" debt is rated as fixed debt is. For example fixed debt could be rated "A", "BB," or any other of several ratings. But since these ratings are not available for "floating" debt, my judgment is to derive the CAPM rate in part by accepting the company's 6.74% rate. Also, this amount is higher than Dr. Morin's rate of 5.3% and points out the advantage to my formulation of the CAPM model. Dr. Morin's CAPM model begins at 5.3%, a rate lower than the debt cost of 6.74%. This highlights a practical defect of Dr. Morin's CAPM model: it starts more than 100 basis points lower than debt cost, a loss that has to be compensated for someplace else in the CAPM model.

On the other hand, my use of 6.74% rather than Dr. Morin's amount of 5.3% counterbalances my lower risk premium of 6.41%, which is about .6% lower than his risk premium of 7%. Therefore, the main difference between our two models lies in the value of the beta. Where Dr. Morin uses Value Line's amount of .77, I use an amount of .10. His CAPM is 10.69% and mine is 7.4% , and the entire difference is attributable to the betas.

The entire analysis is shown in my Schedule 27. I note that the CAPM model, were it applied to AGL alone, gives AGL a return of 8.25%.

Q_149. **What is a beta?**

A_149. It is a ratio of the change in a stock price to the change in the overall market price or index, and there are three possibilities. For example, if a market index increases by 10 percent and a stock price increases 5 percent, then the stock's beta is .5 or one-half. On the other hand, if a market index increases by 10 percent and a stock price decreases 5 percent, then the stock's beta is a negative one-half. Finally, if a market index changes and the stock price does not change, the stock's beta is zero.

Q_150. **What economic meaning is normally assigned to the beta?**

A_150. It is regarded as a measure of risk, the higher the beta, the higher the risk.

Q_151. **Where are the Value Line betas in Dr. Morin's cost-of-capital analysis?**

A_151. Value Line betas appear in Dr. Morin's analysis in his Exhibit RAM-2.

Q_152. **What are values of the betas in Dr. Morin's Exhibit RAM-2?**

A_152. The betas' values range from a high of 1 to a low of .55.

XIII. Dr. Morin's CAPM Analysis Relies On Value Line Betas, Which Are Not Standard Practice and Which Inflate Returns

Q_153. Do you agree that Value Line betas measure risk?

A_153. No. I disagree because Value Line's betas inflate the measure of risk and are not standard practice in the financial industry.

My Schedule 28 provides a comparison of Value Line betas with other betas. The far right column lists Value Line's betas. Value Line's betas are substantially higher than all others. Clearly, Value Line's betas are not standard practice. My calculations give results consistent with standard practice.

Q_154. What is the effect of Value Line's betas on the estimated cost-of-capital?

A_154. Value Line's betas lead to an overestimate of risk and an overestimate of capital cost.

Q_155. How does Value Line calculate its betas?

A_155. Value Line reduces the calculated beta by one-third and then adds .35 to produce an "adjusted" beta. This adjustment to the calculated beta makes low betas look higher than they really are. Therefore, Value Line's betas do not capture or embody changes in economic conditions.

My Schedule 29 shows the relationship between a calculated beta and the Value Line Beta.

My Schedule 30 is a history of Value Line betas for AGL Resources from January 1994 through December 2003.

My Chart 1 of 3 is a chart displaying AGL Resources calculated beta versus the Value Line beta. From January 1998 through January 2004.

My Chart 2 of 3 is a chart displaying AGL Resources calculated beta, as well as the calculated betas for each comparable company since January 1998.

My Chart 2 of 3 is based on my Schedule 31, which is a table displaying the calculated betas for five years ending - from January 1998 through March 2004.

My table and charts show that real betas have not been in the .6 to .8 range since early 1998. Therefore, Dr. Morin's CAPM analysis is predicated on betas that are not even close to being current.

The Value Line beta masks the relative gain or loss in a stock's value. The beta is a "relative" measure in the same sense that economic wealth is a relative measure. It has no meaning without reference to another measure. For example, an annual income of $50,000 in the year 1900 would indicate great wealth, but the same figure in the year 2000 would not. To the extent the Value Line masks the real value of a beta, the Value Line beta overestimates the true economic return of any company.

My Chart 3 of 3 displays a long history of AGL Resources stock price, the S&P500 Index scaled back to 10% of its value, and the ratio of AGL's stock price to the scaled S&P Index. I scaled the index so the left axis of the chart would display the magnitude of the relative decline in AGL's stock value. Otherwise the index would so much larger than AGL's stock price that the stock's relative decline in value would not be noticeable.

For example, in November 1987 AGL's stock price was about $11 per share and the S&P index was about 230. By scaling the index back to 23 and placing it on the same chart as AGL's stock price, the ratio of AGL's stock price to the scaled index is about 45%. Starting in November 1987 and reading the chart from left to right shows that in 1994 the S&P index rapidly increased while AGL's stock price changed just a little. The ratio of the stock price to the scaled index fell to 10% in late 1999, all the while AGL's stock price had not changed much. This is the exact pattern that causes a calculated beta to be low: a stock price that is more or less constant and an index rapidly rising or falling.

On the other hand, Value Line's beta for AGL Resources in no way indicates that AGL Resources stock's value had a long history of falling behind the market. Therefore, just as Value Line's past betas mask the decline of AGL's stock value relative to the market and suggest the stock's rate of return was more than it really was, Value Line's current beta overestimates the rate of return in this rate case.

Q_156. **Do you know the economic basis for Value Line's procedure to calculate betas?**

A_156. Yes. Value Line bases its procedure on an article titled "On The Assessment Of Risk" which was authored by Marshall Blume of the University of Pennsylvania. Professor Blume's article was published in the March 1971 issue of the *Journal of Finance*. Blume believed that all betas tend towards one, which is overall market average beta of the thousands of companies that compose the stock market.

Blume performed a calculation to raise the value of betas that are low and lower the value of betas that are high. This procedure was adopted by Value Line. The portfolios in Blume's article were formed between the years 1926 and 1968. His most recent portfolio is almost forty years old. His inquiry has not been updated, and there is no evidence that his portfolio included gas distribution companies.

Q_157. **Has the issue of adjusted betas versus calculated betas been studied?**

A_157. Yes. The issue of adjusted versus calculated betas has been addressed in several forums.

Financial Markets and Corporate Strategy, (1st Edition, 1998), a standard college financial textbook used worldwide and authored by Professor Mark Grinblatt of UCLA and Professor Sheridan Titman of the University of Texas, addresses the issue of Value Line adjusting a beta's value towards one. At page 175 of the book its authors advise students of finance: "better beta estimates might result by shrinking the unadjusted estimates towards an industry average rather than toward the market average [of one]."

Another standard but older financial textbook, *Financial Management and Policy* by James C. VanHorne of Stanford University, says at page 69 of the 7th edition: "Adjusting historical betas is difficult business because the process is seldom clear and consistent."

In 2002 the Australian government commissioned a study to examine the use of adjusted betas versus calculated betas. The relevant report is: "Final Report, Empirical Evidence on Proxy Beta Values for Regulated Gas Transmission Activities: July 2002 Report for the Australian Competition and Consumer Commission," prepared by the Allen Consulting Group of Melbourne, Australia.

The following conclusion appears at page 30 of the report: "Accordingly this report uses the raw betas estimates produced by each of the beta estimation services." The report can be acquired over the internet at:

http://www.accc.gov.au/gas/br_reg_iss/empiricalA.pdf,

and

http://www.accc.gov.au/gas/br_reg_iss/empiricalB.pdf.

Also in 1998 Professor Martin Lally of the Victoria University of Wellington, authored an article, with the technical and esoteric title of "An examination of Blume and Vasicek Betas." The article was published in the economic journal, *The Financial Review*. Professor Lally concludes at page 192 of his article: "The result is a dramatic overestimate by Blume, because a singularly relevant fact is ignored, i.e., membership [in] an industry whose average estimated, and therefore presumably also true beta is well below one."

Q_158. **Is *The Financial Review* a professional economics journal?**

A_158. Yes. It is a professional journal. *The Financial Review* is the property of and published by the Eastern Finance Association. I also point out that Dr. Morin has published an article in *The Financial Review* in 1981, according to Dr. Morin's Appendix A page 8 of 8,

Q_159. Do you consider your calculated beta to be accurate?

A_159. Yes, I consider it accurate.

Q_160. What is your opinion with regard to Value Line's betas?

A_160. My opinion is that Value Line's betas be disregarded because they are inaccurate, leading to a higher risk assessment than the appropriate analysis would indicate.

Q_161. In your opinion what is a just and reasonable equity return in this rate case proceeding?

A_161. In my opinion 8.35% is a just and reasonable equity return, consistent with current returns in the American economy. The return is the average of my DCF return of 9.28% and my CAPM result of 7.4%.

Q_162. In your opinion is 8.35% a credible return?

A_162. Yes. In my opinion 8.35% is a credible return. My Schedule 32 supports my opinion. In May 2001 the DRI-WEFA group, an economic and financial forecasting company formed from DRI (formerly Data Resources Inc. owned by Standard & Poor's) and WEFA (Wharton Econometric Forecasting Associates) issued a report named "*25-Year Focus, Summer 2001* - The Four Scenarios: The Trend Projection." At page 17 of the report the firm projects stock market prices to rise at just 5.3 percent annually.

A respected economics-consulting-firm is suggesting that a rapidly rising stock market with high levels of growth and high equity risk is over.

In addition, investors are holding equity for three years at most and an 8.35% return is well above what they can expect if they were to hold debt for that length of time.

Q_163. **How does your rate of return in this case compare to the return you recommended in TRA docket Docket No. 97-00982?**

A_163. In the last case my opinion was that a return of 10.55% was just and reasonable. That return is 200 basis points higher than my equity return in this case.

Q_164. **Are your cost-of-equity methods in this case different than the methods you employed in the last case?**

A_164. No. The methods are not different.

Q_165. **In your opinion, why is your return in this case lower than the return in the last case?**

A_165. In my opinion the returns are different because economic conditions have changed.

Q_166. **In your opinion, is CGC entitled to a rate increase because there has been no rate increase since 1995?**

A_166. No. In my opinion the absence of a rate increase since 1995 is not a justification for a rate increase in 2004. The rate of return is the determining factor in assessing the need for a rate increase, as I have already discussed in my summary.

Q_167. **Why are you giving your opinion on this issue?**

A_167. I am giving my opinion because the company raises this issue at the beginning of its entire case. Mr. Steve Lindsey testifies at page 3 lines 10-13:

A. REQUEST FOR RATE RELIEF

Q. When was Chattanooga Gas Company's last rate increase?

A. Chattanooga was last granted a general rate increase in 1995 in Tennessee Regulatory Authority ("TRA") Docket No 95-02116. In 1998 rates were reduced in TRA Docket No. 97-00982.

However, Mr. Lindsey's testimony on this point is not relevant. When several years have passed without a utility petitioning the TRA for a rate increase, there are least two economic meaning that can be drawn. One meaning is that is that the utility believes it is earning a satisfactory return. A second meaning is that is that the utility is over-earning and making consumers pay higher rates than would otherwise be the case. In either case, the absence of a rate increase does not mean that consumers are paying less than fair prices for the utility's services or that consumers are receiving a benefit that they are not paying for. This concludes my testimony at this time.

Company Excluded From ComparableGroup

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Direct Testimony____
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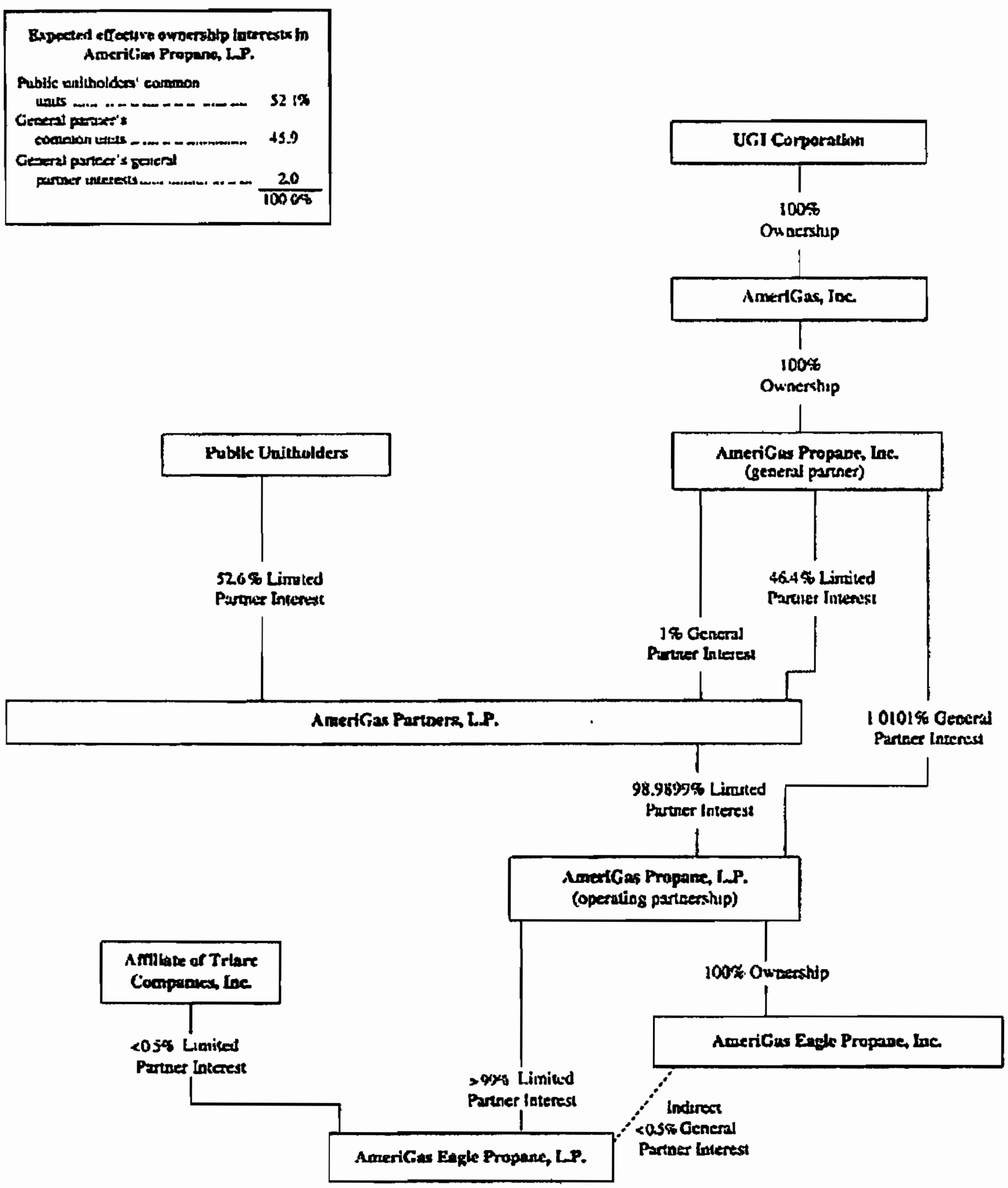
Source AMERIGAS PARTNERS SEC Form 424B5 Filed 2003_06_12 File 3



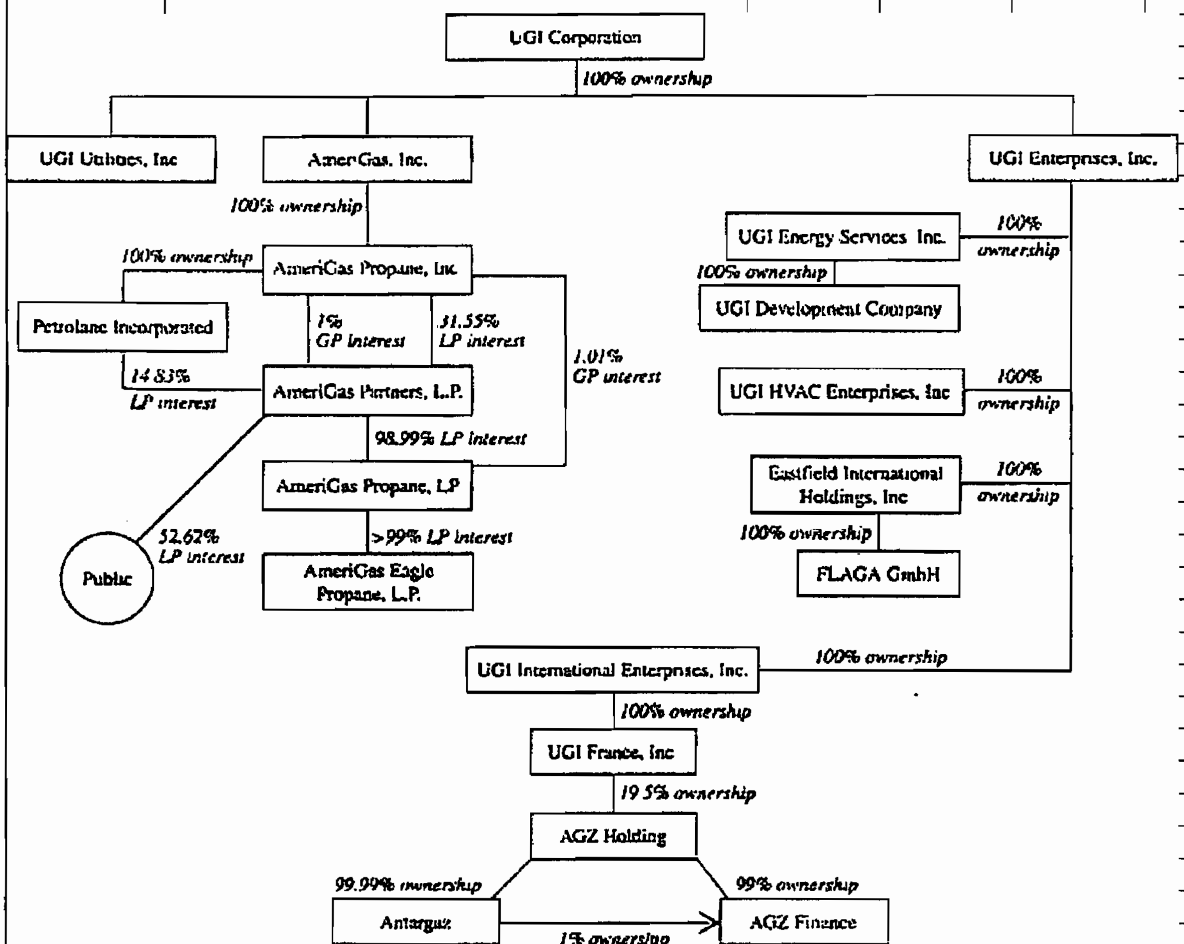
Company Excluded From ComparableGroup

Financial Data Source UGI CORP SEC Form 10-K Filed 2003_12_23

UGI Total Revenues - 2003 at Sep 30 $3,026 1 (Millions) 17% From Gas Sales

UGI Total Capitalization - 2003 at Sep 30 $2004 5 (Millions) 53% For Amerigas

Chart Source UGI CORP SEC Form 424B5 Filed 2004_03_19 File 04



Company Excluded From ComparableGroup

Source	Text
ENERGEN CORP 10-K Filed 1995_12_28	APSC REGULATION: As a public utility in the state of Alabama, Alagasco is subject to regulation by the Alabama Public Service Commission (APSC), which has adopted several innovative approaches to rate regulation, including Alagasco's Rate Stabilization and Equalization (RSE) rate-setting process. Implemented in 1983 and modified in 1985, 1987, and 1990, RSE replaced the traditional utility rate case . . . Under Alagasco's current RSE order, which became effective December 1990, Alagasco's allowed ROE range is 13.15 percent to 13 65 percent.
ENERGEN CORP 10-K Filed· 2003_03_20	Alagasco is subject to regulation by the Alabama Public Service Commission (APSC) which, in 1983, established the Rate Stabilization and Equalization (RSE) rate-setting process. RSE was extended in 2002, 1996, 1990, 1987 and 1985 On June 10, 2002, the APSC extended RSE for a six-year period, through January 1, 2008. Under the APSC order, Alagasco's allowed range of return on average equity remains 13.15 percent to 13 65 percent throughout the term of the order...

Company Excluded From ComparableGroup

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Schedule 1 ______
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SOUTHERN UNION 10-K Filed 2003_09_29	Southern Union Total Capitalization - 2003 at Sep. 30 . $2346 4 (Millions) $1218.7 (Millions) [50% To Panhandle Eastern Pipeline]
SOUTHERN UNION 10-K Filed· 2003_09_29	Acquisition of Panhandle Eastern Pipe Line Company and Subsidiaries - On June 11, 2003, Southern Union acquired Panhandle Energy from CMS Energy Corporation for approximately $582 million in cash and in connection therewith incurred transaction costs estimated at $30 million. Additional consideration was financed by CMS Energy Corporation through their purchase of 3 million shares of Southern Union common stock (before adjustment for any subsequent stock dividends) valued at approximately $49 million based on market prices at closing. Southern Union also incurred additional deferred state income tax liabilities estimated at $18 million as a result of the transaction. At the time of the acquisition, Panhandle Energy had approximately $1.159 billion of debt outstanding that it retained .
SOUTHERN UNION 10-K Filed 2003_09_29	The Panhandle Energy entities include Panhandle Eastern Pipe Line Company, LLC (Panhandle Eastern Pipe Line), Trunkline Gas Company, LLC (Trunkline), Sea Robin Pipeline Company (Sea Robin), Trunkline LNG Company, LLC (Trunkline LNG) and Pan Gas Storage Company, LLC (Pan Gas, also dba Southwest Gas Storage). Collectively, the pipeline assets include more than 10,000 miles of interstate pipelines

SEC Release 35_27812

SECURITIES AND EXCHANGE COMMISSION
(Release No 35-27812)
Filings Under the Public Utility Holding Company Act of 1935, as amended ("Act")
10-Mar-04
Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference
Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by March 31, 2004, to the Secretary, Securities and Exchange Commission, Washington, D C. 20549-0609, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After March 31, 2004, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.
AGL Resources Inc. (70-10175)

SEC Release 35_27812

AGL Resources Inc ("AGL Resources"), a registered public utility holding company, Ten Peachtree Place, Suite 1000, Atlanta, Georgia 30309, AGL Resources' electric and gas public utility subsidiaries, Atlanta Gas Light Company ("AGLC"), Ten Peachtree Place, Suite 1000, Atlanta, Georgia 30309, Chattanooga Gas Company ("CGC") 2207 Olan Mills Drive, Chattanooga, Tennessee 37421, Virginia Natural Gas, Inc ("VNG"), 5100 East Virginia Beach Boulevard, Norfolk, Virginia 23502, (AGLC, CGC, and VNG collectively "Utility Subsidiaries"), and AGL Resources' direct and indirect nonutility subsidiaries ("Nonutility Subsidiaries" and collectively with the Utility Subsidiaries, "Subsidiaries") Georgia Natural Gas Company ("GNG"), AGL Investments, Inc ("AGLI"), AGL Services Company ("AGL Services"), AGL Capital Corporation ("AGL Capital"), Global Energy Resource Insurance Corporation ("GERIC"), Pivotal Energy Services, Inc ("Pivotal Energy Services"), AGL Rome Holdings, Inc , Pivotal Propane of Virginia, Inc , Southeastern LNG, Inc
III Overview of the Requests
Applicants request authorization to engage in the following financing transactions during the period from the effective date of the order granted in this Application through March 31, 2007 ("Authorization Period")
Applicants state that the proceeds from the sale of securities in external financing transactions will be used for general corporate purposes, including the financing, in part, of the capital expenditures and working capital requirements of AGL Resources and its Subsidiaries, for the acquisition, retirement or redemption of securities previously issued by AGL Resources or the Subsidiaries, and for authorized investments in companies organized in accordance with rule 58 under the Act ("Rule 58 Companies"), exempt wholesale generators ("EWGs"), as defined in section 32 of the Act, foreign utility companies ("FUCOs"), as defined in section 33 of the Act, exempt telecommunications companies ("ETCs"), as defined in section 34 of the Act, and for other lawful purposes
Applicants request authorization for the following transactions through the Authorization Period
issuances and sales of securities or borrowings during the Authorization Period by AGL Resources of up to $5 billion at any time outstanding ("AGL Resources External Limit"),
issuances by AGL Resources of guarantees and other forms of credit support in an aggregate amount of $1 billion at any time outstanding ("AGL Resources Guarantee Limit"),
issuances by AGLC, CGC, and VNG of guarantees and other forms of credit support with respect to the obligations of their respective subsidiaries in an amount not to exceed and $300 million, $75 million, and $150 million, respectively ("Utility Guarantees"),
short-term borrowings by AGLC of $750 million and CGC of $250 million in short-term debt,
hedging transactions by AGL Resources and the Utility Subsidiaries with respect to their indebtedness,

SEC Release 35_27812

Endnotes
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1 Applicants state that operating margin represents operating revenues less cost of sales
2 Applicants state that common stock equity ("Common Stock Equity") includes common stock (i.e , amounts received equal to the par or stated value of the common stock), additional paid in capital, retained earnings and minority interests
3 Applicants would calculate the Common Stock Equity to total capitalization ratio as follows· common stock equity (common stock equity + preferred stock + gross debt) Gross debt is the sum of long-term debt, short-term debt and current maturities. *http://www.sec.gov/divisions/investment/opur/filing/35-27812.htm*

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	**AGL Resources: Consolidated Capitalization**			
2	(In Millions of $)			
3	Capital Structure Components As Of:	2003: Dec 31	2002: Dec 31	2001: Dec 31
4	Short-Term Debt: Notes Due	$306	$389	$385
5	Short-Term Debt: Current Portion of Long-Term Debt	$77	$30	$93
6	Long-Term Debt	$731	$767	$797
7	Trust Preferred Securities	$225	$227	$218
8	Common Equity	$945	$710	$690
9	Total	$2,285	$2,123	$2,183
10				
11	**RATIOS:**			
12	Short-Term Debt: Notes Due	13.4%	18.3%	17.6%
13	Short-Term Debt: Current Portion of Long-Term Debt	3.4%	1.4%	4.3%
14	Long-Term Debt	32.0%	36.1%	36.5%
15	Trust Preferred Securities	9.9%	10.7%	10.0%
16	**Common Equity**	41.4%	33.4%	31.6%
17	Total	100.0%	100.0%	100.0%

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	*Atmos : Consolidated Capitalization*			
2	*(In Thousands of $)*			
3	*Capital Structure Components As Of:*	*2003: Sep 30*	*2002: Sep 30*	*2001: Sep 30*
4	*Short-Term Debt: Notes Due*	$118,595	$145,791	$201,247
5	*Short-Term Debt: Current Portion of Long-Term Debt*	$9,345	$21,980	$20,695
6	*Long-Term Debt*	$863,918	$670,463	$692,399
7	*Common Equity*	$857,517	$573,235	$583,864
8	*Preferred*		$0	$0
9	*Total*	$1,849,375	$1,411,469	$1,498,205
10				
11	*RATIOS:*			
12	*Short-Term Debt: Notes Due*	6.4%	10.3%	13.4%
13	*Short-Term Debt: Current Portion of Long-Term Debt*	0.5%	1.6%	1.4%
14	*Long-Term Debt*	46.7%	47.5%	46.2%
15	**Common Equity**	**46.4%**	**40.6%**	**39.0%**
16	*Preferred*	0.0%	0.0%	0.0%
17	*Total*	100.0%	100.0%	100.0%

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	**KeySpan Corp : Consolidated Capitalization**			
2	(In Thousands of $)			
3	Capital Structure Components As Of:	2003: Dec 31	2002: Dec 31	2001: Dec 31
4	Short-Term Debt: Notes Due	$481,900	$915,697	$1,048,450
5	Short-Term Debt: Current Portion of Long-Term Debt	$1,471	$11,413	$993
6	Long-Term Debt	$5,611,432	$5,224,081	$4,697,649
7	Common Equity	$3,661,948	$2,944,592	$2,890,602
8	Preferred	$83,568	$83,849	$84,077
9	Total	$9,840,319	$9,179,632	$8,721,771
10				
11	**RATIOS:**			
12	Short-Term Debt: Notes Due	4.9%	10.0%	12.0%
13	Short-Term Debt: Current Portion of Long-Term Debt	0.0%	0.1%	0.0%
14	Long-Term Debt	57.0%	56.9%	53.9%
15	**Common Equity**	37.2%	32.1%	33.1%
16	Preferred	0.8%	0.9%	1.0%
17	Total	100.0%	100.0%	100.0%

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	*LaClede Group: Consolidated Capitalization*			
2	*(In Thousands of $)*			
3	*Capital Structure Components As Of:*	*2003: Sep 30*	*2002: Sep 30*	*2001: Sep 30*
4	*Short-Term Debt: Notes Due*	*$218,200*	*$161,670*	*$117,050*
5	*Short-Term Debt: Current Portion of Long-Term Debt*	*$15,361*	*$24,832*	*$79*
6	*Long-Term Debt*	*$259,625*	*$259,545*	*$284,459*
7	*Common Equity*	*$299,072*	*$285,766*	*$288,085*
8	*Preferred*	*$46,258*	*$1,266*	*$1,588*
9	*Total*	*$838,516*	*$733,079*	*$691,261*
10				
11	*RATIOS:*			
12	*Short-Term Debt: Notes Due*	*26.0%*	*22.1%*	*16.9%*
13	*Short-Term Debt: Current Portion of Long-Term Debt*	*1.8%*	*3.4%*	*0.0%*
14	*Long-Term Debt*	*31.0%*	*35.4%*	*41.2%*
15	Common Equity	*35.7%*	*39.0%*	*41.7%*
16	*Preferred*	*5.5%*	*0.2%*	*0.2%*
17	*Total*	*100.0%*	*100.0%*	*100.0%*

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	*New Jersey Resources : Consolidated Capitalization*			
2	*(In Millions of $)*			
3	*Capital Structure Components As Of:*	*2002: Sep 30*	*2002: Sep 30*	*2001: Sep 30*
4	*Short-Term Debt: Notes Due*	185	$60	$86
5	*Short-Term Debt: Current Portion of Long-Term Debt*	2.5	$27	$1
6	*Long-Term Debt*	258	$371	$354
7	*Common Equity*	419	$361	$352
8	*Preferred*	0	0.295	0.298
9	*Total*	864.5	$819	$792
10				
11	*RATIOS:*			
12	*Short-Term Debt: Notes Due*	21.4%	7.3%	10.8%
13	*Short-Term Debt: Current Portion of Long-Term Debt*	0.3%	3.3%	0.1%
14	*Long-Term Debt*	29.8%	45.3%	44.7%
15	Common Equity	48.5%	44.1%	44.5%
16	*Preferred*	0.0%	0.0%	0.0%
17	*Total*	100.0%	100.1%	100.1%

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	*NICOR : Consolidated Capitalization*			
2	*(In Millions of $)*			
3	*Capital Structure Components As Of:*	*2003: Dec 31*	*2002: Dec 31*	*2001: Dec 31*
4	*Short-Term Debt: Notes Due*	*$575*	*$315*	*$277*
5	*Short-Term Debt: Current Portion of Long-Term Debt*	*0*	*$100*	*0*
6	*Long-Term Debt*	*$497*	*$396*	*$446*
7	*Common Equity*	*$755*	*$728*	*$704*
8	*Preferred*	*$0*	*$4*	*$6*
9	*Total*	*$1,827*	*$1,544*	*$1,434*
10				
11	*RATIOS:*			
12	*Short-Term Debt: Notes Due*	*31.5%*	*20.4%*	*19.3%*
13	*Short-Term Debt: Current Portion of Long-Term Debt*	*0.0%*	*6.5%*	*0.0%*
14	*Long-Term Debt*	*27.2%*	*25.7%*	*31.1%*
15	*Common Equity*	*41.3%*	*47.2%*	*49.1%*
16	*Preferred*	*0.0%*	*0.3%*	*0.4%*
17	*Total*	*100.0%*	*100.0%*	*100.0%*

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	*Northwest Natural Gas : Consolidated Capitalization*			
2	*(In Thousands of $)*			
3	*Capital Structure Components As Of:*	*2003: Dec 31*	*2002: Dec 31*	*2001: Dec 31*
4	*Short-Term Debt: Notes Due*	*$85,200*	*$69,802*	*$108,291*
5	*Short-Term Debt: Current Portion of Long-Term Debt*	*$0*	*$20,000*	*$40,000*
6	*Long-Term Debt*	*$500,319*	*$445,945*	*$378,377*
7	*Common Equity*	*$506,316*	*$483,103*	*$468,161*
8	*Preferred*	*$0*	*$8,250*	*$34,000*
9	*Total*	*$1,091,835*	*$1,027,100*	*$1,028,829*
10				
11	*RATIOS:*			
12	*Short-Term Debt: Notes Due*	*7.8%*	*6.8%*	*10.5%*
13	*Short-Term Debt: Current Portion of Long-Term Debt*	*0.0%*	*1.9%*	*3.9%*
14	*Long-Term Debt*	*45.8%*	*43.4%*	*36.8%*
15	$\boxed{\text{Common Equity}}$	*46.4%*	*47.0%*	*45.5%*
16	*Preferred*	*0.0%*	*0.8%*	*3.3%*
17	*Total*	*100.0%*	*100.0%*	*100.0%*

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	*Peoples Energy Corporation : Consolidated Capitalization*			
2	*(In Thousands of $)*			
3	*Capital Structure Components As Of:*	*2003: Sep 30*	*2002: Sep 30*	*2001: Sep 30*
4	*Short-Term Debt: Notes Due*	*$207,949*	*$287,871*	*$507,454*
5	*Short-Term Debt: Current Portion of Long-Term Debt*	*$0*	*$90,000*	*$100,000*
6	*Long-Term Debt*	*$744,345*	*$554,014*	*$644,308*
7	*Common Equity*	*$847,999*	*$806,324*	*$798,614*
8	*Preferred*	*$0*	*$0*	*$0*
9	*Total*	*$1,800,293*	*$1,738,209*	*$2,050,376*
10				
11	*RATIOS:*			
12	*Short-Term Debt: Notes Due*	*11.6%*	*16.6%*	*24.7%*
13	*Short-Term Debt: Current Portion of Long-Term Debt*	*0.0%*	*5.2%*	*4.9%*
14	*Long-Term Debt*	*41.3%*	*31.9%*	*31.4%*
15	*Common Equity*	*47.1%*	*46.4%*	*38.9%*
16	*Preferred*	*0.0%*	*0.0%*	*0.0%*
17	*Total*	*100.0%*	*100.0%*	*100.0%*

DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	*Piedmont: Consolidated Capitalization*			
2	*(In Thousands of $)*			
3	*Capital Structure Components As Of:*	*2003: Sep 30*	*2002: Sep 30*	*2001: Sep 30*
4	*Short-Term Debt: Notes Due*	*$555,059*	*$46,500*	*$32,000*
5	*Short-Term Debt: Current Portion of Long-Term Debt*	*$2,000*	*$47,000*	*$2,000*
6	*Long-Term Debt*	*$460,000*	*$462,000*	*$509,000*
7	*Common Equity*	*$630,195*	*$589,596*	*$560,379*
8	*Preferred*	*$0*	*$0*	*$0*
9	*Total*	*$1,647,254*	*$1,145,096*	*$1,103,379*
10				
11	*RATIOS:*			
12	*Short-Term Debt: Notes Due*	*33.7%*	*4.1%*	*2.9%*
13	*Short-Term Debt: Current Portion of Long-Term Debt*	*0.1%*	*4.1%*	*0.2%*
14	*Long-Term Debt*	*27.9%*	*40.3%*	*46.1%*
15	Common Equity	*38.3%*	*51.5%*	*50.8%*
16	*Preferred*	*0.0%*	*0.0%*	*0.0%*
17	*Total*	*100.0%*	*100.0%*	*100.0%*

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DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	**Southwest Gas: Consolidated Capitalization**			
2	*(In Thousands of $)*			
3	*Capital Structure Components As Of:*	*2003: Dec 31*	*2002: Dec 31*	*2001: Dec 31*
4	*Short-Term Debt: Notes Due*	$52,000	$53,000	$93,000
5	*Short-Term Debt: Current Portion of Long-Term Debt*	$6,435	$8,705	$307,641
6	*Long-Term Debt*	$1,221,164	$1,152,148	$856,351
7	*Common Equity*	$630,467	$596,167	$561,200
8	*Preferred*	$0	$0	$0
9	*Total*	$1,910,066	$1,810,020	$1,818,192
10				
11	**RATIOS:**			
12	*Short-Term Debt: Notes Due*	2.7%	2.9%	5.1%
13	*Short-Term Debt: Current Portion of Long-Term Debt*	0.3%	0.5%	16.9%
14	*Long-Term Debt*	63.9%	63.7%	47.1%
15	*Common Equity*	33.0%	32.9%	30.9%
16	*Preferred*	0.0%	0.0%	0.0%
17	*Total*	100.0%	100.0%	100.0%

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DETERMINATION OF COMMON EQUITY RATIOS AND CAPITAL STRUCTURE FOR COMPARABLE COMPANIES

1	**WGL Holdings : Consolidated Capitalization**			
2	(In Thousands of $)			
3	Capital Structure Components As Of:	2003: Sep 30	2002: Sep 30	2001: Sep 30
4	Short-Term Debt: Notes Due	$166,662	$90,865	$134,052
5	Short-Term Debt: Current Portion of Long-Term Debt	$12,180	$42,238	$48,179
6	Long-Term Debt	$636,650	$667,951	$584,370
7	Common Equity	$818,218	$766,403	$788,253
8	Preferred	$28,173	$28,173	$28,173
9	Total	$1,661,883	$1,595,630	$1,583,027
10				
11	**RATIOS:**			
12	Short-Term Debt: Notes Due	10.0%	5.7%	8.5%
13	Short-Term Debt: Current Portion of Long-Term Debt	0.7%	2.6%	3.0%
14	Long-Term Debt	38.3%	41.9%	36.9%
15	**Common Equity**	49.2%	**48.0%**	**49.8%**
16	Preferred	1.7%	1.8%	1.8%
17	Total	100.0%	100.0%	100.0%

SUMMARY OF CAPITAL STRUCTURE

Capital Structure Based On 10 Comparable Companies
RATIOS

Capital Structure Components As Of:	*2003*	*2002*	*2001*	*3 Yr Average*
Short-Term Debt: Notes Due	*15.6%*	*10.6%*	*12.4%*	*12.9%*
Short-Term Debt: Current Portion of Long-Term Debt	*0.4%*	*2.9%*	*3.0%*	*2.1%*
Long-Term Debt	*40.9%*	*43.2%*	*41.5%*	*41.9%*
Common Equity	*42.3%*	*42.9%*	*42.3%*	*42.5%*
Preferred	*0.8%*	*0.4%*	*0.7%*	*0.6%*
Total	*100.0%*	*100.0%*	*100.0%*	*100.0%*

SUMMARY OF CAPITAL STRUCTURE

Capital Structure Based On 10 Comparable Companies

RATIOS

Capital Structure Components As Of:	2003	2002	2001	3 Yr Average
Short-Term Debt: Notes Due	15.6%	10.6%	12.4%	12.9%
Short-Term Debt: Current Portion of Long-Term Debt	0.4%	2.9%	3.0%	2.1%
Long-Term Debt	40.9%	43.2%	41.5%	41.9%
Common Equity	42.3%	42.9%	42.3%	42.5%
Preferred	0.8%	0.4%	0.7%	0.6%
Total	100.0%	100.0%	100.0%	100.0%

Docket No 04 00034
Exhibit CAPD SB____
Direct Testimony____
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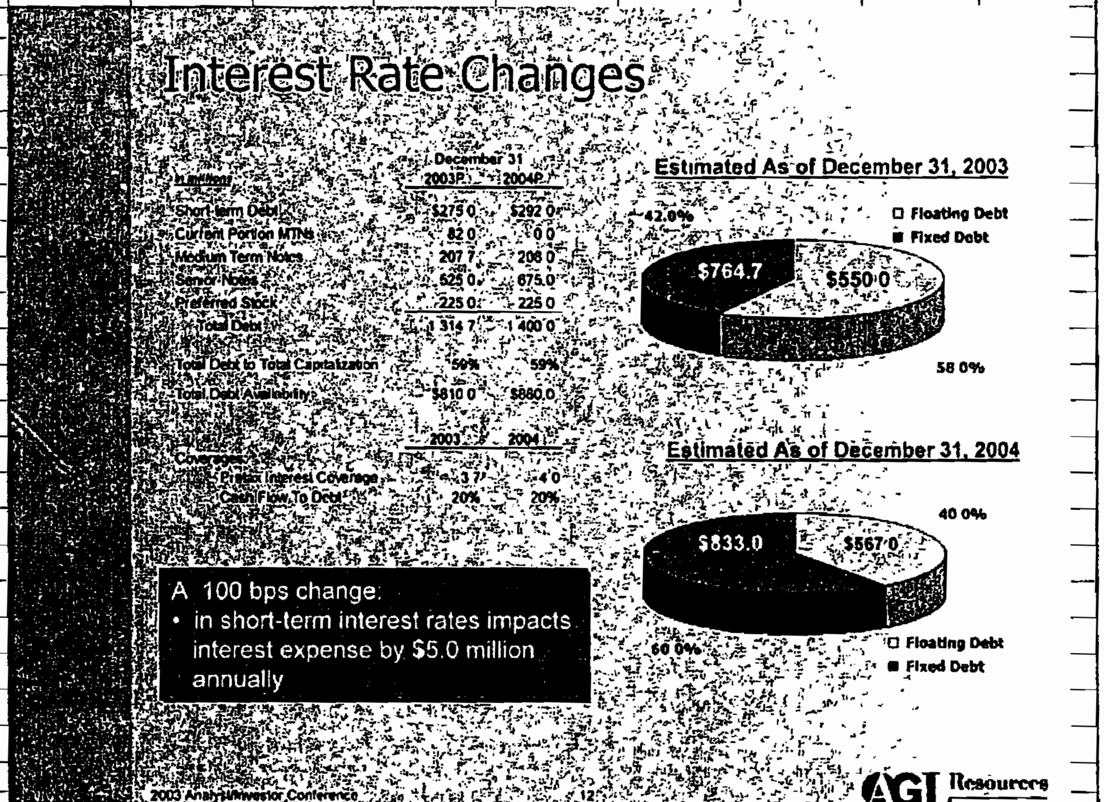
Page 1 of 1______

003274

AGL RESOURCES CAPITAL STRUCTURE PRESENTED AT INVESTORS CONFERENCE OF NOV 17-18, 2003

Balances From The Slide		
Capital Type	2003P	2004P
Short-Term	275 0	292 0
Current Debt Due	82 0	0 0
All Other Debt	732 7	883 0
Preferred	225 0	225 0
Total Shown	1314 7	1400 0
Equity - Not Shown	913 6	972 9
Grand Total	2228 3	2372 9

Percentages Based On the Slide		
Capital Type	2003P	2004P
Short-Term	12 3%	12 3%
Current Debt Due	3 7%	0 0%
All Other Debt	32 9%	37 2%
Preferred	10 1%	9 5%
Total Shown	59 0%	59 0%
Equity - Not Shown	41 0%	41 0%
Grand Total	100 0%	100 0%



Results From CAPD Comparable Companies - 3 Yr Average	
Capital Type	
Short-Term	12 9%
Long-Term Debt And Preferred	44 6%
Equity	42 5%
Grand Total	100 0%

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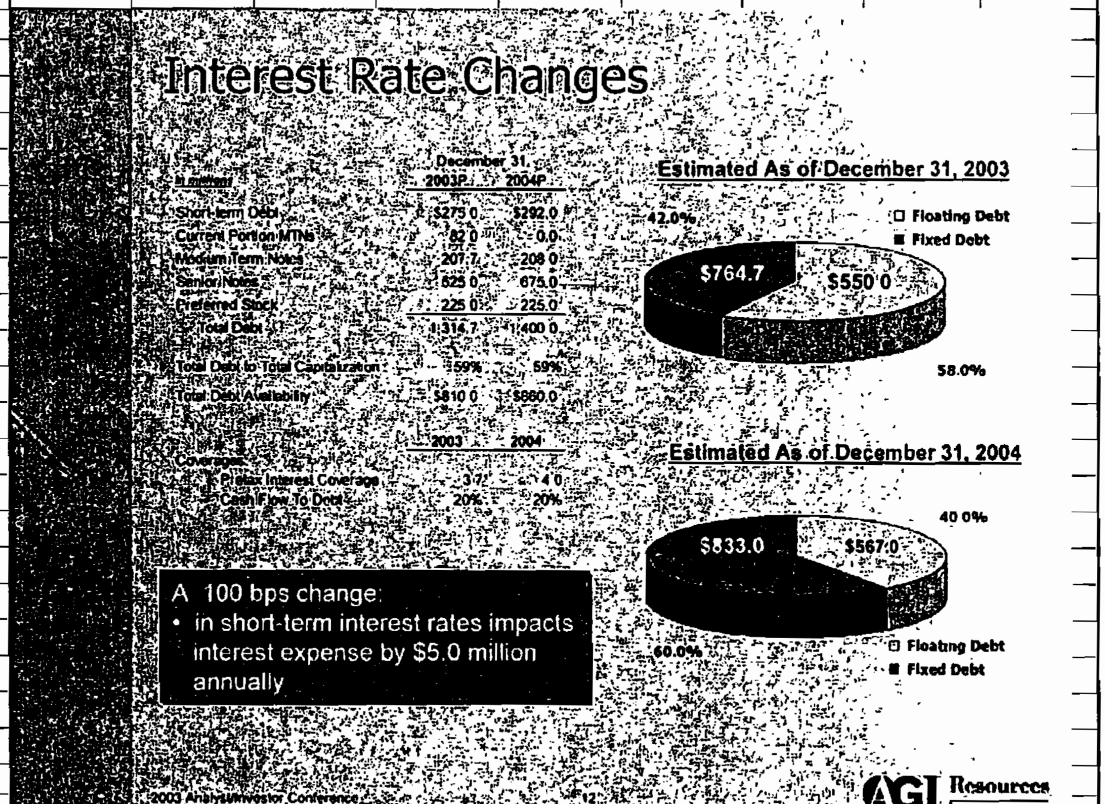
003275

AGL RESOURCES CAPITAL STRUCTURE PRESENTED AT INVESTORS CONFERENCE OF NOV 17-18, 2003

Balances From The Slide		
Capital Type	2003P	2004P
Short-Term	275 0	292 0
Current Debt Due	82 0	0 0
All Other Debt	732.7	883.0
Preferred	225 0	225 0
Total Shown	1314.7	1400 0
Equity - Not Shown	913 6	972 9
Grand Total	2228.3	2372 9

Percentages Based On the Slide		
Capital Type	2003P	2004P
Short-Term	12 3%	12 3%
Current Debt Due	3.7%	0 0%
All Other Debt	32 9%	37 2%
Preferred	10 1%	9.5%
Total Shown	59 0%	59 0%
Equity - Not Shown	41.0%	41 0%
Grand Total	100 0%	100 0%



Results From CAPD Comparable Companies - 3 Yr Average	
Capital Type	
Short-Term	12 9%
Long-Term Debt And Preferred	44 6%
Equity	42 5%
Grand Total	100 0%

REPORT OF INDEPENDENT AUDITORS

Board of Directors
Atmos Energy Corporation

We have audited the accompanying consolidated balance sheets of Atmos Energy Corporation as of September 30, 2003 and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended September 30, 2003

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Atmos Energy Corporation at September 30, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 2003

ERNST & YOUNG LLP

Dallas, Texas

10-Nov-03

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of KeySpan Corporation

We have audited the accompanying Consolidated Balance Sheets of KeySpan Corporation and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related Consolidated Statements of Income, Retained Earnings, Comprehensive Income, Capitalization, and Cash Flows for each of the two years in the period ended December 31, 2003

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the KeySpan Corporation and subsidiaries as of December 31, 2003 and 2002

/s/Deloitte & Touche LLP

18-Feb-04

New York, New York

Independent Auditors' Report

To the Board of Directors and Shareholders of The Laclede Group, Inc

We have audited the consolidated balance sheets and statements of consolidated capitalization of The Laclede Group, Inc and its subsidiaries ("the Company") as of September 30, 2003 and 2002, and the related statements of consolidated income, common shareholder' equity, comprehensive income, and cash flows for each of the three years in the period ended September 30, 2003

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Laclede Group, Inc and its subsidiaries as of September 30, 2003 and 2002

DELOITTE & TOUCHE LLP

St Louis, Missouri

18-Nov-03

To the Shareholders and Board of Directors of Nicor Inc

We have audited the accompanying consolidated balance sheets and statements of capitalization of Nicor Inc and subsidiaries (the Company) as of December 31, 2003 and 2002, and the related consolidated statements of operations, common equity, comprehensive income, and cash flows for each of the three years in the period ended December 31, 2003 We believe that our audits provide a reasonable basis for our opinion

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Nicor Inc and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003

DELOITTE & TOUCHE LLP
Chicago, Illinois February 19, 2004

To the Shareholders and Board of Directors of New Jersey Resources Corporation

We have audited the consolidated financial statements of New Jersey Resources Corporation (the "Corporation") as of September 30, 2003 and 2002, and for each of the three years in the period ended September 30, 2003, and have issued our report thereon dated October 28, 2003 This consolidated financial statement schedule is the responsibility of the Corporation's management Our responsibility is to express an opinion based on our audits In our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein

DELOITTE & TOUCHE LLP Parsippany, New Jersey October 28, 2003

To the Board of Directors and Shareholders of
Northwest Natural Gas Company

In our opinion, the consolidated financial statements listed in the accompanying table of contents present fairly, in all material respects, the financial position of Northwest Natural Gas Company and its subsidiaries (the "Company") at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003
/s/PricewaterhouseCoopers LLP

Portland, Oregon

26-Feb-04

003282

To Shareholders of Peoples Energy Corporation

We have audited the accompanying consolidated balance sheets and consolidated capitalization statements of Peoples Energy Corporation and subsidiary companies (the Company) at September 30, 2003 and 2002, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended September 30, 2003

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peoples Energy Corporation and subsidiary companies at September 30, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2003

DELOITTE & TOUCHE LLP Chicago, Illinois December 10, 2003

Independent Auditors' Report

To the Board of Directors and Stockholders of Piedmont Natural Gas Company, Inc
Charlotte, North Carolina

We have audited the accompanying consolidated balance sheets of Piedmont Natural Gas Company, Inc and subsidiaries ("Piedmont") as of October 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended October 31, 2003 Our audits also included the financial statement schedule listed in the Index at Item 15 These financial statements and financial statement schedule are the responsibility of Piedmont's management Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Piedmont at October 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended October 31, 2003

/s/ DELOITTE & TOUCHE LLP

09-Jan-04

To the Shareholders of
Southwest Gas Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Southwest Gas Corporation and its subsidiaries at December 31, 2003 and 2002, and the results of their operations and their cash flows for the years ended December 31, 2003 and 2002 in conformity

PricewaterhouseCoopers LLP
Los Angeles, California

11-Mar-04

To the Board of Directors and Shareholders of WGL Holdings, Inc and Washington Gas Light Company

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of WGL Holdings, Inc and subsidiaries and the separate balance sheets and statements of capitalization of Washington Gas Light Company (the Companies) as of September 30, 2003 and 2002, and the related statements of income, common shareholders' equity, cash flows and income taxes for the years then ended Our audits also included the financial statement schedules listed in the Index at Item 15 under Schedule II for the years ended September 30, 2003 and 2002 These financial statements and financial statement schedules are the responsibility of the Companies' management Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits

We believe that our audits provide a reasonable basis for our opinion
In our opinion, such 2003 and 2002 financial statements present fairly, in all material respects, the consolidated financial position of WGL Holdings, Inc and subsidiaries and the financial position of Washington Gas Light Company as of September 30, 2003 and 2002

DELOITTE & TOUCHE LLP
McLean, Virginia

05-Dec-03

Docket No 04 00034
Exhibit CAPD SB____
Direct Testimony____
Schedule 7 ______
Page 1 of 4______

003286

AT RICHMOND, SEPTEMBER 27, 2002

2002 SEP 27 P 2:53

APPLICATION OF

VIRGINIA NATURAL GAS, INC., AGL RESOURCES INC., and AGL SERVICES COMPANY

CASE NO. PUE-2002-00515

For authority to issue short-term debt, long-term debt, and common stock to an affiliate

ORDER GRANTING AUTHORITY

On September 17, 2002, Virginia Natural Gas, Inc. ("VNG"), AGL Resources, Inc., ("AGLR"), and AGL Services Company ("AGL Services") (collectively, "Applicants"), filed an application under Chapters 3 and 4 of Title 56 of the Code of Virginia requesting authority for VNG to participate in the AGLR Money Pool, to issue long-term debt, and to issue and sell common stock to an affiliate. The amount of short-term debt proposed in the application exceeds twelve percent of capitalization as defined in § 56-65.1 of the Code of Virginia. Applicants have paid the requisite fee of $250.

2) VNG is authorized to issue long-term debt to AGLR in an amount not to exceed $250,000,000 and to issue and sell common stock to AGLR in an amount not to exceed $300,000,000, for the period extending from October 1, 2002, through December 31, 2003, under the terms and conditions and for the purposes set forth in the application.

3) Approval of this application shall have no implications for ratemaking purposes.

4) Approval of this application does not preclude the Commission from applying the provisions of § 56-78 and § 56-80 of the Code of Virginia hereafter.

5) The Commission reserves the right pursuant to § 56-79 of the Code of Virginia to examine the books and records of any affiliate in connection with the authority granted herein, whether or not such affiliate is regulated by this Commission.

COMMONWEALTH OF VIRGINIA
BEFORE THE
STATE CORPORATION COMMISSION

Application of

VIRGINIA NATURAL GAS, INC.,
Principal Applicant, and

Case No. PUE02-00515

AGL RESOURCES INC. and
AGL SERVICES COMPANY,
Affiliate Applicants

For Authority to Issue Short-Term Debt, Long-Term Debt and Common Stock to an Affiliate under Chapters 3 and 4, Title 56 of the Code of Virginia

APPLICATION FOR AUTHORITY TO ISSUE SHORT-TERM DEBT, LONG-TERM DEBT AND COMMON STOCK TO AFFILIATE UNDER CHAPTERS 3 AND 4, TITLE 56 OF THE CODE OF VIRGINIA

12. Because the proposed financing transactions will be private transactions, expenses relating to the proposed financing program will be de minimis and will be borne by the Applicants.

13. VNG's Condensed Financial Statements dated as of June 30, 2002

B) Even though the rate of interest to be used for the long-term debt is not known at this time, it will be lower than VNG could expect to obtain on its own were it not affiliated with AGLR.

C) There is no market price for VNG's common stock from which to make any meaningful comparisons with book value.

PARENT COMPANY LOAN TO SUBSIDIARY
SEC FORM U-6B-2

Docket No 04 00034
Exhibit CAPD SB___
Direct Testimony___
Schedule 8 _____
Page 1 of 1_____

U-6B-2 1 aglrformu6b2 htm U-6B-2

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D C 20549

Form U-6B-2

Certificate of Notification

Filed by AGL Resources Inc

On behalf of Virginia Natural Gas, Inc

Filed by a registered holding company or subsidiary thereof pursuant to Rule 52 adopted under the Public Utility Holding Company Act of 1935

This certificate is notice that Virginia Natural Gas, Inc , a subsidiary of AGL Resources Inc , a registered holding company, has issued, renewed or guaranteed the security or securities described herein which issue, renewal or guaranty was exempted from the provisions of section 6(a) of the Act and was neither the subject of a declaration or application on Form U-1, nor included within the exemption provided by Rule U-48

1

Type of security or securities

Subordinated unsecured promissory note

2

Issue, renewal or guaranty

Issue

3

Principal amount of each security

$20,312,763 00

4

Rate of interest per annum of each security

8 30%

5

Date of issue, renewal or guaranty of each security

15-Jul-01

6

If renewal of security, give date of original issue

N/A

7

Date of maturity of each security

15-Jul-31

8

Name of the person to whom each security was issued, renewed or guaranteed

AGL Resources Inc

9

Collateral given with each security, if any

N/A

10

Consideration received for each security

The note is in respect of dividends declared by Virginia Natural Gas, Inc payable to AGL Resources Inc

11

Application of proceeds of each security

The proceeds of the note will be used in the ordinary course of business

12

Indicate by a check after the applicable statement below whether the issue, renewal or guaranty of each security was exempt from the provision of Section 6(a) because of

(a) the provisions contained in the first sentence of Section 6(b)

(b) the provisions contained in the fourth sentence of Section 6(b)

(c) the provisions contained in any rule of the Commission other than Rule U-48 [X]

13

If the security or securities were exempt from the provisions of Section 6(a) by virtue of the first sentence of Section 6(b), give the figures which indicate that the security or securities aggregate (together with all other then outstanding notes and drafts of a maturity of nine months or less, exclusive of days of grace, as to which such company is primarily or secondarily liable) not more than 5 per centum of the principal amount and par value of the other securities of such company then outstanding

N/A

14

If the security or securities are exempt from the provisions of Section 6(a) because of the fourth sentence of Section 6(b), name the security outstanding on January 1, 1935, pursuant to the term of which the security or securities herein described have been issued

N/A

15

If the security or securities are exempt from the provisions of Section 6(a) because of any rule of the Commission other than Rule U-48, designate the rule under which exemption is claimed

Rule 52(a)

Virginia Natural Gas, Inc

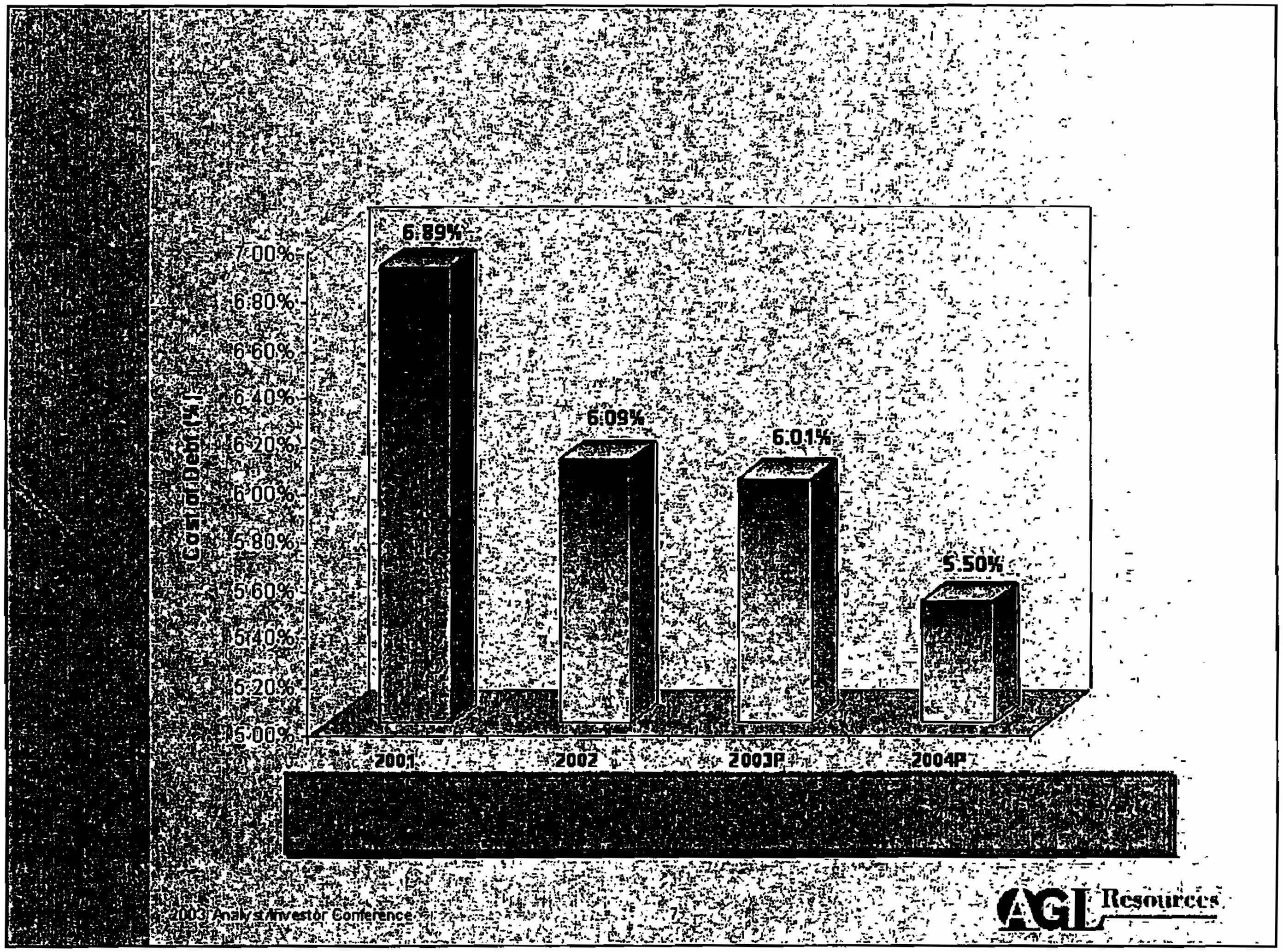
Title President

Date July 25, 2003

Docket No 04 00034
Exhibit CAPD SB____
Direct Testimony____
Schedule 9 ______
Page 1 of 1______

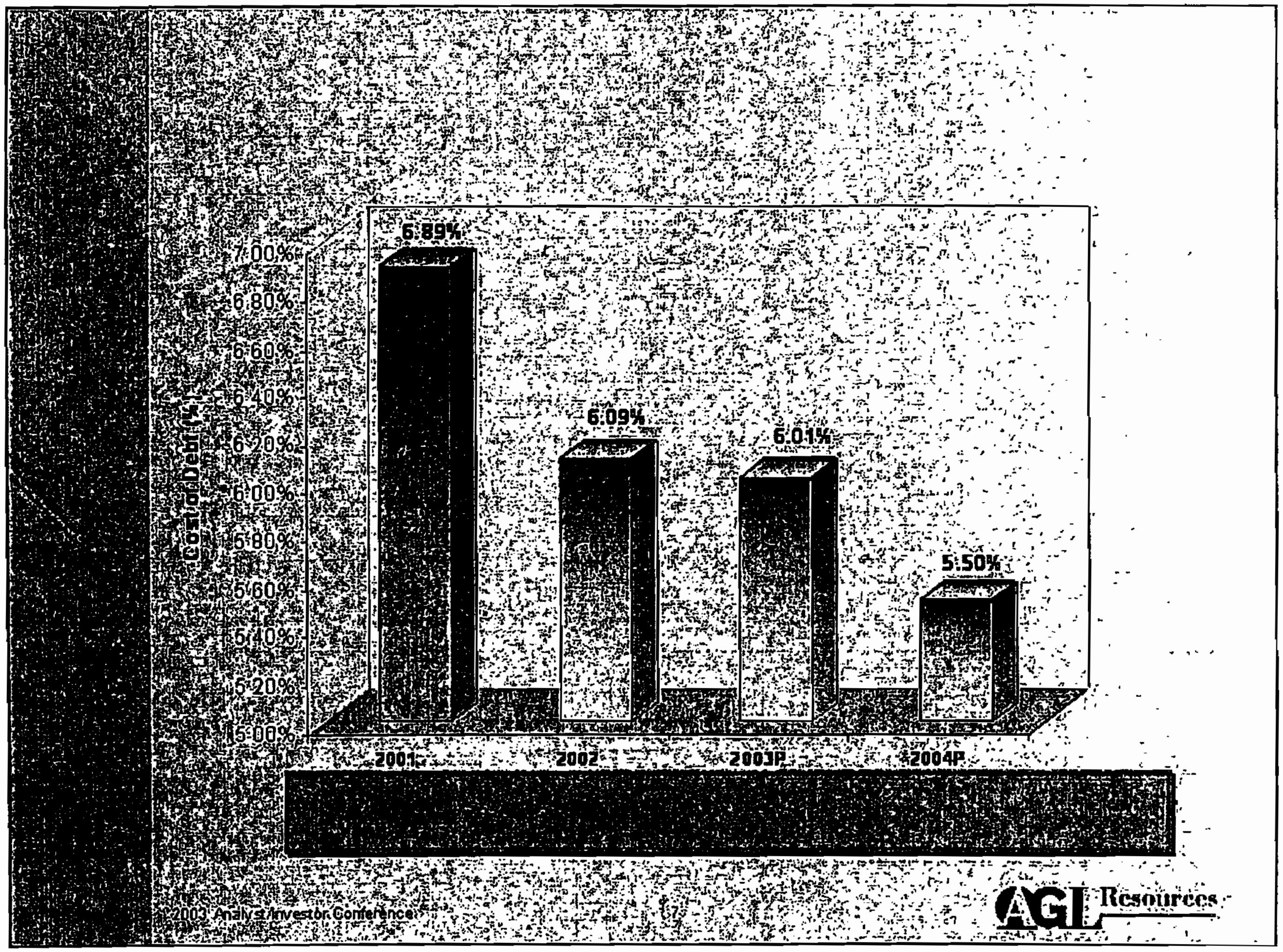
003291

AGL RESOURCES DECLINING COST OF DEBT PRESENTED AT INVESTORS CONFERENCE OF NOV 17-18, 2003



Docket No 04 00034
Exhibit CAPD SB____
Direct Testimony____
Schedule 9 ______
Page 1 of 1______

AGL RESOURCES DECLINING COST OF DEBT PRESENTED AT INVESTORS CONFERENCE OF NOV 17-18, 2003



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Direct Testimony___
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TENNESSEE PUBLIC SERVICE COMMISSION
CORDELL HULL BUILDING
NASHVILLE, TENNESSEE 37219

JANE ESKIND, CHAIRMAN
FRANK COCHRAN, COMMISSIONER
KEITH BISSELL, COMMISSIONER

BOB DAVIS, EXECUTIVE DIRECTOR
HENRY M. WALKER, GENERAL COUNSEL

July 3, 1985

IN RE: PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO PLACE INTO EFFECT A REVISED TARIFF

DOCKET NO. U-83-7226

ON REMAND

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO PLACE INTO EFFECT A REVISED TARIFF

DOCKET NO. U-85-7338

O R D E R

Attached hereto is a copy of the Commission's order dated July 3, 1985 relating to the above captioned docket.

Sincerely,

Bob Davis

Bob Davis
Executive Director

Docket No 04-00034
Exhibit CAPD-SB___
Direct Testimony___
Schedule 10 ______
Page 1 of 3______

003294

TENNESSEE PUBLIC SERVICE COMMISSION

CORDELL HULL BUILDING
NASHVILLE, TENNESSEE 37219

JANE ESKIND, CHAIRMAN
FRANK COCHRAN, COMMISSIONER
KEITH BISSELL, COMMISSIONER

BOB DAVIS, EXECUTIVE DIRECTOR
HENRY M. WALKER, GENERAL COUNSEL

July 3, 1985

IN RE: PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO PLACE INTO EFFECT A REVISED TARIFF

DOCKET NO. U-83-7226

ON REMAND

PETITION OF TENNESSEE-AMERICAN WATER COMPANY TO PLACE INTO EFFECT A REVISED TARIFF

DOCKET NO. U-85-7338

O R D E R

Attached hereto is a copy of the Commission's order dated July 3, 1985 relating to the above captioned docket.

Sincerely,

Bob Davis

Bob Davis
Executive Director

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony____
Schedule 10 ______
Page 2 of 3______

003295

The Commission adopts the double leverage capital structure advocated by Dr. Westfield for setting rates in this case. Dr. Westfield has used the double leverage capital structure for the Company as of December 31, 1984 because this capital structure reflects the latest balance sheet data based on the actual accounts of the Company. Tr. 354-355. He did not use the Company's projected capital structure for the year ending June 30, 1986, because this projected capital structure was based on a projection of the Company's future earnings and dividends. Tr. 355. Future earnings are not known until the Commission makes a decision in this case. The parent company's desire for dividends as opposed to retained earnings may also affect the projected capital structure. Dr. Westfield testified that the capitalization ratios of a company the size of Tennessee-American may fluctuate over time because of major new financing, especially bonds and preferred stock. Tr. 355. Therefore, we conclude that the December 31, 1984 capital structure of Dr. Westfield based on the latest balance sheet data available will serve as an appropriate target capitalization ratio for setting rates in this case.

The Company argues that the Commission should reject double leverage and ignore the parent-subsidiary relationship between AWWC and the Company. Dr. Morin testified that the Commission should pretend that Tennessee-American's equity capital is raised in the marketplace, and using AWWC and other comparable companies as surrogates for the Company try to guess what the market cost of the Company's equity capital would be if its stock were publicly traded.

003296

The double leverage approach rejects this fiction. The Company does not sell its stock to the public; all of its stock is financed by its parent corporation, AWWC. Thus, the Company's cost of equity is not determined by the impersonal forces of the financial market, but by "board room decisions made by a parent corporation which controls, to a great extent, the ultimate cost of a subsidiary's equity." General Telephone Co. of the Southwest v. Public Utility Commission of Texas, No. 13,749 (Ct. App. 1982). The double leverage approach recognizes the financial benefits of the Company's leveraged capital structure and allows the ratepayers to share in the advantages of the Company's parent-subsidiary relationship.

To ignore the effect of leverage at the parent level would result in the regulated utility's earning more than its cost of capital and would produce a windfall return for AWWC's stockholders in excess of the authorized return set by this Commission. All of the benefits of leverage would flow to the shareholders and none to the ratepayers. As Dr. Westfield testified:

> If Dr. Morin were to account for the amount of common equity investment for each of AWWC's subsidiaries using his method, he would end up with a total equity investment by AWWC's stockholders in the assets of the operating subsidiaries that is far greater than is their actual investment in these assets. The difference is accounted for by the assets financed with parent company debt and preferred stock. Furthermore, he would conclude that the cost of the common equity of all the subsidiaries, when priced at the cost of equity to AWWC, is substantially greater than it actually is. The amount is the difference between cost to the parent of common equity and the embedded cost of its debt and preferred stock that is actually incurred. With Dr. Morin's theory the rate payers of AWWC's subsidiaries are asked to pay for the cost of AWWC common stock that doesn't even exist. Tr. 359.

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003297

AGLR DISTRIBUTION SUBS
ACTUAL RETURN ON EQUITY - SEPT. 30 2002
PRESENTED AT CONFERENCE OF NOV 6-8, 2002

SLIDE 12 OF:		
AGL Resources		
Analyst Conference		
November 6-8, 2002		
Miami, Florida		
Authorized Versus Actual Returns		
[The following information is presented in graphic format]		
AGL Resources Utility Operations		
Return on Equity 12 Months Ended September 30, 2002		
	Percent of Return	
	Authorized	Actual
	12 00 (1)	
AGLC	11 00 (1)	11 85 (2)
CGC	11 06	10.53
VNG	10 9	8 73 (3)
(1) The authorized ROE is 11 00% The top of the earnings band is 12 00%. The Company can also include 1/2 of VNG Synergies in calculating the return prior to sharing		
(2) Represents 5 months under new rates and 7 months under previous rates		
(3) Based on actual weather		
12		

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Schedule 12 ____
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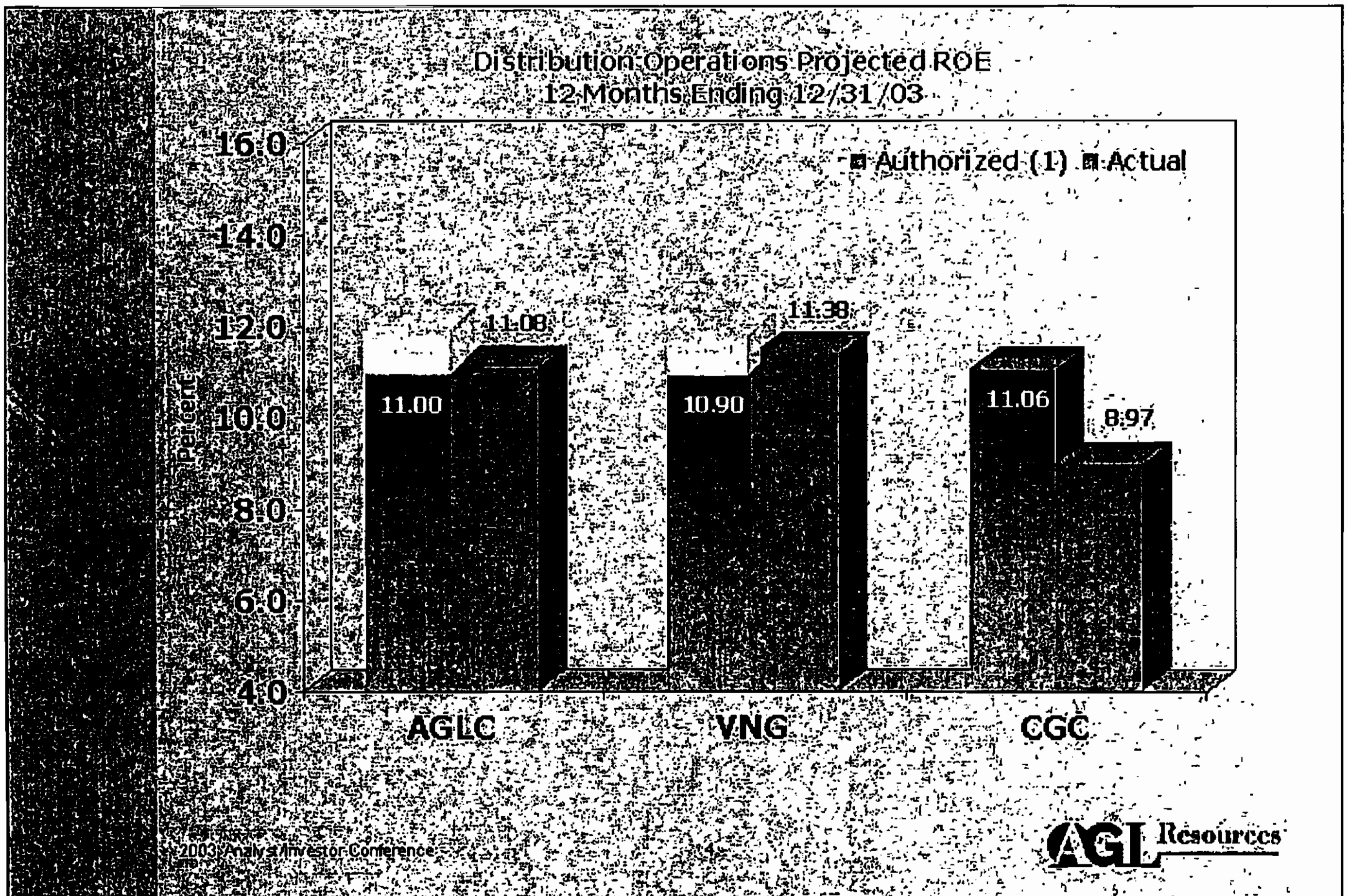
AGLR DISTRIBUTION SUBS
RETURN ON EQUITY - DEC 31 2003
PRESENTED AT INVESTORS CONFERENCE NOV 17-18, 2003



CAPD NOTE. The Title Below Appeared Later in the Slide Show

Rate Relief or No Rate Relief?

003298

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Exhibit CAPD SB____
Direct Testimony___
Schedule 12 _____
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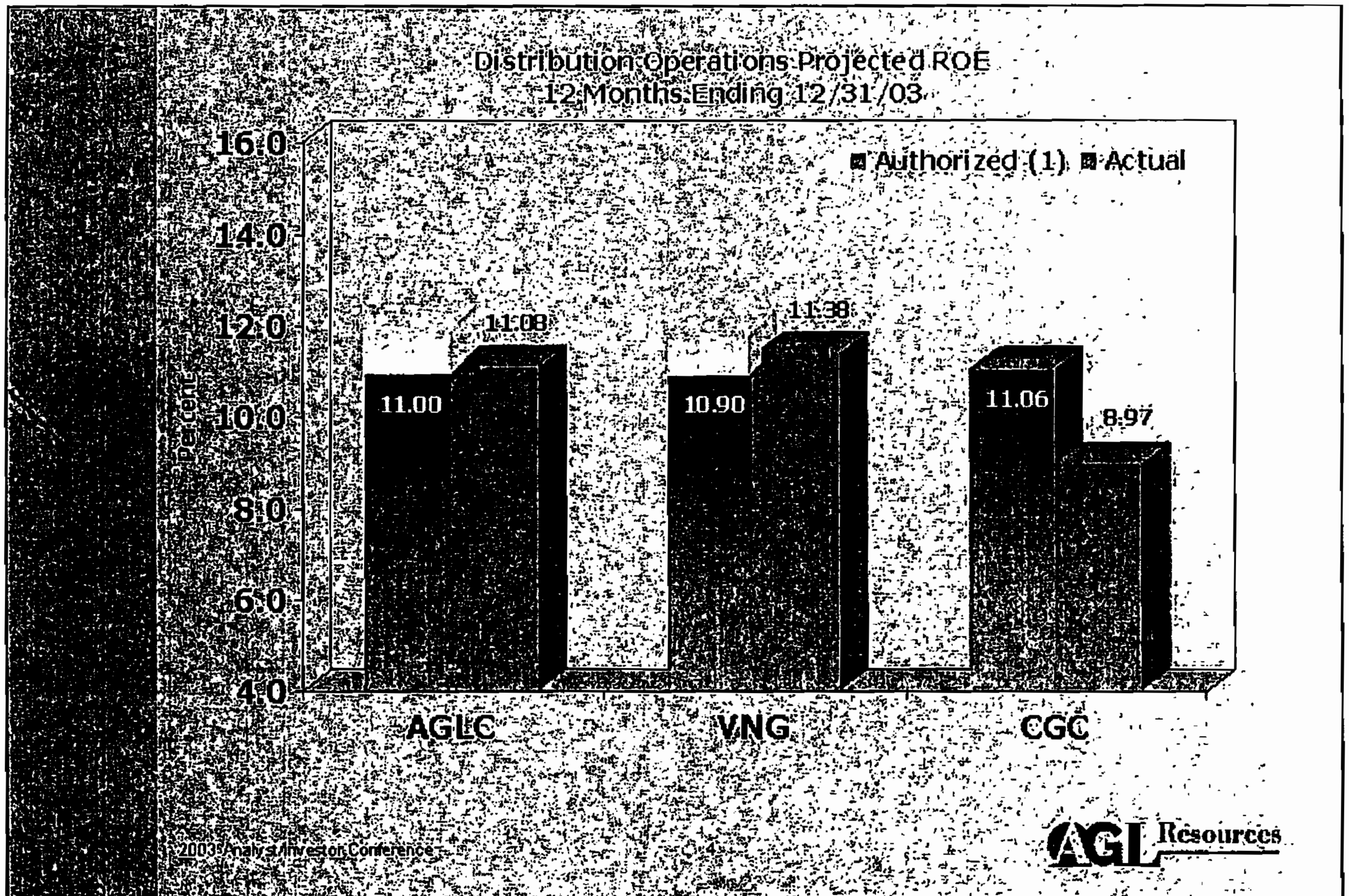
AGLR DISTRIBUTION SUBS
RETURN ON EQUITY - DEC 31 2003
PRESENTED AT INVESTORS CONFERENCE NOV 17-18, 2003



CAPD NOTE. The Title Below Appeared Later in the Slide Show

Rate Relief or No Rate Relief?

003299

VSCC WNA CASE

Docket No 04 00034
Exhibit CAPD SB___
Direct Testimony___
Schedule 13 ___
Page 1 of 1___

003300

Virginia Natural Gas

Weather Normalization Adjustment

Experimental Program

Case No. PUE-2002-00237

Annual Report

Filed July 15, 2003

Docket No 04 00034
Exhibit CAPD SB____
Direct Testimony___
Schedule 14 _____
Page 1 of 1______

003301

VSCC WNA CASE

Virginia Natural Gas Weather Normalization Adjustment Activity (Credit to customers) + Surcharge to customers	Billed
Oct 02	0
Nov 02	(150,740)
Dec 02	(1,628,270)
Jan 03	253,318
Feb 03	(1,545,054)
Mar 03	203,583
April 03	919,263
May 03	65,663
Total Billed WNA Credit	(1,782,237)
Plus - charge-offs	10,280
Less: Estimated WNA in accounts receivable as of May 31, 2003 net of estimated future charge-offs	185,962
Cash Outflow Resulting from of WNA through May 31, 2003	(1,957,919)

Docket No 04 00034
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Direct Testimony___
Schedule 15 _____
Page 1 of 1_____

003302

VSCC WNA CASE

Twelve Months Ended May 2003 for Jurisdictional Operations

	Actual Per Books Including Net WNA Credits to Customers	Adjusted to Exclude Net WNA Credits to Customers	Decrease Due to WNA
Return on Rate Base	8.91%	9.20%	-0.29%
Return on Equity	10.90%	11.46%	-0.56%

Note: Adjusted returns were calculated by removing the effect of the WNA credits, net of income taxes.

Derivation of AGL Resources
Cost of Short-Term Debt
Step 1 - Evidence From AGL's Past Performance

Analysis of AGL Resources Short-term Debt Cost - Source AGL Resources SEC form U-6B-2 Filed Mar 22 2001

Date	Amount in Millions	Interest Rate	Weighted Interest Rate	Date	Amount in Millions	Interest Rate	Weighted Interest Rate	Date	Amount in Millions	Interest Rate	Weighted Interest Rate	Date	Amount in Millions	Interest Rate	Weighted Interest Rate
06-Oct-00	10	6 60	0 06144%	01-Nov-00	11 3	6 80	0 12535%								
06-Oct-00	14	6 70	0 08732%	02-Nov-00	20	6 78	0 22121%	01-Dec-00	14 4	7 00	0 0943%	18-Dec-00	50	7 13	0 3335%
06-Oct-00	50	6 77	0 31512%	02-Nov-00	18	6 78	0 19909%	01-Dec-00	6	7 40	0 0415%	18-Dec-00	10	7 13	0 0667%
11-Oct-00	1	6 67	0 00621%	02-Nov-00	18	6 78	0 19909%	04-Dec-00	22	6 90	0 1420%	18-Dec-00	50	7 13	0 3335%
06-Oct-00	40	6 77	0 25209%	06-Nov-00	33	6 78	0 36499%	04-Dec-00	10	7 50	0 0702%	19-Dec-00	46	7 10	0 3055%
06-Oct-00	37	6 77	0 23319%	06-Nov-00	24	6 82	0 26701%	04-Dec-00	15	7 50	0 1052%	19-Dec-00	3	8 00	0 0225%
06-Oct-00	20	6 77	0 12605%	08-Nov-00	2 5	6 80	0 02773%	05-Dec-00	18	7 20	0 1212%	19-Dec-00	10	8 00	0 0748%
06-Oct-00	35	6 77	0 22058%	09-Nov-00	5	6 75	0 05506%	05-Dec-00	16 5	7 15	0 1104%	19-Dec-00	3	8 00	0 0225%
16-Oct-00	25	6 86	0 15965%	09-Nov-00	10	6 78	0 11060%	06-Dec-00	6 7	7 60	0 0476%	20-Dec-00	6	7 10	0 0399%
17-Oct-00	24	6 72	0 15014%	09-Nov-00	5	6 75	0 05506%	06-Dec-00	13 331	7 55	0 0942%	20-Dec-00	50	7 10	0 3321%
18-Oct-00	25	6 60	0 15360%	10-Nov-00	5	6 75	0 05506%	06-Dec-00	20	7 35	0 1375%	20-Dec-00	20	8 20	0 1534%
16-Oct-00	11 5	6 83	0 07312%	09-Nov-00	10	6 75	0 11011%	07-Dec-00	1	7 35	0 0069%	20-Dec-00	2	8 10	0 0152%
13-Oct-00	40	6 75	0 25135%	09-Nov-00	10	6 78	0 11060%	08-Dec-00	7 5	7 00	0 0491%	20-Dec-00	25	8 20	0 1918%
19-Oct-00	25	6 65	0 15477%	13-Nov-00	25	6 78	0 27651%	08-Dec-00	7 5	7 55	0 0530%	21-Dec-00	13	7 10	0 0863%
23-Oct-00	3 5	6 65	0 02167%	13-Nov-00	50	6 78	0 55302%	11-Dec-00	4	7 65	0 0286%	21-Dec-00	23	8 10	0 1743%
06-Oct-00	10	6 80	0 06330%	13-Nov-00	36	6 78	0 39817%	11-Dec-00	50	7 40	0 3461%	21-Dec-00	10	8 10	0 0758%
06-Oct-00	40	6 80	0 25321%	13-Nov-00	15	6 78	0 16591%	11-Dec-00	45	7 35	0 3094%	21-Dec-00	15	8 10	0 1137%
06-Oct-00	29 3	6 80	0 18548%	15-Nov-00	21 5	6 79	0 23815%	11-Dec-00	21	7 33	0 1440%	21-Dec-00	2 9	8 05	0 0218%
13-Oct-00	30	6 77	0 18907%	16-Nov-00	0 5	6 80	0 00555%	11-Dec-00	25	7 33	0 1714%	21-Dec-00	6	8 00	0 0449%
06-Oct-00	25 7	6 80	0 16269%	16-Nov-00	3	6 80	0 03328%	11-Dec-00	50	7 33	0 3428%	22-Dec-00	25	8 10	0 1894%
10-Oct-00	20	6 80	0 12661%	16-Nov-00	25	6 80	0 27732%	12-Dec-00	12	7 20	0 0808%	22-Dec-00	1	8 10	0 0076%
06-Oct-00	10	6 80	0 06330%	16-Nov-00	35	6 80	0 38825%	12-Dec-00	25 195	7 50	0 1768%	22-Dec-00	15 5	8 10	0 1174%
06-Oct-00	30	6 80	0 18991%	16-Nov-00	13	6 80	0 14421%	12-Dec-00	5	7 60	0 0355%	22-Dec-00	1	8 00	0 0075%
06-Oct-00	1	6 80	0 00633%	20-Nov-00	14 5	6 80	0 16085%	12-Dec-00	1	7 32	0 0068%	26-Dec-00	5 1	8 10	0 0386%
06-Oct-00	25	6 80	0 15826%	20-Nov-00	12	6 80	0 13312%	13-Dec-00	40	7 08	0 2649%	26-Dec-00	10 5	8 10	0 0796%
06-Oct-00	71	6 80	0 44945%	20-Nov-00	12	6 80	0 13312%	14-Dec-00	3	7 95	0 0223%	26-Dec-00	3	8 10	0 0227%
20-Oct-00	20	6 77	0 12605%	22-Nov-00	6 5	6 80	0 07210%	14-Dec-00	2	7 95	0 0149%	26-Dec-00	9 7	8 15	0 0740%
06-Oct-00	3	6 80	0 01899%	22-Nov-00	45 5	6 80	0 50473%	14-Dec-00	5	7 97	0 0373%	26-Dec-00	3	8 10	0 0227%
06-Oct-00	20	6 80	0 12661%	28-Nov-00	50	6 80	0 55465%	15-Dec-00	50	7 97	0 3728%	27-Dec-00	25	8 10	0 1894%
06-Oct-00	50	6 80	0 31651%	28-Nov-00	10	6 80	0 11093%	15-Dec-00	10	7 97	0 0746%	27-Dec-00	0 618	8 10	0 0047%
06-Oct-00	18 575	6 80	0 11759%	29-Nov-00	12	6 95	0 13605%					27-Dec-00	2	8 10	0 0152%
10-Oct-00	20	6 80	0 12661%	29-Nov-00	20	6 89	0 22480%					27-Dec-00	1 51	8 10	0 0114%
10-Oct-00	20	6 80	0 12661%	29-Nov-00	30	6 90	0 33768%					27-Dec-00	2 564	8 10	0 0194%
12-Oct-00	15 5	6 78	0 09783%	30-Nov-00	5	7 35	0 05995%					27-Dec-00	12	8 00	0 0898%
06-Oct-00	50	6 80	0 31651%	Mo Total	613		6 80931%					27-Dec-00	4 5	8 00	0 0337%
06-Oct-00	0 425	6 80	0 00269%									28-Dec-00	50	8 10	0 3789%
06-Oct-00	50	6 80	0 31651%									28-Dec-00	14	8 10	0 1061%
12-Oct-00	5	6 78	0 03156%									28-Dec-00	1 941	8 10	0 0147%
12-Oct-00	15	6 78	0 09468%									28-Dec-00	30	8 00	0 2245%
12-Oct-00	20	6 78	0 12623%									Mo Total	1069		7 5575%
13-Oct-00	30	6 78	0 18935%												
06-Oct-00	20	6 80	0 12661%									GRAND TOTA	2756		7 0876%
23-Oct-00	3 2	6 77	0 02017%												
25-Oct-00	7 5	6 77	0 04727%												
27-Oct-00	14	6 78	0 08836%												
31-Oct-00	10	6 80	0 06330%												
31-Oct-00	10	6 80	0 06330%												
31-Oct-00	19	6 80	0 12028%												
Mo Total	1,074		6 77752%												

Docket No 04 00034
Exhibit CAPD SB___
Direct Testimony___
Schedule 17 _____
Page 1 of 1_____

Derivation of AGL Resources
Cost of Short-Term Debt
Step 2 - AGL Past Performance Compared to FRB Data

Released By Federal Reserve Board on 04/05/2004					
Rate of interest in money and capital markets					
Federal Reserve System					
Short-term or money market					
Private securities					
Commercial Paper					
Thirty-day maturity	Sixty-day maturity	Ninety-day maturity	Thirty-day maturity	Sixty-day maturity	Ninety-day maturity
Released on 04/05/2004	Released on 04/05/2004	Released on 04/05/2004	Released on 04/05/2004	Released on 04/05/2004	Released on 04/05/2004
cp1m	cp2m	cp3m	cp1m	cp2m	cp3m
----	----	----	----	----	----
09/1997 5 49	09/1997 5 48	09/1997 5 48	01/2001 5 74	01/2001 5 59	01/2001 5 49
10/1997 5 49	10/1997 5 48	10/1997 5 51	02/2001 5 39	02/2001 5 25	02/2001 5 14
11/1997 5 53	11/1997 5 59	11/1997 5 60	03/2001 5 02	03/2001 4 87	03/2001 4 78
12/1997 5 78	12/1997 5 71	12/1997 5 67	04/2001 4 71	04/2001 4 54	04/2001 4 44
01/1998 5 46	01/1998 5 44	01/1998 5 42	05/2001 4 06	05/2001 3 98	05/2001 3 93
02/1998 5 47	02/1998 5 44	02/1998 5 42	06/2001 3 82	06/2001 3 73	06/2001 3 67
03/1998 5 51	03/1998 5 49	03/1998 5 46	07/2001 3 71	07/2001 3 63	07/2001 3 59
04/1998 5 49	04/1998 5 48	04/1998 5 46	08/2001 3 54	08/2001 3 47	08/2001 3 42
05/1998 5 49	05/1998 5 49	05/1998 5 48	09/2001 2 96	09/2001 2 87	09/2001 2 81
06/1998 5 51	06/1998 5 50	06/1998 5 48	10/2001 2 40	10/2001 2 30	10/2001 2 28
07/1998 5 51	07/1998 5 50	07/1998 5 48	11/2001 2 03	11/2001 2 00	11/2001 1 97
08/1998 5 50	08/1998 5 50	08/1998 5 48	12/2001 1 84	12/2001 1 79	12/2001 1 78
09/1998 5 44	09/1998 5 37	09/1998 5 31	01/2002 1 70	01/2002 1 69	01/2002 1 70
10/1998 5 14	10/1998 5 08	10/1998 5 04	02/2002 1 76	02/2002 1 76	02/2002 1 79
11/1998 5 00	11/1998 5 14	11/1998 5 06	03/2002 1 78	03/2002 1 82	03/2002 1 86
12/1998 5 24	12/1998 5 12	12/1998 5 00	04/2002 1 76	04/2002 1 77	04/2002 1 81
01/1999 4 80	01/1999 4 78	01/1999 4 77	05/2002 1 75	05/2002 1 76	05/2002 1 78
02/1999 4 80	02/1999 4 80	02/1999 4 79	06/2002 1 74	06/2002 1 74	06/2002 1 76
03/1999 4 82	03/1999 4 82	03/1999 4 81	07/2002 1 74	07/2002 1 74	07/2002 1 75
04/1999 4 79	04/1999 4 78	04/1999 4 79	08/2002 1 72	08/2002 1 70	08/2002 1 70
05/1999 4 79	05/1999 4 80	05/1999 4 81	09/2002 1 73	09/2002 1 72	09/2002 1 72
06/1999 4 95	06/1999 4 98	06/1999 4 98	10/2002 1 72	10/2002 1 70	10/2002 1 70
07/1999 5 06	07/1999 5 08	07/1999 5 11	11/2002 1 34	11/2002 1 35	11/2002 1 36
08/1999 5 18	08/1999 5 23	08/1999 5 25	12/2002 1 31	12/2002 1 32	12/2002 1 31
09/1999 5 28	09/1999 5 29	09/1999 5 32	01/2003 1 25	01/2003 1 26	01/2003 1 26
10/1999 5 28	10/1999 5 30	10/1999 5 88	02/2003 1 24	02/2003 1 25	02/2003 1 26
11/1999 5 37	11/1999 5 82	11/1999 5 81	03/2003 1 21	03/2003 1 20	03/2003 1 19
12/1999 5 97	12/1999 5 91	12/1999 5 87	04/2003 1 22	04/2003 1 21	04/2003 1 20
01/2000 5 59	01/2000 5 67	01/2000 5 74	05/2003 1 21	05/2003 1 20	05/2003 1 19
02/2000 5 76	02/2000 5 81	02/2000 5 87	06/2003 1 06	06/2003 1 03	06/2003 1 01
03/2000 5 93	03/2000 5 96	03/2000 6 00	06/2003 1 06	06/2003 1 03	06/2003 1 01
04/2000 6 02	04/2000 6 06	04/2000 6 11	07/2003 1 01	07/2003 1 02	07/2003 1 01
05/2000 6 40	05/2000 6 47	05/2000 6 54	08/2003 1 03	08/2003 1 03	08/2003 1 04
06/2000 6 53	06/2000 6 55	06/2000 6 57	09/2003 1 02	09/2003 1 03	09/2003 1 04
07/2000 6 49	07/2000 6 50	07/2000 6 52	10/2003 1 02	10/2003 1 02	10/2003 1 05
08/2000 6 47	08/2000 6 48	08/2000 6 49	11/2003 1 02	11/2003 1 05	11/2003 1 06
09/2000 6 48	09/2000 6 47	09/2000 6 47	12/2003 1 03	12/2003 1 05	12/2003 1 05
10/2000 6 48	10/2000 6 48	10/2000 6 51	01/2004 0 99	01/2004 1 01	01/2004 1 01
11/2000 6 49	11/2000 6 52	11/2000 6 50	02/2004 0 99	02/2004 1 01	02/2004 1 01
12/2000 6 51	12/2000 6 42	12/2000 6 34			
			Average 12 Months Ending 02/2004 30, 60, and 90 days as a group	1 156%	
Av Comm Paper Rate For Period Covering AGL Reporting in March 2001 SEC U-6B-2 Form	6 47%		Average Comm Paper Rate Paid By AGL In Per March 2001 Report SEC U-6B-2 Form	7.08%	

AGLR Short-term Debt Cost: 1.156*(7.08/6.47)=1 265

003304

AGL Resources
Has Not Applied Preferred Stock To
VNG's Capital Structure

Exhibit A – Case No PUF01 ____
Financing Summary
Virginia Natural Gas, Inc , et al
Page 5 of 5

ITEM 4: IMPACT ON COMPANY

A) Change in capital structure due to issue: See Exhibit C
B) Change in interest coverage due to issue: See Exhibit D

Exhibit C - Case No PUF01_____
Pro Forma Change in Capital Structure
Virginia Natural Gas, Inc , et al.
Page 1 of 2

Capital Structure Table
As of June 30, 2002
(Dollars in Millions)

	Consolidated AGL Resources Inc.		VNG		Pro-forma VNG*	
	Amount	Percent to Total	Amount	Percent to Total	Amount	Percent to Total
Short-Term Debt	$324.5	15.3%	($40.1)	-7 7%	$100 0	18 7%
Current portion of LT Debt	48 0	2 3%	-	0.0%	-	0 0%
Long-Term Debt	797 0	37 5%	180 3	34 6%	250 0	46 7%
Preferred Stock	220.5	10.4%	-	0 0%	-	0 0%
Common Stockholders' Equity	734 8	34 6%	380 4	73 1%	185 4	34 6%
Total Capitalization	$2,124.8	100 0%	$520 6	100 0%	$635 4	100 0%

*Reflects net increase in interest expense due to change in money pool payable to $100 0 million at 1 8% interest, reduction of money pool receivable, increase in long-term debt of $69 7 million at 7 125% interest, removal of interest income of $1 0 million, tax effect of 39 1%

Exhibit A – Case No. PUF01 ____
Financing Summary
Virginia Natural Gas, Inc , et al
Page 3 of 5

Debt And/Or Preferred Stock Financing: Long-Term Debt Issue

AGL Resources
Has Not Applied Preferred Stock To
VNG's Capital Structure

Virginia Natural Gas

5100 East Virginia Beach Blvd
Norfolk Virginia 23502-3488
(757) 466 5400

December 5, 2003

Mr Joel H Peck, Clerk
Virginia State Corporation Commission
Tyler Building
Document Control Center
1300 East Main Street
Richmond, Virginia 23218

APPLICATION FOR AUTHORITY TO ISSUE SHORT-TERM DEBT, LONG-TERM DEBT AND COMMON STOCK TO AFFILIATE UNDER CHAPTERS 3 AND 4, TITLE 56 OF THE CODE OF VIRGINIA

CASE No PUE03- 548

Dear Mr Peck

Enclosed for filing by Virginia Natural Gas, Inc ("VNG") are one original and four copies of an Application for authority under Chapters 3 and 4 of Title 56 of the Code of Virginia to engage in certain financing transactions, including the issuance of securities to affiliates for the period January 1, 2004 to December 31, 2004

THE APPLICANTS

1 VNG is a Virginia public service corporation providing natural gas service to customers in its service territory in Virginia VNG is a wholly owned subsidiary of AGLR VNG's corporate address is

Virginia Natural Gas, Inc
5100 East Virginia Beach Boulevard
Norfolk, Virginia 23502
(757) 466-5502 (phone)

2 AGLR is a Georgia corporation operating as the holding company for natural gas distribution companies Atlanta Gas Light Company and Chattanooga Gas Company, and for interests in several non-utility subsidiaries and joint ventures AGL Services Company is a Georgia corporation and a wholly owned subsidiary of AGLR AGLR is a registered "holding company" under the Public Utility Holding Company Act of 1935 Act ("1935 Act") and is subject to regulation as such by the Securities and Exchange Commission ("SEC") AGLR's corporate address is

Exhibit C - Case No PUE03-___
Pro Forma Change in Capital Structure
Virginia Natural Gas, Inc , et al
Page 1 of 2

Capital Structure Table
As of June 30, 2003
(Dollars in Millions)

	Consolidated AGL Resources Inc		VNG		Pro forma VNG*	
	Amount	Percent to Total	Amount	Percent to Total	Amount	Percent to Total
Short-Term Debt	$147 6	7 1%	($42 9)	-8 1%	$100 0	18 3%
Current portion of LT Debt	95 3	4 6%	-	0 0%	-	0 0%
Long-Term Debt	698 8	33 8%	180 3	34 2%	250 0	45 7%
Preferred Stock	228 3	11 1%	-	0 0%	-	0 0%
Total Debt	1,167 9	56 6%	137 4	26 0%	350 0	64 0%
Common Stockholders' Equity	895 9	43 4%	390 3	73 9%	196 5	36 0%
Total Capitalization	$2 063 8	100 0%	$527 7	100 0%	$546 5	100 0%

*Reflects net increase in interest expense due to change in money pool payable to $100 0 million at 1 5% interest reduction of money pool receivable Increase in long term debt of $69 7 million at 4 45% interest, removal of interest income of $1 0 million tax effect of 38 0%

The Market's Judgment:
Length of Time Investors Hold Stock
Before Selling

Company Name	Company Ticker	Stock Outstanding Listed In Most Recent 10-K	On March 26, 2004 - - 100% TurnOver Since:	
AGL	ATG	63,700,000	02/24/2003	
Atmos	ATO	46,496,000	03/21/2003	
Keyspan	KSE	159,232,000	02/27/2003	
LaClede Group	LG	19,022,000	08/10/2001	
New Jersey Resources	NJR	27,127,000	09/16/2002	
NICOR	GAS	44,011,206	08/18/2003	
Northwest	NWN	26,061,000	09/27/2002	
Piedmont	PNY	33,441,000	02/05/2003	
Peoples	PGL	36,689,968	05/21/2003	
Southwest	SWX	34,232,000	03/05/2002	
WGL	WGL	48,612,000	11/29/2002	

Trading and Pricing History
Last Full Trading Week of March 2004
AGL Resources and Comparable Companies

Company	Ticker	Date	Prices High	Low	Close	Shares Traded
AGL Resources	ATG	03/26/2004	28 23	28 05	28 06	136200
AGL Resources	ATG	03/25/2004	28 24	28 01	28 10	143500
AGL Resources	ATG	03/24/2004	28 49	28 04	28 04	108900
AGL Resources	ATG	03/23/2004	28 47	28 27	28 37	182000
AGL Resources	ATG	03/22/2004	28 59	28 26	28 27	166700
ATMOS	ATO	03/26/2004	25 24	25 05	25 14	147700
ATMOS	ATO	03/25/2004	25 38	25 07	25 25	165100
ATMOS	ATO	03/24/2004	25 47	25 18	25 18	193800
ATMOS	ATO	03/23/2004	25 64	25 38	25 40	222600
ATMOS	ATO	03/22/2004	25 87	25 36	25 49	318000
NICOR	GAS	03/26/2004	35 62	35 28	35 44	221200
NICOR	GAS	03/25/2004	35 72	35 44	35 54	258500
NICOR	GAS	03/24/2004	35 93	35 47	35 62	236400
NICOR	GAS	03/23/2004	36 15	35 75	35 76	199500
NICOR	GAS	03/22/2004	36 28	35 92	36 00	149500
KEYSPAN	KSE	03/26/2004	37 61	37 28	37 35	433600
KEYSPAN	KSE	03/25/2004	37 53	37 24	37 42	379500
KEYSPAN	KSE	03/24/2004	37 50	37 15	37 33	435300
KEYSPAN	KSE	03/23/2004	37 58	37 25	37 32	402600
KEYSPAN	KSE	03/22/2004	37 85	37 23	37 43	421400
LaClede Group	LG	03/26/2004	30 04	29 70	29 80	30000
LaClede Group	LG	03/25/2004	30 15	29 82	30 00	44700
LaClede Group	LG	03/24/2004	30 30	29 90	30 00	43600
LaClede Group	LG	03/23/2004	30 43	30 05	30 25	41000
LaClede Group	LG	03/22/2004	30 32	29 80	30 13	55100
New Jersey Resources	NJR	03/26/2004	37 40	37 11	37 19	92000
New Jersey Resources	NJR	03/25/2004	37 22	37 05	37 16	123000
New Jersey Resources	NJR	03/24/2004	37 13	36 90	36 96	157300
New Jersey Resources	NJR	03/23/2004	37 28	37 03	37 10	149700
New Jersey Resources	NJR	03/22/2004	37 26	36 81	37 02	205300
Northwest Natural Gas	NWN	03/26/2004	31 37	31 10	31 23	42300
Northwest Natural Gas	NWN	03/25/2004	31 36	31 06	31 29	40300
Northwest Natural Gas	NWN	03/24/2004	31 33	31 10	31 15	52800
Northwest Natural Gas	NWN	03/23/2004	31 47	31 20	31 20	35900
Northwest Natural Gas	NWN	03/22/2004	31 75	31 12	31 12	58400
Peoples	PGL	03/26/2004	43 85	43 59	43 59	99000
Peoples	PGL	03/25/2004	43 95	43 64	43 70	95100
Peoples	PGL	03/24/2004	44 37	43 72	43 79	143600
Peoples	PGL	03/23/2004	44 40	44 00	44 03	109900
Peoples	PGL	03/22/2004	44 78	44 17	44 23	169600
Piedmont	PNY	03/26/2004	41 38	41 00	41 28	80300
Piedmont	PNY	03/25/2004	41 40	40 70	41 30	89900
Piedmont	PNY	03/24/2004	41 47	41 07	41 21	94600
Piedmont	PNY	03/23/2004	41 50	41 10	41 13	98300
Piedmont	PNY	03/22/2004	42 15	41 68	41 70	114000
SouthWest	SWX	03/26/2004	23 00	22 85	22 92	76400
SouthWest	SWX	03/25/2004	23 02	22 85	22 89	82300
SouthWest	SWX	03/24/2004	23 12	22 82	22 90	68500
SouthWest	SWX	03/23/2004	23 25	22 90	23 00	71300
SouthWest	SWX	03/22/2004	23 20	22 81	23 07	96400
WGL Holding Co	WGL	03/26/2004	29 76	29 39	29 39	80400
WGL Holding Co	WGL	03/25/2004	29 79	29 40	29 76	67700
WGL Holding Co	WGL	03/24/2004	29 88	29 32	29 32	135300
WGL Holding Co	WGL	03/23/2004	29 75	29 50	29 69	95500
WGL Holding Co	WGL	03/22/2004	29 74	29 39	29 49	133000

Equity Returns in the United States:
12 Months Ending February 2004

Docket No 04 00034
Exhibit CAPD SB____
Direct Testimony____
Schedule 20 ______
Page 1 of 1______

Range of ROE In Percent	Number of Stocks In Range	Percent of Total	Cumulative Percent
Less than Zero*	1730	31%	31%
Zero to 1	117	2%	33%
1 TO 2	142	3%	36%
2 TO 3	113	2%	38%
3 TO 4	134	2%	40%
4 TO 5	165	3%	43%
5 TO 6	186	3%	47%
6 TO 7	181	3%	50%
7 TO 8	191	3%	54%
8 TO 9	217	4%	57%
9 TO 10	208	4%	61%
10 TO 11	223	4%	65%
11 TO 12	222	4%	69%
12 TO 13	225	4%	73%
13 TO 14	180	3%	77%
14 TO 15	177	3%	80%
Above 15	1114	20%	100%
Total	5525		

urce: MorningStar - www.morningstar.com

Comparison of Current Dividend Yields: MorningStar Data Vs. Value Line's Data

	MorningStar Current Div Yields April 30, 2004	Value Line Div Yields From Dr Morin's Exhibits RAM-5 and RAM-6
ATO	4.90%	5 00%
KSE	4 90%	5 10%
LG	4 90%	4 60%
NJR	4.90%	3 40%
GAS	5 50%	5 50%
NWN	4.40%	4 30%
PNY	4 40%	5.30%
PGL	5 10%	4 00%
SWX	3.60%	3 70%
WGL	3 60%	4 80%
Average	4 62%	4 57%
Grand Average	4 60%	

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

Atmos Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991	0.80				
1992	0 83	3.75%			
1993	0 85	2.41%			
1994	0 88	3.53%			
1995	0 92	4 55%			
1996	0 98	6 52%	4 14%		
1997	1 01	3 06%	4 00%		
1998	1 06	4 95%	4 51%		
1999	1.10	3.77%	4 56%		
2000	1 14	3.64%	4 38%		
2001	1 16	1 75%	3.43%	3 79%	
2002	1.18	1 72%	3.16%	3.58%	
2003	1.20	1 69%	2.51%	3.51%	9.00%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

Nicor Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991	1.1200				
1992	1 1800	5.36%			
1993	1.2200	3 39%			
1994	1 2600	3.28%			
1995	1 2800	1.59%			
1996	1.3200	3.13%	3.34%		
1997	1 4000	6.06%	3.48%		
1998	1.4800	5 71%	3 94%		
1999	1 5600	5 41%	4.36%		
2000	1 6600	6 41%	5.34%		
2001	1 7600	6.02%	5.92%	4.62%	
2002	1 8400	4.55%	5.62%	4.54%	
2003	1.8600	1 09%	4.68%	4 31%	3.00%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

KeySpan Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991					
1992					
1993					
1994					
1995	1 78				
1996	1.78	0.00%			
1997	1.78	0 00%			
1998	1.19	-33 15%			
1999	1.78	49 58%			
2000	1 78	0 00%			
2001	1.78	0 00%	0.00%		
2002	1.78	0.00%	0.00%		
2003	1 78	0.00%	8 39%		7.50%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

Laclede Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991					
1992					
1993					
1994					
1995					
1996					
1997	1.3000				
1998	1 3200	1 54%			
1999	1.3400	1.52%			
2000	1.3400	0 00%			
2001	1 3400	0 00%			
2002	1 3400	0.00%	0.61%		
2003	1.3400	0.00%	0 30%		5 50%

Comparison of Dividend Growth History:
To Value Line's Projected Growth Rate

New Jersey Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991	1 00				
1992	1 01	1 33%			
1993	1 01	0.00%			
1994	1 01	0.00%			
1995	1.01	0.00%			
1996	1.03	1 97%	0 66%		
1997	1 07	3 23%	1 03%		
1998	1 09	2 50%	1.53%		
1999	1.12	2.44%	2 02%		
2000	1.15	2.68%	2 56%		
2001	1 17	1.74%	2.52%	1 58%	
2002	1.20	2.56%	2.38%	1 71%	
2003	1 24	3 33%	2.55%	2 04%	8 50%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

Northwest Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991					
1992	1 1470				
1993	1.1670				
1994	1.1730				
1995	1 1800				
1996	1 2000				
1997	1 2050		0.99%		
1998	1.2200	1 24%	0 89%		
1999	1 2250	0.41%	0.87%		
2000	1.2400	1 22%	1.00%		
2001	1 2450	0 40%	0 74%		
2002	1.2600	1 20%	0.90%	0.94%	
2003	1 2700	0 79%	0 81%	0 85%	5 00%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

Peoples Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991	1.7050				
1992	1 7500	2.64%			
1993	1.7750	1 43%			
1994	1 7950	1 13%			
1995	1 8000	0 28%			
1996	1 8300	1.67%	1 43%		
1997	1 8700	2.19%	1 34%		
1998	1 9100	2 14%	1.48%		
1999	1.9500	2.09%	1.67%		
2000	1 9900	2.05%	2 03%		
2001	2.0300	2 01%	2.10%	1.76%	
2002	2.0700	1 97%	2 05%	1.69%	
2003	2.1100	1.93%	2 01%	1.74%	4 00%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

Piedmont Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991	0 87				
1992	0 91	4 60%			
1993	0 97	6.04%			
1994	1.03	6 22%			
1995	1 09	5.85%			
1996	1 15	5.53%	5.65%		
1997	1 21	5.24%	5.78%		
1998	1 28	6 22%	5.81%		
1999	1 36	6 25%	5.82%		
2000	1 44	5.88%	5.82%		
2001	1.52	5 56%	5 83%	5 74%	
2002	1 59	4 28%	5 64%	5 71%	
2003	1.65	3 79%	5.15%	5 48%	7 50%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

Southwest Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991					
1992					
1993					
1994					
1995	0 82				
1996	0.82	0.00%			
1997	0 82	0 00%			
1998	0.82	0.00%			
1999	0.82	0 00%			
2000	0.82	0 00%			
2001	0 82	0 00%	0.00%		
2002	0.82	0.00%	0 00%		
2003	0 82	0.00%	0.00%		9 50%

Comparison of Dividend Growth History: To Value Line's Projected Growth Rate

WGL Dividend History					
	Annual Dividends	Increase From Prior Year	Five Yr Compound Growth Rate	Ten Yr Compound Growth Rate	Value Line Growth Rate From Exhibit RAM-6
1991	1.0500				
1992	1 0700				
1993	1 0850				
1994	1.1050				
1995	1.1175				
1996	1 1350	1.57%			
1997	1.1700	3 08%			
1998	1.1950	2 14%			
1999	1 2150	1.67%			
2000	1.2350	1.65%			
2001	1 2550	1 62%	2.03%	1 80%	
2002	1 2675	1.00%	1 61%	1.71%	
2003	1 2775	0 79%	1.34%	1 65%	7 00%

Sources of Dividend Growth History:

Sources. Company SEC Form Filed YYYY MM DD
ATMOS ENERGY SEC 10-K 2003 11 15
ATMOS ENERGY SEC 10-K405 2000 11 15
ATMOS ENERGY SEC 10-K405 1995 12 12
KEYSPAN CORP SEC 10-K 2000 03 10
KEYSPAN CORP SEC 10-K 2004 03 11 01
LACLEDE GROUP SEC 10-K 2003 11 21
LACLEDE GROUP SEC 10-K405 2001 12 21
NEW JERSEY SEC 10-K 1995 12 29
NEW JERSEY SEC 10-K 2003 12 16 03
NEW JERSEY SEC 10-K405 1999 12 28
NICOR INC SEC 10-K 2004 02 20
NICOR INC SEC 10-K405 1995 03 24
NICOR INC SEC 10-K405 1999 03 19
NORTHWEST NATURAL SEC 10-K 1998 03 17
NORTHWEST NATURAL SEC 10-K 1999 03 29
NORTHWEST NATURAL SEC 10-K 2004 03 09 01
NORTHWEST NATURAL SEC 10-K405 1997 02 24
PEOPLES ENERGY SEC 10-K 1999 12 22 01
PEOPLES ENERGY SEC 10-K 2003 12 11
PEOPLES ENERGY SEC 10-K405 1995 12 21
PIEDMONT SEC SEC 10-K 2004 01 12
PIEDMONT SEC SEC 10-K405 1995 01 12
PIEDMONT SEC SEC 10-K405 2000 01 24
SOUTHWEST GAS SEC 10-K 2004 03 12 01
SOUTHWEST GAS SEC 10-K 2004 03 12 03
WASHINGTON GAS SEC 10-K 1997 12 19
WASHINGTON GAS SEC 10-K405 1995 12 14
WGL HOLDINGS SEC 10-K 2001 12 20 01
WGL HOLDINGS SEC 10-K A 2004 01 26 01

History of Value Line Forecasting:

Date of Value Line Forecast				Forecasts:			
Yr	Mo	Day		Forecast Period	Forecasted Annual Earnings/Shr	Forecasted Annual Div/Shr	Forecasted PayOut Ratio
1994	4	1		97-99	2 8	2.26	80 71%
1994	7	1		97-99	2 8	2 26	80 71%
1994	9	30		97-99	2 8	2.26	80 71%
1994	12	30		97-99	2 8	2 24	80 00%
1995	3	31		98-00	3	2 3	76 67%
1995	6	30		98-00	2 95	2 24	75 93%
1995	9	29		98-00	3 2	2 26	70 63%
1995	12	29		98-00	1 65	1 18	71 52%
1996	3	29		99-01	1 75	1 24	70 86%
1996	6	28		99-01	1 8	1 26	70 00%
1996	9	27		99-01	1 8	1 26	70 00%
1996	12	27		99-01	1 8	1 26	70 00%
1997	3	28		00-02	1 9	1 3	68 42%
1997	6	27		00-02	1.9	1 3	68 42%
1997	9	26		00-02	1 9	1 3	68 42%
1997	12	26		00-02	1 7	1 15	67 65%
1998	3	27		01-03	1 7	1 15	67 65%
1998	6	26		01-03	1 65	1 15	69 70%
1998	9	25		01-03	1 65	1 15	69 70%
1998	12	25		01-03	1 65	1.15	69 70%
1999	3	26		02-04	1 9	1 2	63 16%
1999	6	25		02-04	1 9	1 2	63 16%
1999	9	24		02-04	1 85	1 2	64 86%
1999	12	24		02-04	1 7	1 15	67 65%
2000	3	24		03-05	1 65	1 15	69 70%
2000	6	23		03-05	1 75	1 15	65 71%
2000	9	22		03-05	1 7	1 15	67 65%
2000	12	22		03-05	1 7	1 15	67.65%
2001	3	23		04-06	1 7	1 15	67 65%
2001	6	22		04-06	1 85	1.15	62 16%
2001	9	21		04-06	2 05	1 16	56.59%
2001	12	21		04-06	2 05	1 15	56 10%
2002	3	22		05-07	2 1	1 16	55 24%
2002	6	21		05-07	2 1	1 16	55 24%
2002	9	20		05-07	2 1	1 08	51 43%
2002	12	20		05-07	2 1	1 08	51 43%
2003	3	21		06-08	2 1	1 08	51 43%
2003	6	20		06-08	2 15	1.12	52 09%
2003	9	23		06-08	2.25	1 12	49 78%
2003	12	19		06-08	2 25	1 12	49 78%

Error in Value Line Forecasting:

AGL Resources Actual Performance				Value Line Forecast 5-Yrs Earlier				Errors in Value Line Forecast 5-Yr Forecast		
Financial Period	Earnings per share	Dividends per share	Actual PayOut Ratio	Value Line Forecast For	Forecasted PayOut Ratio	Forecasted Annual Earnings/Shr	Forecasted Annual Div/Shr	Percent Error In Value Line PayOut Ratio Forecast	Percent Error In Value Line Earnings Forecast	Percent Error In Value Line Dividends Forecast
Fiscal 1994	1 17	1 04	88 89%							
Fiscal 1995	0 50	1 04	208 00%							
'Fiscal 1996	1 37	1 06	77 37%							
Fiscal 1997	1 37	1 08	78 83%							
Fiscal 1998	1 41	1 08	76 60%							
Fiscal 1999	1 30	1 08	83 08%	1999	80 71%	1 40	1 13	2 93%	7 69%	4 63%
Fiscal 2000	1 29	1 08	83 72%	2000	76 67%	1 50	1 15	9 20%	16 28%	6 48%
Fiscal 2001	1 63	1 08	66 26%	2001	70 86%	1 75	1 24	-6 49%	7 36%	14 81%
Calendar 2002	1 84	1 08	58 70%	2002	68 42%	1 90	1 30	-14 21%	3 26%	20 37%
Calendar 2003	2 03	1 11	54 68%	2003	67 65%	1 70	1 15	-19 17%	-16 26%	3 60%
					Average Forecast Error 99-02 ▶			-2.14%	8.65%	11.57%
					Average Forecast Error 99-03 →			-5.55%	3.67%	9.98%

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Comparison of Growth Rates: ZACK's and Yahoo

Company Symbol	Zaks Growth Rate From Dr. Morin's Schedule RAM-5	*Yahoo Growth Rates
ATO	6 30%	4 00%
GAS	4.60%	3 00%
KSE	5 60%	5 00%
LG	3.00%	4 00%
NJR	6 30%	6 00%
NWN	4.20%	4 50%
PGL	4 00%	5 00%
PNY	5 20%	4 50%
SWX	5 50%	5 00%
WGL	3.90%	4 00%
Average	4 86%	4 50%
Grand Average		4 68%

* Yahoo Internet Path
http://finance yahoo com/q/ae?s=TickerSy

MARKET WIDE RATE OF RETURN: 1925-2002

Index of Returns To S & P 500 Companies

YEAR	S & P 500 Company Total Return Index For Year	Year-To-Year Percentage Change In S & P 500 Company Total Return Index	YEAR	S & P 500 Company Total Return Index For Year	Year-To-Year Percentage Change In S & P 500 Company Total Return Index
(1)	(2)	(3)	(4)	(5)	(6)
1925	1 00		1964	47 14	16 48%
1926	1 12	11 60%	1965	53 01	12 45%
1927	1 54	37 54%	1966	47 67	-10 06%
1928	2 20	43 58%	1967	.59 10	23 98%
1929	2 02	-8 44%	1968	65 64	11 06%
1930	1 52	-24 88%	1969	60 06	-8 50%
1931	0 86	-43 34%	1970	62 47	4 01%
1932	0 79	-8 15%	1971	71 41	14 31%
1933	1 21	53 87%	1972	84 96	18 98%
1934	1 20	-1 40%	1973	72 50	-14 66%
1935	1 77	47 62%	1974	53 31	-26 47%
1936	2 37	33 96%	1975	73 14	37 20%
1937	1 54	-35 02%	1976	90 58	23 84%
1938	2 02	31 08%	1977	84 08	-7 18%
1939	2 01	-0 40%	1978	89 59	6 56%
1940	1 81	-9 76%	1979	106 11	18 44%
1941	1 60	-11 59%	1980	140 51	32 42%
1942	1 93	20 29%	1981	133 62	-4 91%
1943	2 43	25 95%	1982	162 22	21 41%
1944	2 91	19 74%	1983	198 74	22 51%
1945	3 97	36 44%	1984	211 20	6 27%
1946	3 65	-8 07%	1985	279 11	32 16%
1947	3 85	5 71%	1986	330 67	18 47%
1948	4 07	5 50%	1987	347 97	5 23%
1949	4 83	18 79%	1988	406 46	16 81%
1950	6 36	31 70%	1989	534 46	31 49%
1951	7 89	24 03%	1990	517 50	-3 17%
1952	9 34	18 36%	1991	675 59	30 55%
1953	9 24	-0 99%	1992	727 41	7 67%
1954	14 11	52 62%	1993	800 08	9 99%
1955	18 56	31 56%	1994	810 54	1 31%
1956	19 78	6 56%	1995	1113 92	37 43%
1957	17 65	-10 78%	1996	1370 95	23 07%
1958	25 30	43 36%	1997	1828 37	33 37%
1959	28 32	11 95%	1998	2350 89	28 58%
1960	28 46	0 47%	1999	2845 63	21 04%
1961	36 11	26 89%	2000	2586 52	-9 11%
1962	32 96	-8 73%	2001	2279 13	-11 88%
1963	40 47	22 80%	2002	1775 34	-22 10%
*Source Ibbotson Associates 2003 Yearbook			ACTUAL RETURN	► 10 20%	12 20%
Columns (2), (5) - From Table B-1					ARITHMETIC AVERAGE
Columns (3), (6) - From Table A-1					

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RISK FREE RATE OF RETURN: 1925-2002

Index of Returns To Three-Month Treasury Bills

YEAR	T-Bill Total Return Index For Year	Year-To-Year Percentage Change In T-Bill Total Return Index	YEAR	T-Bill Total Return Index For Year	Year-To-Year Percentage Change In T-Bill Total Return Index
(1)	(2)	(3)	(4)	(5)	(6)
1925	1 00000		1964	1 76000	3 53%
1926	1 03300	3 30%	1965	1 82900	3 92%
1927	1 06500	3 10%	1966	1 91600	4 76%
1928	1 10300	3 57%	1967	1 99700	4 23%
1929	1 15500	4 71%	1968	2 10100	5 21%
1930	1 18300	2 42%	1969	2 23900	6 57%
1931	1 19600	1 10%	1970	2 38500	6 52%
1932	1 20700	0 92%	1971	2 49000	4 40%
1933	1 21100	0 33%	1972	2 58500	3 82%
1934	1 21300	0 17%	1973	2 76400	6 92%
1935	1 21500	0 16%	1974	2 98600	8 03%
1936	1 21700	0 16%	1975	3 15900	5 79%
1937	1 22100	0 33%	1976	3 31900	5 06%
1938	1 22100	0 00%	1977	3 48900	5 12%
1939	1 22100	0 00%	1978	3 74000	7 19%
1940	1 22100	0 00%	1979	4 12800	10 37%
1941	1 22200	0 08%	1980	4 59200	11 24%
1942	1 22500	0 25%	1981	5 26700	14 70%
1943	1 22900	0 33%	1982	5 82200	10 54%
1944	1 23300	0 33%	1983	6 33500	8 81%
1945	1 23700	0 32%	1984	6 95900	9 85%
1946	1 24200	0 40%	1985	7 49600	7 72%
1947	1 24800	0 48%	1986	7 95800	6 16%
1948	1 25800	0 80%	1987	8 39300	5 47%
1949	1 27200	1 11%	1988	8 92600	6 35%
1950	1 28700	1 18%	1989	9 67300	8 37%
1951	1 30600	1 48%	1990	10 42900	7 82%
1952	1 32800	1 68%	1991	11 01200	5 59%
1953	1 35200	1 81%	1992	11 39800	3 51%
1954	1 36400	0 89%	1993	11 72800	2 90%
1955	1 38500	1 54%	1994	12 18600	3 91%
1956	1 41900	2 45%	1995	12 86800	5 60%
1957	1 46400	3 17%	1996	13 53800	5 21%
1958	1 48600	1 50%	1997	14 25000	5 26%
1959	1 53000	2 96%	1998	14 94200	4 86%
1960	1 57100	2 68%	1999	15 64100	4 68%
1961	1 60400	2 10%	2000	16 56300	5 89%
1962	1 64800	2 74%	2001	17 19700	3 83%
1963	1 70000	3 16%	2002	17 48000	1 65%
*Source Ibbotson Associates 2002 Yearbook			Actual Return	► 3 79%	3 83%
Column (2) - From Table B-9					▲
Column (3) - From Table A-14					
Column (5) - From Table B-9					
Column (6) - From Table A-14				Arithmetic "Average" Return	

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CAPM RETURN

Risk Premium Suggested Rate Of Return

Company (Stock Exchange SYMBOL)	Debt Yield (a)	Beta Average April2003-Mar2004 (b)	Market Risk Premium = 10 20% - 3 79% (c)	Company Risk Premium (d)=(b)X(c)	Company Equity Cost (e)=(a)+(d)
AGL Resources (NYSE ATG)	6 74%	0 253	6 41%	1 62%	8 36%
Comparable Companies					
Atmos Energy Cp (NYSE ATO)	6 74%	0 019	6 41%	0 12%	6 86%
Nicor Inc (NYSE GAS)	6 74%	0 349	6 41%	2 24%	8 98%
KEYSPAN CORP (NYSE KSE)	6 74%	0 234	6 41%	1 50%	8 24%
LaClede Group (NYSE LG)	6 74%	0 068	6 41%	0 44%	7 18%
N J Resources (NYSE NJR)	6 74%	0 056	6 41%	0 36%	7 10%
Northwest Natural (NYSE NWN)	6 74%	-0 141	6 41%	-0 90%	5 84%
Peoples Energy (NYSE PGL)	6 74%	-0 034	6 41%	-0 22%	6 52%
Piedmont Nat Gas (NYSE PNY)	6 74%	0 021	6 41%	0 14%	6 88%
SOUTHWEST GAS (NYSE SWX)	6 74%	0 309	6 41%	1 98%	8 72%
WGL Holdings Inc (NYSE WGL)	6 74%	0 127	6 41%	0 81%	7 55%
** Av of Comparable Cos (Exc AGL)	6 74%	0 101	6 41%	0 65%	7 39%
				Risk Premium Suggested Rate Of Return	
Using Value Line's Beta	6 74%	0 770	6 41%	4 94%	11 68%

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Sources on the Internet

Company (Stock Exchange: SYMBOL)	Yahoo	AOL OnLine (ComStock)	Lycos	CAPD Calulation	Value Line
	(1)	(2)	(3)	(4)	(5)
AGL Resources (NYSE:ATG)	0.24	.27	0.27	0.27	0.75
Comparable Companies:					
Atmos Energy Cp (NYSE:ATO)	0.05	-.05	-0.04	-0.02	0.65
Nicor Inc (NYSE:GAS)	0.35	0.37	0.37	0.41	1.00
KEYSPAN CORP (NYSE:KSE)	0.40	0.33	NA	0.29	0.75
LaClede Group (NYSE:LG)	0.02	0.05	0.05	0.09	0.70
N J Resources (NYSE:NJR)	0.05	0.05	0.05	0.05	0.70
Northwest Natural (NYSE:NWN)	-0.15	NA	-0.11	-0.12	0.60
Peoples Energy (NYSE:PGL)	-0.05	-.05	-0.03	-0.04	0.75
Piedmont Nat Gas (NYSE:PNY)	0.03	0.02	0.02	0.02	0.70
SOUTHWEST GAS (NYSE:SWX)	0.18	0.19	0.19	0.21	0.75
WGL Holdings Inc (NYSE:WGL)	0.15	0.16	0.17	0.17	0.70

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Value Line Beta Is .35 + Two-Thirds of Calculated Beta

Calculated Values 'Masked' by Value Line Procedures

Calculated Beta	Value Line Beta
0.00	0.35
0.10	0.42
0.20	0.48
0.30	0.55
0.40	0.62
0.50	0.68
0.60	0.75
0.70	0.82
0.80	0.88
0.90	0.95
1.00	1.02

History Of Value Line Beta For AGL Resources

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Date of Value Line Publication				Beta
Yr	Mo	Day		
1994	4	1		0 60
1994	7	1		0.60
1994	9	30		0.65
1994	12	30		0.65
1995	3	31		0.65
1995	6	30		0.65
1995	9	29		0.60
1995	12	29		0.70
1996	3	29		0 75
1996	6	28		0.75
1996	9	27		0 75
1996	12	27		0.75
1997	3	28		0 70
1997	6	27		0 70
1997	9	26		0 70
1997	12	26		0 75
1998	3	27		0.70
1998	6	26		0.70
1998	9	25		0.70
1998	12	25		0.65
1999	3	26		0 65
1999	6	25		0.65
1999	9	24		0 65
1999	12	24		0.65
2000	3	24		0.65
2000	6	23		0.60
2000	9	22		0 60
2000	12	22		0 60
2001	3	23		0 60
2001	6	22		0 55
2001	9	21		0.55
2001	12	21		0.60
2002	3	22		0 60
2002	6	21		0 60
2002	9	20		0.70
2002	12	20		0 75
2003	3	21		0.75
2003	6	20		0.75
2003	9	23		0.75
2003	12	19		0 75

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Direct Testimony___
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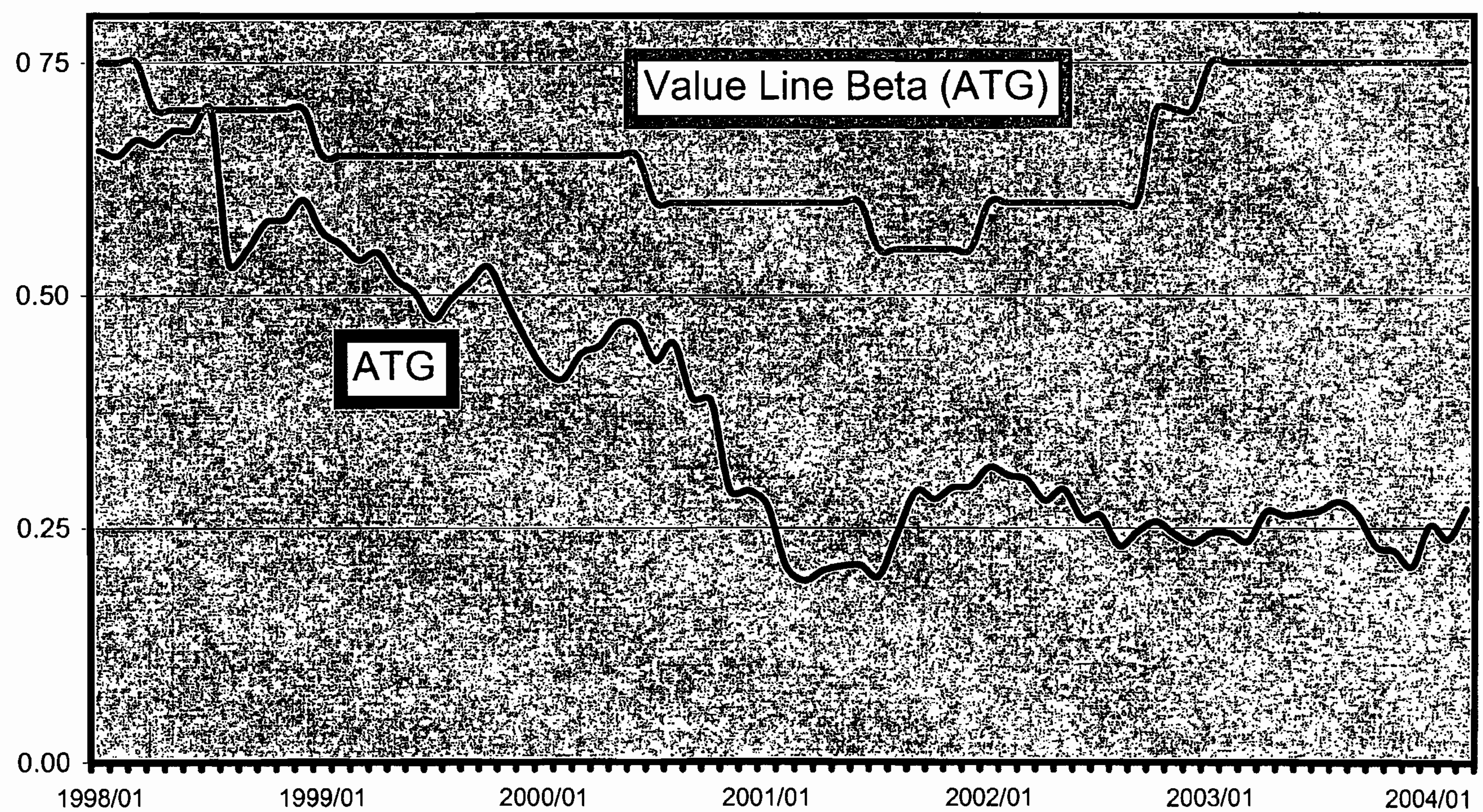
AGL Resources Calculated Beta Vs. Value Line's Beta: Jan. 1998 - Jan. 2004



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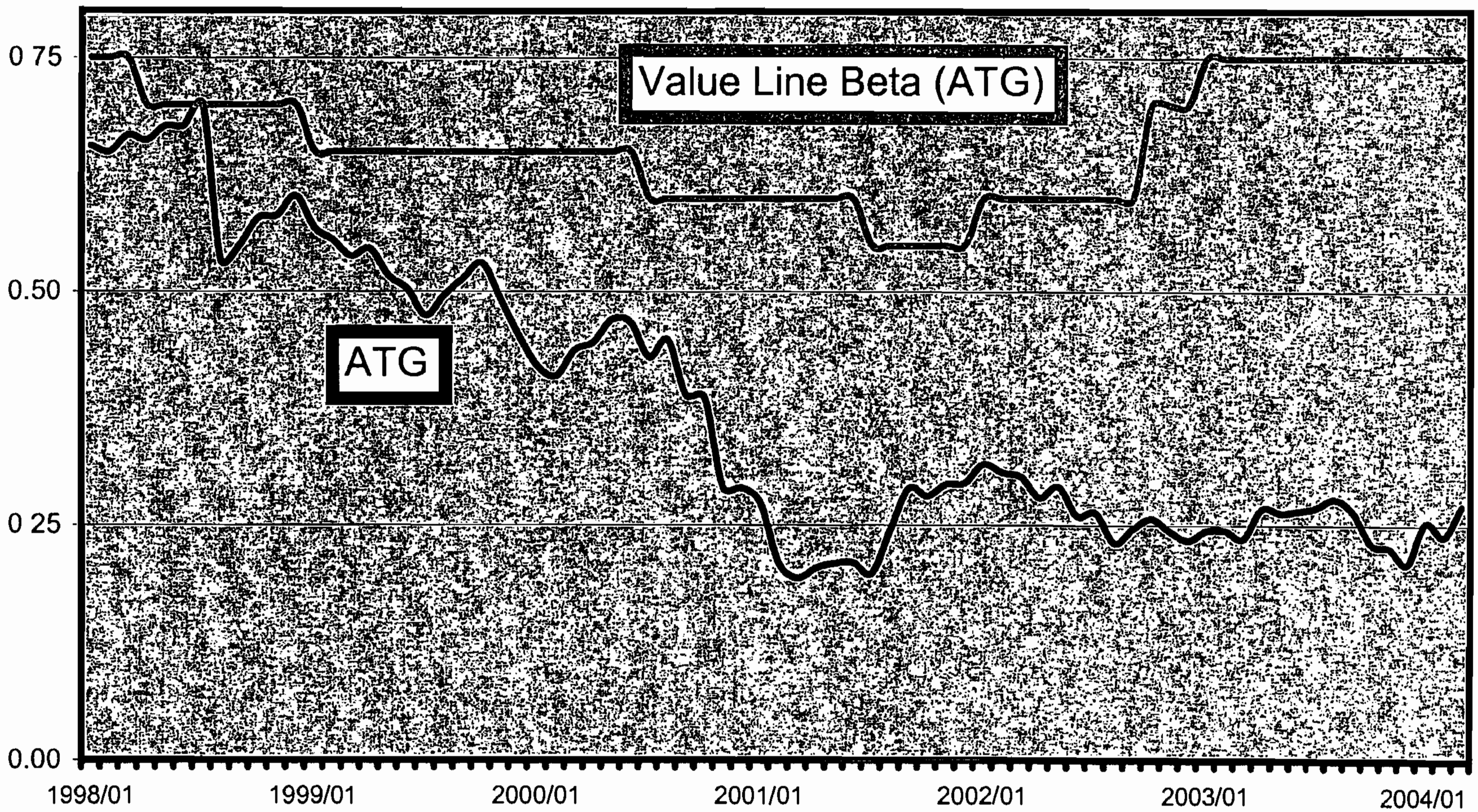
AGL Resources Calculated Beta Vs. Value Line's Beta: Jan. 1998 - Jan. 2004



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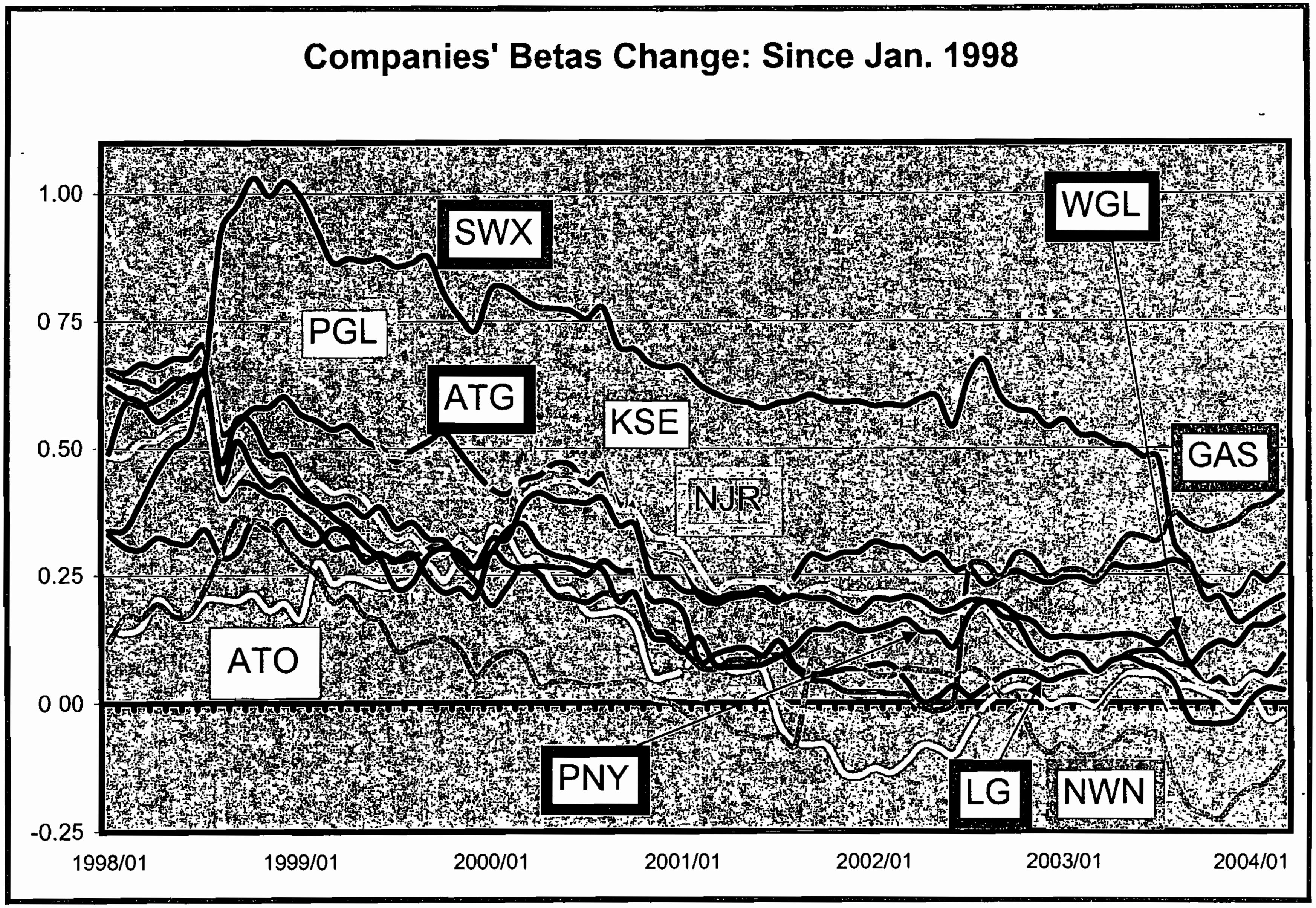
Direct Testimony____
Chart 2 of 3______



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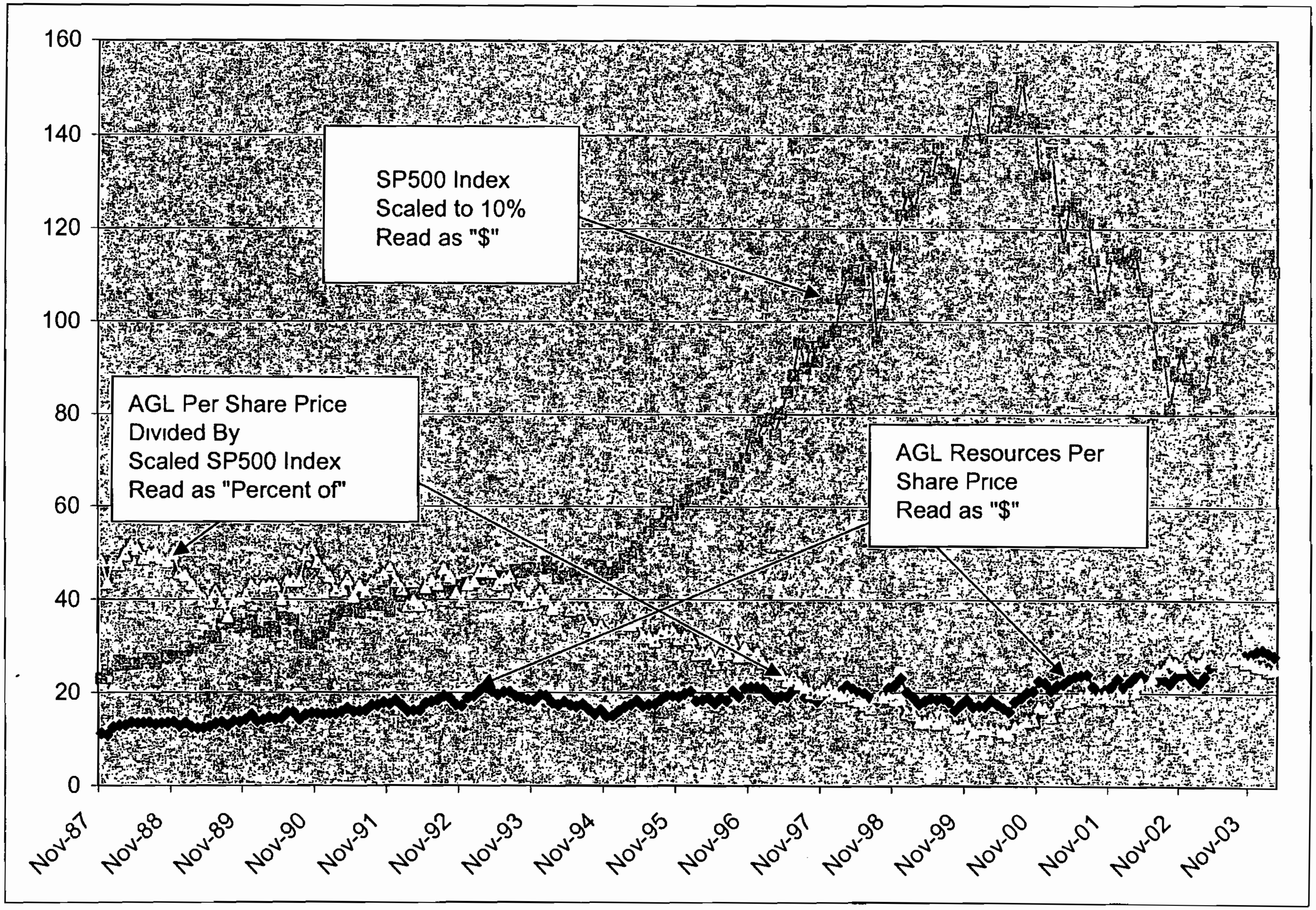
Docket No 04 00034
Exhibit CAPD SB____
Direct Testimony____
Chart 3 of 3____

Comparison of AGL Stock Price: Relative to SP500 Index



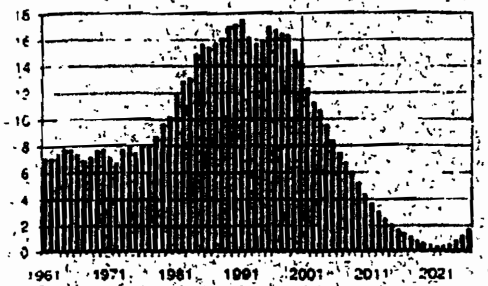
RISK PREMIUM ANALYSIS AGL RESOURCES AND COMPARABLE COMPANIES REGRESSED AGAINST S&P 500

BETA FOR 60 MONTH PERIOD ENDING	AGL Resources (NYSE ATG)	Atmos Energy Cp (NYSE ATO)	Nicor Inc (NYSE GAS)	KEYSPAN CORP (NYSE KSE)	LaClede Group (NYSE LG)	N J Resources (NYSE NJR)	Northwest Natural (NYSE NWN)	Peoples Energy (NYSE P GL)	Piedmont Nat Gas (NYSE PNY)	SOUTHWEST GAS (NYSE SWX)	WGL Holdings Inc (NYSE W GL)	Value Line Beta (ATG)
1998/01	0 66	0 14	0 65	0 77	0 33	0 49	0 12	0 94	0 34	0 49	0 622	0 75
1998/02	0 65	0 14	0 64	0 77	0 31	0 48	0 17	0 86	0 34	0 59	0 604	0 75
1998/03	0 67	0 15	0 63	0 76	0 30	0 51	0 17	0 85	0 39	0 58	0 592	0 75
1998/04	0 66	0 20	0 61	0 74	0 32	0 52	0 19	0 84	0 46	0 60	0 555	0 70
1998/05	0 68	0 18	0 64	0 73	0 31	0 54	0 17	0 81	0 50	0 62	0 573	0 70
1998/06	0 68	0 17	0 63	0 70	0 31	0 55	0 18	0 83	0 53	0 64	0 595	0 70
1998/07	0 70	0 20	0 64	0 73	0 34	0 57	0 22	0 89	0 61	0 66	0 648	0 70
1998/08	0 53	0 20	0 40	0 50	0 29	0 42	0 29	0 70	0 47	0 93	0 438	0 70
1998/09	0 55	0 20	0 43	0 50	0 30	0 44	0 36	0 71	0 56	0 98	0 515	0 70
1998/10	0 58	0 21	0 43	0 51	0 36	0 48	0 36	0 70	0 55	1 03	0 463	0 70
1998/11	0 58	0 18	0 41	0 49	0 34	0 45	0 35	0 67	0 49	1 00	0 426	0 70
1998/12	0 60	0 20	0 40	0 50	0 36	0 45	0 31	0 68	0 49	1 02	0 441	0 70
1999/01	0 57	0 17	0 37	0 47	0 32	0 42	0 27	0 64	0 43	0 99	0 410	0 65
1999/02	0 56	0 27	0 35	0 45	0 31	0 43	0 25	0 63	0 40	0 93	0 392	0 65
1999/03	0 54	0 23	0 30	0 39	0 34	0 41	0 20	0 58	0 37	0 87	0 384	0 65
1999/04	0 55	0 25	0 31	0 40	0 33	0 42	0 21	0 62	0 34	0 87	0 389	0 65
1999/05	0 52	0 24	0 29	0 39	0 28	0 40	0 17	0 59	0 31	0 87	0 366	0 65
1999/06	0 50	0 23	0 28	0 40	0 29	0 35	0 16	0 50	0 28	0 87	0 384	0 65
1999/07	0 47	0 23	0 28	0 36	0 28	0 32	0 10	0 49	0 22	0 86	0 342	0 65
1999/08	0 50	0 24	0 28	0 35	0 29	0 33	0 11	0 48	0 23	0 86	0 354	0 65
1999/09	0 51	0 27	0 30	0 36	0 24	0 29	0 12	0 49	0 29	0 88	0 323	0 65
1999/10	0 53	0 24	0 31	0 35	0 22	0 29	0 13	0 51	0 30	0 80	0 318	0 65
1999/11	0 49	0 28	0 27	0 34	0 22	0 32	0 10	0 44	0 29	0 76	0 281	0 65
1999/12	0 45	0 24	0 24	0 30	0 21	0 30	0 05	0 40	0 26	0 73	0 266	0 65
2000/01	0 42	0 34	0 19	0 27	0 29	0 32	0 08	0 43	0 30	0 81	0 321	0 65
2000/02	0 41	0 33	0 23	0 31	0 27	0 32	0 10	0 45	0 34	0 82	0 321	0 65
2000/03	0 44	0 28	0 27	0 51	0 26	0 40	0 09	0 40	0 35	0 79	0 388	0 65
2000/04	0 45	0 28	0 25	0 47	0 27	0 42	0 03	0 33	0 31	0 78	0 412	0 65
2000/05	0 47	0 22	0 21	0 45	0 26	0 44	0 04	0 29	0 29	0 77	0 398	0 65
2000/06	0 47	0 22	0 20	0 45	0 26	0 43	0 04	0 29	0 28	0 77	0 394	0 65
2000/07	0 43	0 18	0 20	0 45	0 25	0 42	0 03	0 29	0 27	0 75	0 392	0 60
2000/08	0 45	0 17	0 21	0 47	0 28	0 41	0 04	0 30	0 26	0 78	0 401	0 60
2000/09	0 39	0 18	0 21	0 38	0 26	0 38	0 04	0 27	0 20	0 70	0 347	0 60
2000/10	0 39	0 15	0 21	0 40	0 25	0 38	0 04	0 27	0 21	0 70	0 350	0 60
2000/11	0 29	0 05	0 15	0 30	0 20	0 33	0 01	0 11	0 13	0 67	0 250	0 60
2000/12	0 29	0 05	0 14	0 29	0 20	0 32	0 00	0 10	0 12	0 66	0 245	0 60
2001/01	0 27	0 06	0 10	0 27	0 18	0 31	-0 02	0 07	0 10	0 66	0 219	0 60
2001/02	0 21	0 10	0 07	0 23	0 08	0 27	-0 04	0 01	0 13	0 63	0 216	0 60
2001/03	0 19	0 09	0 07	0 24	0 09	0 22	-0 02	0 02	0 07	0 61	0 204	0 60
2001/04	0 20	0 06	0 08	0 24	0 10	0 23	-0 06	0 03	0 07	0 60	0 212	0 60
2001/05	0 21	0 06	0 08	0 24	0 11	0 24	-0 06	0 03	0 07	0 59	0 214	0 60
2001/06	0 21	0 06	0 08	0 26	0 09	0 24	-0 07	0 02	0 07	0 58	0 223	0 60
2001/07	0 20	-0 04	0 09	0 26	0 12	0 23	-0 06	0 00	0 09	0 59	0 202	0 55
2001/08	0 25	-0 08	0 06	0 22	0 07	0 21	-0 08	-0 02	0 11	0 59	0 209	0 55
2001/09	0 29	-0 08	0 04	0 19	0 08	0 22	0 08	-0 02	0 14	0 61	0 204	0 55
2001/10	0 28	-0 08	0 04	0 19	0 06	0 23	0 07	-0 03	0 14	0 59	0 203	0 55
2001/11	0 29	-0 14	0 02	0 16	0 06	0 21	0 08	-0 04	0 15	0 59	0 187	0 55
2001/12	0 30	-0 14	0 02	0 15	0 07	0 21	0 07	-0 05	0 14	0 59	0 177	0 55
2002/01	0 32	-0 13	0 02	0 17	0 07	0 22	0 05	-0 04	0 14	0 58	0 204	0 60
2002/02	0 31	-0 14	0 02	0 17	0 07	0 21	0 05	-0 04	0 15	0 59	0 200	0 60
2002/03	0 30	-0 12	0 02	0 19	0 04	0 21	0 07	-0 04	0 16	0 58	0 207	0 60
2002/04	0 28	-0 08	-0 01	0 20	0 00	0 19	0 06	-0 04	0 14	0 60	0 199	0 60
2002/05	0 29	-0 09	-0 02	0 19	0 01	0 17	0 06	-0 05	0 13	0 60	0 178	0 60
2002/06	0 26	-0 10	0 00	0 19	0 03	0 18	0 05	-0 03	0 11	0 54	0 182	0 60
2002/07	0 26	-0 05	0 27	0 21	0 01	0 17	0 07	-0 02	0 17	0 64	0 199	0 60
2002/08	0 23	-0 01	0 27	0 21	0 03	0 18	0 05	-0 03	0 20	0 67	0 198	0 60
2002/09	0 25	0 02	0 25	0 20	0 05	0 14	0 01	-0 03	0 17	0 60	0 190	0 60
2002/10	0 26	0 03	0 29	0 22	0 06	0 11	0 01	-0 01	0 16	0 58	0 169	0 70
2002/11	0 24	0 02	0 28	0 19	0 06	0 09	-0 07	-0 01	0 10	0 57	0 157	0 70
2002/12	0 23	-0 01	0 25	0 18	0 04	0 07	-0 10	-0 05	0 08	0 54	0 127	0 70
2003/01	0 24	0 00	0 26	0 19	0 05	0 08	-0 08	-0 04	0 10	0 56	0 129	0 75
2003/02	0 24	0 00	0 26	0 18	0 06	0 07	-0 10	-0 02	0 09	0 53	0 126	0 75
2003/03	0 24	-0 01	0 25	0 17	0 06	0 06	-0 10	-0 02	0 06	0 53	0 126	0 75
2003/04	0 27	0 03	0 29	0 20	0 07	0 08	-0 08	0 02	0 08	0 51	0 131	0 75
2003/05	0 26	0 06	0 33	0 20	0 10	0 08	-0 06	0 05	0 09	0 50	0 133	0 75
2003/06	0 27	0 06	0 32	0 23	0 10	0 08	-0 06	0 04	0 07	0 48	0 125	0 75
2003/07	0 27	0 05	0 32	0 22	0 10	0 08	-0 06	0 03	0 06	0 48	0 114	0 75
2003/08	0 28	0 03	0 37	0 25	0 08	0 07	-0 15	-0 03	0 04	0 31	0 136	0 75
2003/09	0 26	0 03	0 35	0 23	0 07	0 05	-0 20	-0 06	-0 03	0 28	0 077	0 75
2003/10	0 23	0 02	0 34	0 21	0 04	0 03	-0 22	-0 09	-0 04	0 20	0 104	0 75
2003/11	0 23	0 01	0 34	0 22	0 05	0 03	-0 23	-0 10	-0 04	0 21	0 119	0 75
2003/12	0 21	-0 02	0 36	0 22	0 01	0 03	-0 19	-0 10	-0 03	0 16	0 113	0 75
2004/01	0 25	0 01	0 38	0 26	0 06	0 05	-0 16	-0 06	0 01	0 17	0 149	0 75
2004/02	0 24	-0 03	0 39	0 26	0 06	0 04	-0 15	-0 06	0 03	0 19	0 151	0 75
2004/03	0 27	-0 02	0 41	0 29	0 09	0 05	-0 12	-0 04	0 02	0 21	0 167	0 75
Average - Recent 12 Mos	0 25	0 02	0 35	0 23	0 07	0 06	-0 14	-0 03	0 02	0 31	0 13	0 75

EXHIBIT 14

Net Interest Paid by the Federal Government

(Percent of federal government expenditures excluding investment)



Government. Federal discretionary spending is expected to remain under pressure throughout the projection period, as Washington attempts to mitigate the impacts of rapidly rising entitlement spending on the federal budget. As a share of GDP, federal government current expenditures will fall from their recent peak of almost 22.5% in 1992 to a low of 16.3% in 2011, before gradually rising to 18.7% by 2026. Personal transfer payments will expand as a share of government current expenditures, increasing from 42% last year to 59% by 2026.

Real military spending should decline between 2001 and 2026, as the nation continues to reap a peace dividend. In 2000 military spending garnered only 18% of total federal outlays, down from 28% as recently as 1988. The average defense share of federal outlays will average 15.48% during 2000-26.

Interest payments—the fastest-growing component of federal spending in recent years—rose from about an 8% share of the budget in 1976 to a 17.5% share in 1991, mostly due to the rapidly expanding federal debt (which climbed from 25% to 46% of GDP over the same period). This interest share should steadily fall to less than 2% after 2014 (Exhibit 14). After 28 years of deficit, the federal budget (unified basis) recorded a surplus in fiscal 1998. We expect surpluses to continue through 2020, and average 0.2% of GDP through fiscal 2026.

For much of the postwar period, state and local government spending was a leading "growth industry." Real municipal consumption and investment rose 4.4% annually from 1960 to 1975, boosting total state and local spending's share of GDP from 9.0% to 12.8%. This pattern then changed dramatically, as demand for state and local services slackened and resistance to higher taxes stiffened. In addition, real federal grants-in-aid were unchanged between 1975 and 1990, reducing their share of nominal state receipts from 23% to 17% over these years. Since then, rising Medicaid outlays have pushed this share back to 20%.

State and local consumption and investment have moderated since their robust advances of 1983-90, and should continue to rise less than 1.0% annually through the projection period. Spending, following revenues, will grow more slowly during the second half of the forecast interval than during the first half. Overall outlays will rise more rapidly than consumption and investment, the result of big increases in Medicaid outlays and retirement pensions.

International. The outlook for foreign trade is probably the most uncertain among all of the economy's sectors. The dollar's real exchange rate should decline through the forecast period. By 2026, the U.S. unit will be about 11% below its 2000 level.

Contrary to the general postwar experience, the export share of GDP plummeted in the early 1980s, from 10% in 1980 to 7% in 1986. Helped by the weakening dollar and growing foreign economies, though, this share steadily improved to nearly 11% by 2000. After some weakness this year, real exports should again record healthy advances, averaging 6.6% annual gains through 2026. Meanwhile, real imports will also continue to climb rapidly, averaging 6.0% growth over the forecast interval.

Profits and Equities. Before-tax profits will hover between 7.6% and 9.0% of GNP, above the average share during the 1980s. Meanwhile, corporate cash flow will average 11.1% of GNP over the projection period, above the average of the past 25 years. The stable growth, modest inflation, and moderate real interest rates found in the trend outlook provide an excellent environment for equities over the next ten years, with stock prices enjoying steady 5.3% annual gains between 2001 and 2026.

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE	35	P/E RATIO	15.6 (Trailing 15.1 / Median 13.0)	RELATIVE P/E RATIO	0.95	DIV'D YLD	6.0%	VALUE LINE	471

TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos)

SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)

BETA .60 (1.00 = Market)

High:	10.3	14.5	19.0	24.3	26.4	28.0	30.8	32.1	37.6	39.0	42.5	38.9
Low:	7.7	9.6	14.0	18.5	19.4	21.5	23.9	26.5	29.8	30.3	34.0	34.0

Target Price Range 1997 | 1998 | 1999

1997-99 PROJECTIONS

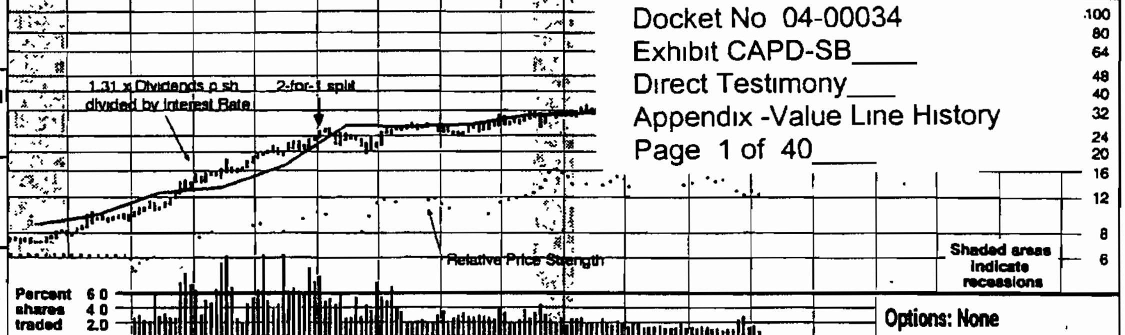
	Price	Gain	Ann'l Total Return
High	45	(+30%)	11%
Low	30	(-15%)	3%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q'93	3Q'93	4Q'93
to Buy	30	19	16
to Sell	21	24	24
Hld's(000)	4284	4323	3975



Docket No 04-00034

Exhibit CAPD-SB____

Direct Testimony____

Appendix -Value Line History

Page 1 of 40____

Options: None

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	© VALUE LINE PUB., INC.	97-99
48.06	60.27	77.11	91.44	104.23	96.54	92.00	74.85	55.17	52.48	45.94	43.26	45.17	40.52	40.88	45.47	*46.80*	*49.25*	Revenues per sh A	*57.25*
3.25	3.04	3.40	3.27	2.99	3.20	3.74	3.38	3.04	3.68	3.79	3.86	4.09	4.14	4.67	4.51	*4.40*	*4.64*	"Cash Flow" per sh	*5.25*
1.62	1.31	1.55	1.29	.91	1.56	2.25	1.82	1.67	2.04	2.25	1.90	2.02	2.07	2.26	2.16	*2.25*	*2.35*	Earnings per sh B	*2.80*
.68	.72	.75	.84	.90	.96	1.08	1.26	1.40	1.60	1.76	1.88	1.96	2.04	2.06	2.08	*2.09*	*2.12*	Div'ds Decl'd per sh C■	*2.26*
3.43	3.51	3.97	4.90	5.05	4.87	5.89	6.03	6.60	7.18	5.72	5.29	5.47	5.91	5.48	4.98	*5.40*	*4.90*	Cap'l Spending per sh	*4.85*
11.12	11.71	12.52	12.99	12.90	12.74	13.84	14.25	15.18	15.78	17.44	17.66	17.93	18.84	19.57	19.79	*20.50*	*21.25*	Book Value per sh D	*23.25*
9.07	9.07	9.07	9.07	9.26	11.54	13.32	15.56	18.28	18.74	21.24	21.70	22.16	23.79	24.33	24.86	*25.90*	*26.40*	Common Shs Outst'g E	*28.00*
4.8	6.1	4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	Bold figures are	Value Line	Avg Ann'l P/E Ratio	*13.5*
.65	.88	.64	.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.05	estimates		Relative P/E Ratio	*1.05*
8.6%	9.1%	10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%			Avg Ann'l Div'd Yield	*6.0%*

CAPITAL STRUCTURE as of 12/31/93

Total Debt $739.3 mill Due in 5 Yrs $15.0 mill
LT Debt $509.8 mill LT Interest $42.1 mill
(LT interest earned 3.4x; total interest coverage 3.0x)

Leases, Uncapitalized Annual rentals $6.0 mill

Pension Liability None

Pfd Stock $58.7 mill Pfd Div'd $4.4 mill
$14.2 mill 4.50%-8.32% cum., callable at $101.96-$105.25; $44.5 mill 7.70% cum

Common Stock 24,989,222 shs

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995		97-99
1225.7	1164.7	1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	*1210*	*1300*	Revenues ($mill) A	*1600*
29.6	29.7	29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	*61.5*	*66.0*	Net Profit ($mill)	*82.0*
47.8%	46.7%	46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.8%	32.9%	*32.0%*	*32.0%*	Income Tax Rate	*32.0%*
2.4%	2.5%	2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.5%	5.1%	*5.1%*	*5.1%*	Net Profit Margin	*5.1%*
48.6%	49.8%	49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	49.5%	47.6%	*47.5%*	*47.5%*	Long-Term Debt Ratio	*48.0%*
45.3%	45.5%	46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	49.0%	46.8%	*47.0%*	*47.5%*	Common Equity Ratio	*48.0%*
407.2	487.7	590.9	587.7	768.5	770.0	831.9	918.3	962.8	1050.7	*1130*	*1180*	Total Capital ($mill)	*1350*
492.2	560.7	652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	*1345*	*1420*	Net Plant ($mill)	*1625*
10.2%	8.8%	7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	7.8%	7.5%	*7.5%*	*7.5%*	% Earned Total Cap'l	*8.0%*
14.2%	12.1%	9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.2%	10.4%	*10.5%*	*10.5%*	% Earned Net Worth	*11.5%*
15.0%	12.5%	9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.4%	10.8%	*10.5%*	*11.0%*	% Earned Comm Equity	*12.0%*
7.7%	3.8%	1.7%	2.8%	2.7%	2%	2%	2%	1.0%	4%	*1.0%*	*1.0%*	% Retained to Comm Eq	*2.5%*
52%	72%	84%	79%	79%	98%	98%	98%	91%	96%	*93%*	*90%*	% All Div'ds to Net Prof	*82%*

CURRENT POSITION ($MILL.)	1992	1993	12/31/93
Cash Assets	1.2	3.3	4.3
Other	181.7	232.1	377.0
Current Assets	182.9	235.4	381.3
Accts Payable	66.7	63.6	81.4
Debt Due	258.6	132.1	229.5
Other	89.4	77.0	90.7
Current Liab	414.7	272.7	401.6
Fix. Chg. Cov.	246%	239%	253%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '91-'93 to '97-'99
Revenues	-8.0%	-4.0%	*5.0%*
"Cash Flow"	3.5%	5.0%	*3.0%*
Earnings	5.5%	1.5%	*4.5%*
Dividends	8.5%	5.5%	*1.5%*
Book Value	4.0%	3.5%	*3.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar 31	Jun 30	Sep.30	Full Fiscal Year
1991	295.3	379.0	159.3	130.3	963.9
1992	300.2	395.3	176.0	123.1	994.6
1993	334.1	448.2	197.7	150.3	1130.3
1994	361.9	*485*	*215*	*148.1*	*1210*
1995	*390*	*520*	*230*	*160*	*1300*

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec.31	Mar.31	Jun 30	Sep.30	Full Fiscal Year
1991	1.05	1.47	d.11	d.31	2.07
1992	.88	1.79	d.08	d.31	2.26
1993	.87	1.79	d.14	d.34	2.16
1994	1.01	*1.84*	*d.20*	*d.40*	*2.25*
1995	*1.00*	*1.90*	*d.20*	*d.35*	*2.35*

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun 30	Sep 30	Dec 31	Full Year
1990	.49	.49	.49	.51	1.98
1991	.51	.51	.51	.51	2.04
1992	.51	.52	.52	.52	2.07
1993	.52	.52	.52	.52	2.08
1994	.52				

BUSINESS Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah, and in Chattanooga, Tennessee. Has about 1,280,900 customers. System throughput: 266.4 Bcf in FY '93 vs. 269.6 Bcf in FY '92. Purchased gas cost: 62% of revs. in FY '93 vs. 59.5% in FY '92. Firm gas supply profile: FY '93 Pipeline mktrs., 54%; Major oil cos., 26%; Ind. prod., 11%; Ind. mktrs. 9%. Revenue breakdown, FY '93: Residential, 58%; commercial, 24%; industrial, 14%; transport and other 4%. Depreciation rate: 3.3%. Has about 3,764 employees, 18,000 shrhldrs. Pres. & C.E.O.: David R. Jones. Inc.: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Tel.: 404-584-4000.

Atlanta Gas Light's residential customers used more gas in the December quarter. The increase in volumes was not related to weather, since it was actually warmer this year than last in AGL's service territory. However, much of the increase was the result of deliveries made in a single month, December. Even though it is not clear that this necessarily signals a trend towards increased usage by the utility's space-heating customers, we are cautiously optimistic that there might be some pickup in demand as the fiscal year continues to unfold (ends September 30th). But since the margin lost due to the Arcadian bypass in 1993 is primarily being recovered in the winter months, the utility's losses will probably be a little larger in the summer. Accordingly, we are maintaining our earnings estimate at $2.25 a share for 1994. Share earnings might move to $2.35 next year.

The yield on AGL stock is attractive in comparison with that of other gas distributors. It is no secret that utility equities have been adversely effected by the current uncertainty over interest rates. At this point, it appears that rates have bottomed out and are headed upward. In response, investors are requiring higher dividend yields on utility stocks before making a commitment. But we believe that the market has been too stingy in Atlanta's case, providing an opportunity for investors seeking current income. Some of the weakness in this equity's price is probably also related to the Georgia commission's latest rate order. Although it seems that the regulators want to keep a sharp eye on net income, they did approve the company's Integrated Resource Plan last year. This gives AGL the ability to build strategic load while embracing efficiency and conservation measures. Moreover, Atlanta's home-heating roster will probably continue to grow at 2.0%-2.5% a year through 1997-99, favorable for a utility of this size.

On the other hand, the current payout ratio does not leave much room for dividend growth. The pace of dividend increases may well improve in the next 3 to 5 years, but income-oriented investors looking for a good risk-adjusted total return will probably do better elsewhere.

Charles Clark *April 1, 1994*

(A) Fiscal year ends September 30th.
(B) Primary earnings. Next egs. report due early May. Excl. extra. gains: '84, 37¢; '88, 15¢.
(C) Next dividend meeting early May. Goes ex mid-May. Approximate div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Including deferred charges. In '93: $37.1 mill., $1.49/sh.
(E) In millions, adj'd for stock split.
(F) In '91,'92,'93 Quarters do not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	65

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE	35	P/E RATIO	14.6 (Trailing 14.0 / Median 13.0)	RELATIVE P/E RATIO	0.99	DIV'D YLD	6.0%	VALUE LINE	471

High:	10 3	14 5	19 0	24 3	26 4	28 0	30 8	32 1	37 6	39 0	42 5	38 9
Low:	7 7	9 6	14 0	18 5	19 4	21 5	23 9	26 5	29 8	30 3	34 0	34 0

Target Price Range 1997 | 1998 | 1999

TIMELINESS 4 Below Average
(Relative Price Performance Next 12 Mos)

SAFETY 2 Above Average
(Scale 1 Highest to 5 Lowest)

BETA 60 (1 00 = Market)

1997-99 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+30%)	11%
Low	30	(-15%)	3%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	0	0	1	0	0	0	0
Options	1	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	2

Institutional Decisions

	3Q'93	4Q'93	1Q'94
to Buy	19	16	21
to Sell	24	24	22
Hld's(000)	4323	3975	4464

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony____
Appendix -Value Line History
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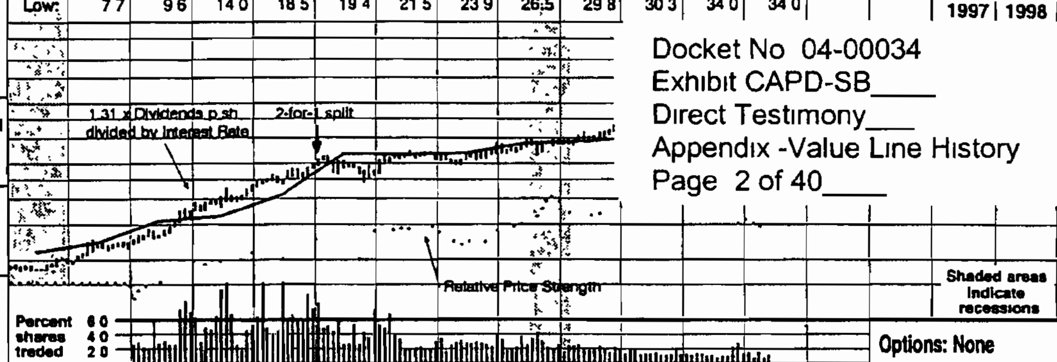


Options: None

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	© VALUE LINE PUB, INC	97-99
48 06	60 27	77 11	91 44	104 23	96 54	92 00	74 85	55 17	52 48	45 94	43.26	45 17	40 52	40 88	45 47	*47.30*	*50.20*	Revenues per sh A	*57.25*
3.25	3 04	3 40	3.27	2 99	3.20	3 74	3 38	3 04	3 68	3 79	3 86	4.09	4 14	4 67	4 51	*4 80*	*5 00*	"Cash Flow" per sh	*5 60*
1 62	1 31	1 55	1 29	91	1 56	2.25	1 82	1 67	2 04	2.25	1 90	2 02	2.07	2 26	2 16	*2 35*	*2.45*	Earnings per sh B	*2.80*
68	72	75	84	90	96	1 08	1 26	1 40	1 60	1 76	1 88	1 96	2 04	2 06	2 08	*2 09*	*2.12*	Div'ds Decl'd per sh C■	*2.26*
3 43	3 51	3 97	4 90	5 05	4 87	5 89	'6 03	6 60	7 18	5 72	5.29	5 47	5 91	5 48	4 98	*5.40*	*4 90*	Cap'l Spending per sh	*4 85*
11 12	11 71	12.52	12 99	12 90	12 74	13 84	14 25	15 18	15 78	17 44	17 66	17 93	18 84	19 57	19 79	*20 65*	*21 50*	Book Value per sh D	*23 25*
9 07	9 07	9 07	9 07	9 26	11.54	13 32	15 56	18 28	18 74	21 24	21 70	22 16	23 79	24 33	24 86	*25 90*	*26 40*	Common Shs Outst'g E	*28.00*
4 8	6 1	4 8	5 9	8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14.2	15 3	15 5	17 9	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*13 5*
65	88	64	72	91	48	44	67	80	77	92	1 04	1 05	98	94	1 05	*estimates*		Relative P/E Ratio	*1 05*
8 6%	9 1%	10.2%	11 1%	12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7.2%	6 8%	6 4%	5 9%	5 4%			Avg Ann'l Div'd Yield	*6.0%*

CAPITAL STRUCTURE as of 3/31/94
Total Debt $569 5 mill Due in 5 Yrs Nil
LT Debt $554 5 mill LT Interest $43 3 mill
(LT interest earned 3 4x, total interest coverage 3 1x)

Leases, Uncapitalized Annual rentals $6 0 mill

Pension Liability None

Pfd Stock $58 7 mill Pfd Div'd $4 4 mill
$14 2 mill 4 50%-8 32% cum, callable at $101 96-$105 25, $44 5 mill 7 70% cum

Common Stock 25,123,046 shs

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995		97-99
1225 7	1164 7	1008 3	983 5	975 6	938 7	1000 9	963 9	994 6	1130 3	*1225*	*1325*	Revenues ($mill) A	*1600*
29 6	29 7	29 2	39 4	46 0	42 1	45 6	49 4	55 4	57 5	*64 0*	*68 0*	Net Profit ($mill)	*82.0*
47 8%	46 7%	46 0%	47 6%	31 8%	27 6%	31 7%	34 6%	31 8%	32 9%	*34 0%*	*34 0%*	Income Tax Rate	*34 0%*
2 4%	2 5%	2 9%	4 0%	4 7%	4 5%	4 6%	5 1%	5 5%	5 1%	*5 2%*	*5.1%*	Net Profit Margin	*5 1%*
48 6%	49 8%	49 4%	46.2%	49 3%	47 9%	50.2%	49 6%	49 5%	47 6%	*48 5%*	*47 5%*	Long-Term Debt Ratio	*48.5%*
45 3%	45 5%	46 9%	50 3%	48.2%	49 8%	47 8%	48 8%	49 0%	46 8%	*46.5%*	*47 5%*	Common Equity Ratio	*47.5%*
407 2	487 7	590 9	587 7	768 5	770 0	831 9	918 3	962 8	1050 7	*1150*	*1195*	Total Capital ($mill)	*1375*
492.2	560 7	652 1	757 7	866 5	979 1	1049 6	1141 6	1217 9	1281 3	*1345*	*1415*	Net Plant ($mill)	*1625*
10.2%	8 8%	7 6%	9 0%	8.2%	7 8%	7 6%	7 6%	7 8%	7 5%	*7 5%*	*7 5%*	% Earned Total Cap'l	*8.0%*
14.2%	12 1%	9 8%	12 5%	11 8%	10 5%	11 0%	10 7%	11.2%	10 4%	*10.5%*	*11 0%*	% Earned Net Worth	*11.5%*
15 0%	12 5%	9 9%	12 8%	12 0%	10 6%	11.2%	10 8%	11 4%	10 8%	*11 0%*	*11 5%*	% Earned Comm Equity	*12.0%*
7 7%	3 8%	1 7%	2 8%	2 7%	.2%	.2%	.2%	1 0%	4%	*1 0%*	*1 5%*	% Retained to Comm Eq	*2.5%*
52%	72%	84%	79%	79%	98%	98%	98%	91%	96%	*90%*	*88%*	% All Div'ds to Net Prof	*81%*

CURRENT POSITION ($MILL)	1992	1993	3/31/94
Cash Assets	1 2	3 3	8 0
Other	181 7	232 1	284 3
Current Assets	182 9	235 4	292 3
Accts Payable	66 7	63 6	67 3
Debt Due	258 6	132 1	15 0
Other	89 4	77 0	166 8
Current Liab	414 7	272 7	249 1
Fix Chg Cov	246%	239%	264%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '91-'93 to '97-'99
Revenues	-8 0%	-4 0%	*5 0%*
"Cash Flow"	3 5%	5 0%	*3 0%*
Earnings	5 5%	1 5%	*4 5%*
Dividends	8 5%	5 5%	*1 5%*
Book Value	4 0%	3 5%	*3 0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec. 31	Mar.31	Jun.30	Sep 30	Full Fiscal Year
1991	295 3	379 0	159 3	130 3	963 9
1992	300 2	395 3	176 0	123 1	994 6
1993	334 1	448 2	197 7	150 3	1130 3
1994	361 9	500 2	*215*	*147 9*	*1225*
1995	*390*	*540*	*235*	*160*	*1325*

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec.31	Mar.31	Jun 30	Sep 30	Full Fiscal Year
1991	1 05	1 47	d 11	d 31	2 07
1992	88	1 79	d.08	d 31	2 26
1993	87	1 79	d 14	d 34	2 16
1994	1 01	1 97	*d 20*	*d 43*	*2 35*
1995	*1.05*	*2 00*	*d.20*	*d 40*	*2 45*

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun 30	Sep 30	Dec 31	Full Year
1990	49	49	49	51	1 98
1991	51	51	51	51	2 04
1992	51	52	52	52	2.07
1993	52	52	52	52	2 08
1994	52	52			

BUSINESS Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah, and in Chattanooga, Tennessee Has about 1,280,900 customers System throughput 266 4 Bcf in FY '93 vs 269 6 Bcf in FY '92 Purchased gas cost 62% of revs in FY '93 vs 59 5% in FY '92 Firm gas supply profile FY '93 Pipeline mktrs, 54%, Major oil cos, 26%, Ind prod., 11%, Ind mktrs 9% Revenue breakdown, FY '93 Residential, 58%, commercial, 24%, industrial, 14%, transport and other 4% Depreciation rate 3 3% Has about 3,764 employees, 18,000 shrhldrs Pres & C E O David R Jones Inc Georgia. Address 303 Peachtree St, N E Atlanta, GA 30308 Tel 404-584-4000

Atlanta Gas Light posted better-than-expected financial results over the heating season. Despite temperatures averaging above the 30-year norm, residential heating customers continued to use more gas in the first six months of fiscal 1994 (ends September 30th) Although the reason for the greater demand from AGL's residential roster is not completely clear yet, it may well be reflective of the better economy in its service area We are cautiously optimistic on this point

AGL has filed for rate relief. This plan, filed by the utility on March 31st to take effect October 1st, requests a $40 5 million increase in yearly revenues and a 12.75% return on common equity In addition, it has some interesting features that should benefit both ratepayers and shareholders AGL is asking for a competitive pricing structure for interruptible sales, a proposal to share earnings above allowed levels with residential and other general service customers, and a minimum two-year moratorium on further rate case filings The acceptance of some sort of competitive pricing will place the company in a better position to compete with interstate pipelines for the delivery of gas to large industrial customers, limiting the threat of bypass of AGL's distribution system This is surely a topical issue for the commission to consider, given federal regulators' continued drive towards establishing more competitive markets for the delivery of natural gas We view earnings sharing as an incentive to management to garner the largest return available for shareholders. Ratepayers will also benefit from this part of the proposal, since a portion of any excess income over that allowed by regulators will be returned to them The two-year moratorium on rate filings is a benefit to everyone involved since they are time consuming and expensive The consumers' advocate and the adversary staff of the Georgia commission have recently endorsed competitive pricing We believe that this augurs well for the approval of major parts of this innovative rate case

This investment-grade stock currently offers income-oriented investors a good dividend yield. But the high payout ratio will likely limit dividend growth to 1 5%-2.0% a year through 1997-99

Charles Clark *July 1, 1994*

(A) Fiscal year ends September 30th
(B) Primary egs Next egs report due early August Excl nonrec items '84, 37¢, '88, 15¢
(C) Next dividend meeting early August Goes ex mid-August Approximate div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available
(D) Including deferred charges In '93 $37 1 mill, $1 49/sh
(E) In millions, adj'd for stock split
(F) In '91,'92,'93 Quarters do not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	80
Earnings Predictability	70

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE	31	P/E RATIO	13.4 (Trailing: 12.7 Median: 13.0)	RELATIVE P/E RATIO	0.92	DIV'D YLD	6.7%	VALUE LINE	471

TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos)
SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)
BETA .60 (1.00 = Market)

High:	10.3	14.5	19.0	24.3	26.4	28.0	30.8	32.1	37.6	39.0	42.5	38.9
Low:	7.7	9.6	14.0	18.5	19.4	21.5	23.9	26.5	29.8	30.3	34.0	30.4

Target Price Range 1997 | 1998 | 1999

1997-99 PROJECTIONS

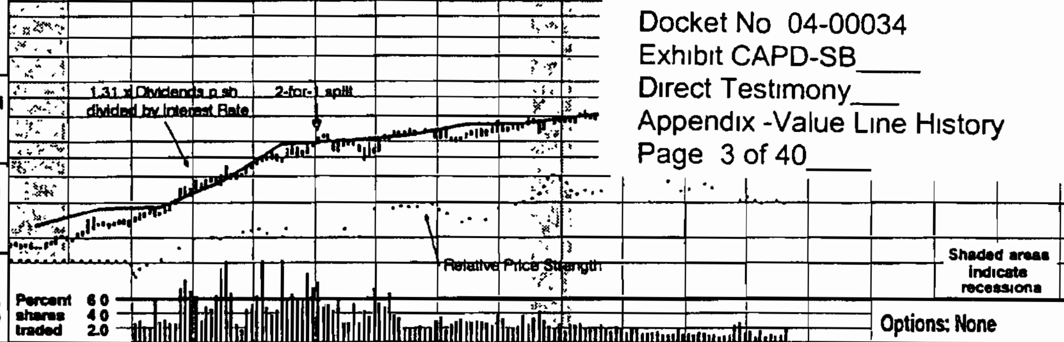
	Price	Gain	Ann'l Total Return
High	45	(+45%)	15%
Low	30	(-5%)	6%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	1	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	0	0	2	0	0

Institutional Decisions

	4Q'93	1Q'94	2Q'94
to Buy	16	21	23
to Sell	24	22	20
Hld's(000)	3975	4464	4424



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Direct Testimony____
Appendix -Value Line History
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Options: None

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	© VALUE LINE PUB., INC.	97-99
48.06	60.27	77.11	91.44	104.23	96.54	92.00	74.85	55.17	52.48	45.94	43.26	45.17	40.52	40.88	45.47	47.25	49.25	Revenues per sh A	57.25
3.25	3.04	3.40	3.27	2.99	3.20	3.74	3.38	3.04	3.68	3.79	3.86	4.09	4.14	4.67	4.51	4.70	4.85	"Cash Flow" per sh	5.60
1.62	1.31	1.55	1.29	.91	1.56	2.25	1.82	1.67	2.04	2.25	1.90	2.02	2.07	2.26	2.16	2.35	2.30	Earnings per sh B	2.80
.68	.72	.75	.84	.90	.96	1.08	1.26	1.40	1.60	1.76	1.88	1.96	2.04	2.06	2.08	2.08	2.08	Div'ds Decl'd per sh C■	2.26
3.43	3.51	3.97	4.90	5.05	4.87	5.89	6.03	6.60	7.18	5.72	5.29	5.47	5.91	5.48	4.98	5.40	4.90	Cap'l Spending per sh	4.85
11.12	11.71	12.52	12.99	12.90	12.74	13.84	14.25	15.18	15.78	17.44	17.66	17.93	18.84	19.57	19.79	21.15	21.20	Book Value per sh D	23.25
9.07	9.07	9.07	9.07	9.26	11.54	13.32	15.56	18.28	18.74	21.24	21.70	22.16	23.79	24.33	24.86	25.40	26.40	Common Shs Outst'g E	28.00
4.8	6.1	4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.0		Avg Ann'l P/E Ratio	13.5
.65	.88	.64	.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.05	.90		Relative P/E Ratio	1.05
8.6%	9.1%	10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.8%		Avg Ann'l Div'd Yield	6.0%

CAPITAL STRUCTURE as of 6/30/94
Total Debt $587.5 mill Due in 5 Yrs Nil
LT Debt $554.5 mill LT Interest $43.3 mill
(LT interest earned 3.4x, total interest coverage 3.1x)

Leases, Uncapitalized Annual rentals $6.0 mill

Pension Liability None

Pfd Stock $58.6 mill **Pfd Div'd** $4.4 mill
$14.2 mill 4.50%-8.32% cum., callable at $101.96-$105.25, $44.5 mill 7.70% cum

Common Stock 25,263,029 shs

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995		97-99
1225.7	1164.7	1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1200	1300	Revenues ($mill) A	1600
29.6	29.7	29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	64.0	64.5	Net Profit ($mill)	82.0
47.8%	46.7%	46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.8%	32.9%	34.0%	34.0%	Income Tax Rate	34.0%
2.4%	2.5%	2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.5%	5.1%	5.3%	5.0%	Net Profit Margin	5.1%
48.6%	49.8%	49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	49.5%	47.6%	48.5%	48.0%	Long-Term Debt Ratio	48.5%
45.3%	45.5%	46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	49.0%	46.8%	46.5%	47.0%	Common Equity Ratio	47.5%
407.2	487.7	590.9	587.7	768.5	770.0	831.9	918.3	962.8	1050.7	1150	1195	Total Capital ($mill)	1375
492.2	560.7	652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1345	1400	Net Plant ($mill)	1625
10.2%	8.8%	7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	7.8%	7.5%	7.5%	7.5%	% Earned Total Cap'l	8.0%
14.2%	12.1%	9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.2%	10.4%	10.5%	10.5%	% Earned Net Worth	11.5%
15.0%	12.5%	9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.4%	10.8%	11.0%	10.5%	% Earned Comm Equity	12.0%
7.7%	3.8%	1.7%	2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	1.5%	1.0%	% Retained to Comm Eq	2.5%
52%	72%	84%	79%	79%	98%	98%	98%	91%	96%	90%	91%	% All Div'ds to Net Prof	81%

CURRENT POSITION ($MILL.)	1992	1993	6/30/94
Cash Assets	1.2	3.3	3.4
Other	181.7	232.1	237.9
Current Assets	182.9	235.4	241.3
Accts Payable	66.7	63.6	51.7
Debt Due	258.6	132.1	33.0
Other	89.4	77.0	137.6
Current Liab	414.7	272.7	222.3
Fix. Chg. Cov.	246%	239%	262%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '91-'93 to '97-'99
Revenues	-8.0%	-4.0%	5.0%
"Cash Flow"	3.5%	5.0%	4.0%
Earnings	5.5%	1.5%	4.5%
Dividends	8.5%	5.5%	1.5%
Book Value	4.0%	3.5%	3.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1991	295.3	379.0	159.3	130.3	963.9
1992	300.2	395.3	176.0	123.1	994.6
1993	334.1	448.2	197.7	150.3	1130.3
1994	351.9	500.2	191.2	146.7	1200
1995	380	530	230	160	1300

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1991	1.05	1.47	d.11	d.31	2.07
1992	.88	1.79	d.08	d.31	2.26
1993	.87	1.79	d.14	d.34	2.16
1994	1.01	1.97	d.19	d.44	2.35
1995	1.00	1.95	d.20	d.45	2.30

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1990	.49	.49	.49	.51	1.98
1991	.51	.51	.51	.51	2.04
1992	.51	.52	.52	.52	2.07
1993	.52	.52	.52	.52	2.08
1994	.52	.52	.52		

BUSINESS Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah, and in Chattanooga, Tennessee. Has about 1,280,900 customers. System throughput 266.4 Bcf in FY '93 vs. 269.6 Bcf in FY '92. Purchased gas cost 62% of revs. in FY '93 vs. 59.5% in FY '92. Firm gas supply profile FY '93: Pipeline mktrs., 54%, Major oil cos., 26%, Ind. prod., 11%, Ind. mktrs. 9%. Revenue breakdown, FY '93: Residential, 58%, commercial, 24%, industrial, 14%, transport and other 4%. Depreciation rate 3.3%. Has about 3,764 employees, 18,000 shrhldrs. Pres. & C.E.O.: David R. Jones. Inc.: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Tel.: 404-584-4000.

Atlanta Gas Light will make do without a rate increase in fiscal 1995 (begins October 1st). But not because the utility did not apply for rate relief. AGL had submitted a framework in its latest rate case that included a competitive pricing structure for interruptible customers, along with a tariff increase on firm service accounts. The pricing proposal on interruptible sales would have allowed the utility to more effectively compete in this market, which has become increasingly competitive under a recent federal regulatory order (Order 636). The company later agreed to revise its request so that it still included the new pricing structure on interruptible load in exchange for a freeze on firm service rates for two years. However, AGL's regulators could find little that they liked in this proposal and chose to deny it, despite its wide acceptance, which included such groups as the Consumers' Utility Counsel and the Adversary Staff of the Georgia commission. At this point in the process, the company decided to withdraw its request for relief and wait to refile when the board was more amendable (next March?).

We were disappointed with the commission's inaction. There is evidently concern on AGL's part regarding its ability to effectively compete for large industrial load in the alternate fuels market. Under the competitive pricing structure that the utility proposed, some interruptible customers' rates likely would have been lowered, while others would have gone up. But the essential ingredient here is that the prices would have been more reflective of the market. Federal regulators seem to be in favor of more competition rather than less in this arena, given recent decisions. Accordingly, we believe that the Georgia commission missed a chance to show some leadership and seriously consider a proposal that in the end may well have been beneficial to both ratepayers and shareholders.

We would defer new commitments to Atlanta Gas Light stock for now. We continue to view the utility's dividend as secure. But the prospects for dividend growth have dimmed, at least in the near term, given recent state regulatory decisions.

Charles Clark *September 30, 1994*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early Dec. Excl. nonrec. items: '84, 37¢, '88, 15¢.
(C) Next dividend meeting early November. Goes ex mid-November. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Includes deferred charges. In '93: $37.1 mill., $1.49/sh.
(E) In millions, adj'd for stock split.
(F) In '91,'92,'93: Quarters do not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	70

003339

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
31	13.4	(Trailing: 13.1, Median: 13.0)	0.99	6.7%	472

High:	10.3	14.5	19.0	24.3	26.4	28.0	30.8	32.1	37.6	39.0	42.5	38.9	
Low:	7.7	9.6	14.0	18.5	19.4	21.5	23.9	26.5	29.8	30.3	34.0	29.1	

Target Price Range 1997 | 1998 | 1999

TIMELINESS (Relative Price Performance Next 12 Mos) **5** Lowest

SAFETY (Scale 1 Highest to 5 Lowest) **2** Above Average

BETA .65 (1.00 = Market)

1997-99 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+45%)	15%
Low	30	(-5%)	6%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	0	0	1	0	0	0	0
to Sell	0	0	0	2	0	0	0	0	0

Institutional Decisions

	1Q'94	2Q'94	3Q'94
to Buy	21	23	26
to Sell	22	20	21
Hld's(000)	4464	4424	4193

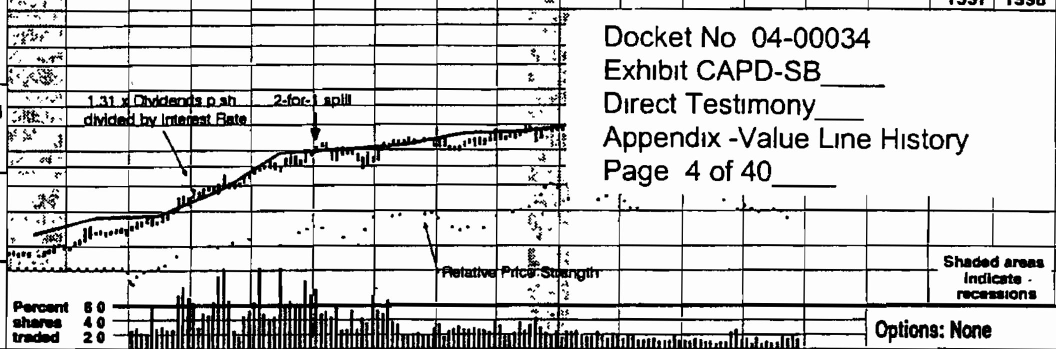

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Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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Options: None

1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	© VALUE LINE PUB., INC	97-99
48.06	60.27	77.11	91.44	104.23	96.54	92.00	74.85	55.17	52.48	45.94	43.26	45.17	40.52	40.88	45.47	47.24	*46.80*	Revenues per sh A	*54.50*
3.25	3.04	3.40	3.27	2.99	3.20	3.74	3.38	3.04	3.68	3.79	3.86	4.09	4.14	4.67	4.51	4.64	*4.40*	"Cash Flow" per sh	*5.25*
1.62	1.31	1.55	1.29	.91	1.56	2.25	1.82	1.67	2.04	2.25	1.90	2.02	2.07	2.26	2.16	2.34	*2.30*	Earnings per sh B	*2.80*
.68	.72	.75	.84	.90	.96	1.08	1.26	1.40	1.60	1.76	1.88	1.96	2.04	2.06	2.08	2.08	*2.08*	Div'ds Decl'd per sh C■	*2.24*
3.43	3.51	3.97	4.90	5.05	4.87	5.89	6.03	6.60	7.18	5.72	5.29	5.47	5.91	5.48	4.98	4.81	*4.55*	Cap'l Spending per sh	*4.50*
11.12	11.71	12.52	12.99	12.90	12.74	13.84	14.25	15.18	15.78	17.44	17.66	17.93	18.84	19.57	19.79	20.41	*20.15*	Book Value per sh D	*24.50*
9.07	9.07	9.07	9.07	9.26	11.54	13.32	15.56	18.28	18.74	21.24	21.70	22.16	23.79	24.33	24.86	25.40	*26.70*	Common Shs Outst'g E	*28.50*
4.8	6.1	4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1		Avg Ann'l P/E Ratio	*13.5*
.65	.88	.64	.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.05	.92		Relative P/E Ratio	*1.05*
8.6%	9.1%	10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%		Avg Ann'l Div'd Yield	*6.0%*

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995		97-99
1225.7	1164.7	1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	*1250*	Revenues ($mill) A	*1550*
29.6	29.7	29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	*64.0*	Net Profit ($mill)	*83.0*
47.8%	46.7%	46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.8%	32.9%	35.2%	*35.0%*	Income Tax Rate	*35.0%*
2.4%	2.5%	2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.5%	5.1%	5.3%	*5.1%*	Net Profit Margin	*5.4%*
48.6%	49.8%	49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	49.5%	47.6%	49.7%	*49.0%*	Long-Term Debt Ratio	*47.5%*
45.3%	45.5%	46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	49.0%	46.8%	45.2%	*46.0%*	Common Equity Ratio	*48.0%*
407.2	487.7	590.9	587.7	768.5	770.0	831.9	918.3	962.8	1050.7	1146.5	*1165*	Total Capital ($mill)	*1325*
492.2	560.7	652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	*1340*	Net Plant ($mill)	*1550*
10.2%	8.8%	7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	7.8%	7.5%	7.4%	*7.5%*	% Earned Total Cap'l	*8.0%*
14.2%	12.1%	9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.2%	10.4%	11.0%	*10.5%*	% Earned Net Worth	*12.0%*
15.0%	12.5%	9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.4%	10.8%	11.3%	*11.0%*	% Earned Comm Equity	*12.5%*
7.7%	3.8%	1.7%	2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	1.3%	*1.0%*	% Retained to Comm Eq	*2.5%*
52%	72%	84%	79%	79%	98%	98%	98%	91%	96%	90%	*92%*	% All Div'ds to Net Prof	*81%*

CAPITAL STRUCTURE as of 9/30/94
Total Debt $664.9 mill Due in 5 Yrs $110.4 mill
LT Debt $554.5 mill LT Interest $43.2 mill
(LT interest earned 4.4x, total interest coverage 4.0x)

Leases, Uncapitalized Annual rentals $6.0 mill

Pension Liability None

Pfd Stock $58.5 mill **Pfd Div'd** $4.5 mill
$14.2 mill 4.50%-8.32% cum, callable at $101.96-$105.25, $44.5 mill 7.70% cum

Common Stock 25,400,000 shs

CURRENT POSITION ($MILL.)	1992	1993	9/30/94
Cash Assets	1.2	3.3	3.3
Other	181.7	232.1	267.8
Current Assets	182.9	235.4	271.1
Accts Payable	66.7	63.6	57.6
Debt Due	258.6	132.1	110.4
Other	89.4	77.0	117.9
Current Liab	414.7	272.7	285.9
Fix Chg Cov	246%	239%	256%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs	Est'd '92-'94 to '97-'99
Revenues	-8.0%	-4.0%	*4.5%*
"Cash Flow"	3.5%	5.0%	*3.0%*
Earnings	5.5%	1.5%	*4.5%*
Dividends	8.5%	5.5%	*1.5%*
Book Value	4.0%	3.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar.31	Jun 30	Sep.30	Full Fiscal Year
1991	295.3	379.0	159.3	130.3	963.9
1992	300.2	395.3	176.0	123.1	994.6
1993	334.1	448.2	197.7	150.3	1130.3
1994	361.9	500.2	191.2	146.6	1199.9
1995	*365*	*510*	*220*	*155*	*1250*

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec 31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1991	1.05	1.47	d.11	d.31	2.07
1992	.88	1.79	d.08	d.31	2.26
1993	.87	1.79	d.14	d.34	2.16
1994	1.01	1.97	d.19	d.43	2.34
1995	*1.00*	*1.95*	*d.20*	*d.45*	*2.30*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec.31	Full Year
1990	.49	.49	.49	.51	1.98
1991	.51	.51	.51	.51	2.04
1992	.51	.52	.52	.52	2.07
1993	.52	.52	.52	.52	2.08
1994	.52	.52	.52	.52	2.08

BUSINESS Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah, and in Chattanooga, Tennessee. Has about 1,280,900 customers. System throughput 266.4 Bcf in FY '93 vs. 269.6 Bcf in FY '92. Purchased gas cost 62% of revs in FY '93 vs 59.5% in FY '92. Firm gas supply profile FY '93: Pipeline mktrs., 54%, Major oil cos., 26%, Ind. prod., 11%, Ind. mktrs. 9%. Revenue breakdown, FY '93: Residential, 58%, commercial, 24%, industrial, 14%, transport and other 4%. Depreciation rate 3.3%. Has about 3,764 employees, 18,000 shrhldrs. Pres. & C.E.O.: David R. Jones. Inc.: Georgia. Address: 303 Peachtree St., N.E. Atlanta, GA 30308. Tel.: 404-584-4000.

Atlanta Gas Light has announced a restructuring plan. The plan calls for the company to be organized around three primary functions—Customer Operations, Market Services, and Business Support. The move should allow AGL to provide high-quality service to its customers while working to improve the efficiency and effectiveness of its operations. The utility will be streamlining its field organization by combining offices and creating centralized call centers and a network of locations where customers can pay bills. Atlanta should also be better able to take advantage of opportunities resulting from the regulatory changes effecting interstate pipelines.

The restructuring will likely reduce AGL's work force by around 600 people. The aftertax cost will probably be somewhere in the $23 to $37 million range. We will treat these charges as nonrecurring and so will not include them in our earnings presentation. However, an allowance has been made for them in our estimate of ending common equity for fiscal 1995 (ends September 30th). The program is now under implementation, and will probably take two years to complete. We believe that most of the charges will likely be offset through lower operating expenses over the pull to 1997-99. And the plan may well lessen the company's dependence on its regulators for rate relief, given management's emphasis on developing new markets for natural gas (transportation, gas cooling, etc.). However, AGL is faced with making large capital expenditures to support the growth of the residential customer base in its service territory. Consequently, it will still need to apply for relief from time to time in order to recover the resulting capital costs (which are rising). Also, competitive pricing for its interruptible load is still an unresolved issue.

This stock offers income-oriented investors an attractive yield. But the prospects for dividend growth are not that great, at least over the near term, given the company's high payout ratio. Leaner operations, coupled with timely and reasonable regulatory relief, should work to move earnings forward through 1997-99. The payout ratio, then, will likely decline, and modest dividend growth return.

Charles Clark *December 30, 1994*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early Feb. Excl. nonrec. items: '84, 37¢, '88, 15¢, '95, *($1.00-$1.50)*.
(C) Next dividend meeting early Feb. Goes ex mid-Feb. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '94: $48.2 mill., $1.90/sh.
(E) In millions, adj'd for stock split.
(F) In '91,'92,'93,'94 Quarters do not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	70

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
34	13.6 (Trailing 13.7 / Median: 14.0)	0.99	6.1%	474

TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos)

SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)

BETA .65 (1.00 = Market)

	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	Target Price Range 1998 1999 2000
High		14.5	19.0	24.3	26.4	28.0	30.8	32.1	37.6	39.0	42.5	38.9	34.4		
Low		9.6	14.0	18.5	19.4	21.5	23.9	26.5	29.8	30.3	34.0	29.1	29.8		

1998-00 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+30%)	12%
Low	35	(+5%)	7%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	1	0	0	0
Options	0	1	0	0	0	0	0	0	0
to Sell	2	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q'94	3Q'94	4Q'94
to Buy	23	26	15
to Sell	20	21	31
Hld's(000)	4424	4193	4072

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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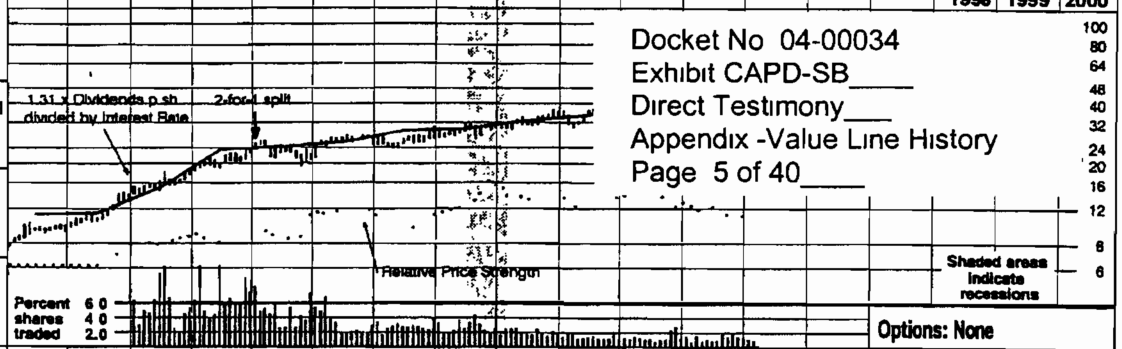


Options: None

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	© VALUE LINE PUB., INC.	98-00
60.27	77.11	91.44	104.23	96.54	92.00	74.85	55.17	52.48	45.94	43.26	45.17	40.52	40.85	45.47	47.18	*43.05*	*45.95*	Revenues per sh [A]	*54.50*
3.04	3.40	3.27	2.99	3.20	3.74	3.38	3.04	3.68	3.79	3.86	4.09	4.14	4.62	4.51	4.49	*4.55*	*4.85*	"Cash Flow" per sh	*5.50*
1.31	1.55	1.29	.91	1.56	2.25	1.82	1.67	2.04	2.25	1.90	2.02	2.07	2.26	2.16	2.34	*2.50*	*2.65*	Earnings per sh [B]	*3.00*
.72	.75	.84	.90	.96	1.08	1.26	1.40	1.60	1.76	1.88	1.96	2.04	2.06	2.08	2.08	*2.08*	*2.12*	Div'ds Decl'd per sh [C] ■	*2.30*
3.51	3.97	4.90	5.05	4.87	5.89	6.03	6.60	7.18	5.72	5.29	5.47	5.91	5.48	4.98	4.74	*4.55*	*4.60*	Cap'l Spending per sh	*4.50*
11.71	12.52	12.99	12.90	12.74	13.84	14.25	15.18	15.78	17.44	17.66	17.93	18.84	19.39	19.79	20.39	*20.15*	*21.00*	Book Value per sh [D]	*23.50*
9.07	9.07	9.07	9.26	11.54	13.32	15.56	18.28	18.74	21.24	21.70	22.16	23.79	24.35	24.86	25.43	*26.70*	*27.20*	Common Shs Outst'g [E]	*28.50*
6.1	4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	*13.5*
.88	.64	.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.97			Relative P/E Ratio	*1.05*
9.1%	10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%			Avg Ann'l Div'd Yield	*5.7%*
						1164.7	1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	*1150*	*1250*	Revenues ($mill) [A]	*1550*
						29.7	29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	*69.5*	*75.0*	Net Profit ($mill)	*90.0*
						46.7%	46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
						2.5%	2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	*6.0%*	*6.0%*	Net Profit Margin	*5.8%*
						49.8%	49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	*49.0%*	*49.0%*	Long-Term Debt Ratio	*47.5%*
						45.5%	46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	*46.0%*	*46.5%*	Common Equity Ratio	*48.0%*
						487.7	590.9	587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	*1165*	*1230*	Total Capital ($mill)	*1350*
						560.7	652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	*1340*	*1400*	Net Plant ($mill)	*1550*
						8.8%	7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	*8.0%*	*8.0%*	% Earned Total Cap'l	*8.5%*
						12.1%	9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	*11.5%*	*12.0%*	% Earned Net Worth	*12.5%*
						12.5%	9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	*12.0%*	*12.5%*	% Earned Comm Equity	*13.0%*
						3.8%	1.7%	2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	3.0%	*2.0%*	*2.5%*	% Retained to Comm Eq	*3.0%*
						72%	84%	79%	79%	98%	98%	98%	91%	96%	90%	*83%*	*82%*	% All Div'ds to Net Prof	*77%*

CAPITAL STRUCTURE as of 12/31/94
Total Debt $718.1 mill Due in 5 Yrs $163.6 mill
LT Debt $554.5 mill LT Interest $43.2 mill
(LT interest earned 3.5x, total interest coverage 3.2x)

Leases, Uncapitalized Annual rentals $6.0 mill

Pension Liability None

Pfd Stock $58.5 mill Pfd Div'd $4.5 mill
$14.2 mill 4.50%-8.32% cum, callable at $101.96-$105.25, $44.5 mill 7.70% cum

Common Stock 25,600,552 shs

CURRENT POSITION ($MILL.)	1993	1994	12/31/94
Cash Assets	3.3	3.3	4.2
Other	232.1	267.8	333.1
Current Assets	235.4	271.1	337.3
Accts Payable	63.6	57.6	51.7
Debt Due	132.1	110.4	163.6
Other	77.0	117.9	162.2
Current Liab	272.7	285.9	377.5
Fix Chg Cov	239%	256%	266%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '92-'94 to '98-'00
Revenues	-7.5%	-1.0%	*3.5%*
"Cash Flow"	3.0%	3.5%	*3.0%*
Earnings	3.5%	2.0%	*5.0%*
Dividends	8.0%	3.5%	*2.0%*
Book Value	4.0%	3.0%	*3.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) [A] Dec. 31	Mar.31	Jun 30	Sep.30	Full Fiscal Year
1992	300.2	395.3	176.0	123.1	994.6
1993	334.1	448.2	197.7	150.3	1130.3
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	*495*	*185*	*141.2*	*1150*
1996	*375*	*520*	*200*	*155*	*1250*

Fiscal Year Ends	EARNINGS PER SHARE [A B F] Dec 31	Mar.31	Jun.30	Sep 30	Full Fiscal Year
1992	.88	1.79	d.08	d.31	2.26
1993	.87	1.79	d.14	d.34	2.16
1994	1.01	1.97	d.19	d.43	2.34
1995	1.14	*2.01*	*d.20*	*d.45*	*2.50*
1996	*1.20*	*2.10*	*d.20*	*d.45*	*2.65*

Cal-endar	QUARTERLY DIVIDENDS PAID [C] ■ Mar.31	Jun 30	Sep.30	Dec 31	Full Year
1991	.51	.51	.51	.51	2.04
1992	.51	.52	.52	.52	2.07
1993	.52	.52	.52	.52	2.08
1994	.52	.52	.52	.52	2.08
1995	.52				

BUSINESS Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah. Also operates the Chattanooga Gas Company in Tennessee. Has about 1,325,200 customers in total System throughput 260.4 Bcf in FY '94. System throughput (operating margin) breakdown, FY '94: Residential, 38.5% (61.4%), commercial, 15.6% (19.7%), industrial and interruptible, 19.1% (10.0%), transportation and other, 26.8% (8.9%). Depreciation rate 3.3%. Purchased gas cost 61.4% of revenues in FY '94. Has about 3,325 employees, 18,000 shareholders. President & C.E.O. David R. Jones. Inc. Georgia. Address: 303 Peachtree St., N.E. Atlanta, GA 30308. Telephone 404-584-4000.

Atlanta Gas Light is moving along well with its restructuring program. The utility is looking to reduce its headcount by a total of 600 under the program. Nearly 440 employees have already agreed to accept retirement under the company's Special Voluntary Retirement Plan (SVRP). The balance of the personnel reduction will likely be accomplished over the next couple of years through the SVRP offer and attrition. Further, we expect the streamlining of AGL's field organization into centralized call centers will be largely complete by early September. The restructuring is now estimated to cost between $37-$39 million after tax. The charges, which we are excluding from our earnings presentation, should be largely recovered through lower operating and maintenance expenses over the next 2 to 3 years.

Customer growth continues to be a plus for AGL. Its residential heating roster is advancing at about 2.5% to 3.0% a year. This is better than most gas distributors of this utility's size, and reflects the economic vitality of its service area. Moreover, AGL's residential customers are using more gas (on a weather-normalized basis). The trend to higher usage began with the first quarter of fiscal 1994 (years end September 30th). Whether this trend is sustainable is not clear, given conservation measures and moves towards more efficient heating systems. Nevertheless, the current usage pattern has provided a boost to the company's gross margin (revenues less the cost of gas), and has had a positive effect on share earnings so far this year. As a result, we have raised our earnings estimate 20¢, to $2.50, a share for 1995. Share net may reach $2.65 next year.

The prospects for this equity have improved, in our view. Earnings ought to advance in the next couple of years—even without the aid of general rate relief—as the effect of the restructuring takes hold. And AGL's regulators recently made some positive moves that allow the utility to more effectively compete for interruptible load, diminishing the threat of system bypass by large customers. In sum, dividend growth should resume in 1996 (or maybe sooner), and continue through 1998-2000. On that assumption, the stock offers a worthwhile, risk-adjusted total return.

Charles Clark *March 31, 1995*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early May. Excl. nonrec. items: '84, 37¢; '88, 15¢; '95, *($1.40-$1.50)*.
(C) Next dividend meeting early May. Goes ex mid-May. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '94: $48.2 mill., $1.90/sh.
(E) In millions, adj'd for stock split.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	70

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE	P/E RATIO	(Trailing: 14.4; Median: 14.0)	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
35	14.2	Trailing: 14.4 Median: 14.0	1.00	6.0%	473

TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos.)

SAFETY 2 Above Average (Scale: 1 Highest to 5 Lowest)

BETA .65 (1.00 = Market)

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
High	14.5	19.0	24.3	26.4	28.0	30.8	32.1	37.6	39.0	42.5	38.9	36.8
Low	9.6	14.0	18.5	19.4	21.5	23.9	26.5	29.8	30.3	34.0	29.1	29.8

Target Price Range 1998 | 1999 | 2000

1998-00 PROJECTIONS

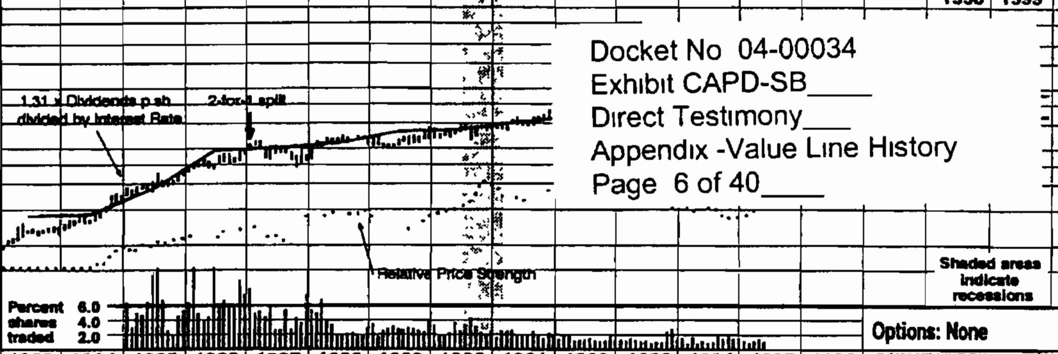
	Price	Gain	Ann'l Total Return
High	45	(+30%)	11%
Low	35	(Nil)	6%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	1	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	1
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q'94	4Q'94	1Q'95
to Buy	26	15	28
to Sell	21	31	22
Hld's(000)	4193	4072	4315



Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
Page 6 of 40____

Options: None

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	© VALUE LINE PUB., INC.	98-00
60.27	77.11	91.44	104.23	96.54	92.00	74.85	55.17	52.48	45.94	43.26	45.17	40.52	40.85	45.47	47.18	*41.20*	*45.35*	Revenues per sh A	*50.00*
3.04	3.40	3.27	2.99	3.20	3.74	3.38	3.04	3.68	3.79	3.86	4.09	4.14	4.62	4.51	4.49	*4.40*	*4.75*	"Cash Flow" per sh	*5.35*
1.31	1.55	1.29	.91	1.56	2.25	1.82	1.67	2.04	2.25	1.90	2.02	2.07	2.26	2.16	2.34	*2.45*	*2.60*	Earnings per sh B	*2.95*
.72	.75	.84	.90	.96	1.08	1.26	1.40	1.60	1.76	1.88	1.96	2.04	2.06	2.08	2.08	*2.08*	*2.12*	Div'ds Decl'd per sh C■	*2.24*
3.51	3.97	4.90	5.05	4.87	5.89	6.03	6.60	7.18	5.72	5.29	5.47	5.91	5.48	4.98	4.74	*4.45*	*3.75*	Cap'l Spending per sh	*4.25*
11.71	12.52	12.99	12.90	12.74	13.84	14.25	15.18	15.78	17.44	17.66	17.93	18.84	19.39	19.79	20.39	*20.00*	*21.10*	Book Value per sh D	*23.00*
9.07	9.07	9.07	9.26	11.54	13.32	15.56	18.28	18.74	21.24	21.70	22.16	23.79	24.35	24.86	25.43	*27.50*	*28.00*	Common Shs Outst'g E	*29.00*
6.1	4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.5*
.88	.64	.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.97			Relative P/E Ratio	*1.05*
9.1%	10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%			Avg Ann'l Div'd Yield	*5.7%*

CAPITAL STRUCTURE as of 3/31/95
Total Debt $554.5 mill. Due in 5 Yrs $50 mill.
LT Debt $554.5 mill. LT Interest $41.5 mill.
(LT interest earned: 3.4x; total interest coverage: 3.1x)

Leases, Uncapitalized Annual rentals $6.0 mill.

Pension Liability None

Pfd Stock $58.5 mill. Pfd Div'd $4.5 mill.
$14.2 mill. 4.50%-8.32% cum., callable at $101.96-$105.25; $44.5 mill. 7.70% cum.

Common Stock 25,744,226 shs.

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996		98-00
1164.7	1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	*1115*	*1250*	Revenues ($mill) A	*1450*
29.7	29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	*68.5*	*77.0*	Net Profit ($mill)	*90.0*
46.7%	46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
2.5%	2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	*6.1%*	*6.1%*	Net Profit Margin	*6.2%*
49.8%	49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	*47.5%*	*48.0%*	Long-Term Debt Ratio	*45.5%*
45.5%	46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	*47.5%*	*47.5%*	Common Equity Ratio	*50.5%*
487.7	590.9	587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	*1170*	*1245*	Total Capital ($mill)	*1325*
560.7	652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	*1340*	*1400*	Net Plant ($mill)	*1550*
8.8%	7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	*8.0%*	*8.0%*	% Earned Total Cap'l	*8.5%*
12.1%	9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	*11.0%*	*12.0%*	% Earned Net Worth	*12.5%*
12.5%	9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	*11.5%*	*12.5%*	% Earned Comm Equity	*13.0%*
3.8%	1.7%	2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	3.0%	*1.5%*	*2.5%*	% Retained to Comm Eq	*3.0%*
72%	84%	79%	79%	98%	98%	98%	91%	96%	90%	*87%*	*82%*	% All Div'ds to Net Prof	*77%*

CURRENT POSITION ($MILL.)	1993	1994	3/31/95
Cash Assets	3.3	3.3	36.2
Other	232.1	267.8	240.1
Current Assets	235.4	271.1	276.3
Accts Payable	63.6	57.6	50.8
Debt Due	132.1	110.4	--
Other	77.0	117.9	236.4
Current Liab.	272.7	285.9	287.2
Fix. Chg. Cov.	239%	256%	265%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '92-'94 to '98-'00
Revenues	-7.5%	-1.0%	2.0%
"Cash Flow"	3.0%	3.5%	3.0%
Earnings	3.5%	2.0%	4.5%
Dividends	8.0%	3.5%	1.5%
Book Value	4.0%	3.0%	2.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1992	300.2	395.3	176.0	123.1	994.6
1993	334.1	448.2	197.7	150.3	1130.3
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	448.2	*190*	*148*	*1115*
1996	*375*	*528*	*200*	*155*	*1250*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1992	.88	1.79	d.08	d.31	2.26
1993	.87	1.79	d.14	d.34	2.16
1994	1.01	1.97	d.19	d.43	2.34
1995	1.14	1.91	*d.20*	*d.40*	*2.45*
1996	*1.15*	*2.00*	*d.15*	*d.40*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1991	.51	.51	.51	.51	2.04
1992	.51	.52	.52	.52	2.07
1993	.52	.52	.52	.52	2.08
1994	.52	.52	.52	.52	2.08
1995	.52	.52			

BUSINESS: Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah. Also operates the Chattanooga Gas Company in Tennessee. Has about 1,325,200 customers in total. System throughput: 260.4 Bcf in FY '94. System throughput (operating margin) breakdown, FY '94: Residential, 38.5% (61.4%); commercial, 15.6% (19.7%); industrial and interruptible, 19.1% (10.0%); transportation and other, 26.8% (8.9%). Depreciation rate: 3.3%. Purchased gas cost: 61.4% of revenues in FY '94. Has about 3,325 employees, 18,000 shareholders. President & C.E.O.: David R. Jones. Inc.: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-4000.

Atlanta Gas Light will likely acquire a 35% interest in Sonat Marketing Company. The deal, though not yet finalized, has a price tag of $32 million. Sonat Marketing is one of the largest natural gas marketing firms in the U.S. The move follows from AGL's goal of making energy-related investments, especially those that provide a way to benefit from the opportunities arising from FERC Order 636, which unbundled interstate pipeline sales service. This transaction will likely have a neutral effect on share earnings initially, but it should prove increasingly additive in the next couple of years.

The utility continues to make progress with its restructuring plan. The largest part of the plan's costs have probably been realized. (The charges are excluded from our earnings presentation and are estimated to be between $41.4 million and $43 million after taxes.) These costs ought to be largely offset by lower operating expenses in the next couple of years. It still looks likely that the streamlining of the company's field organization will be completed soon. Accordingly, some of the savings may start to be felt in the fourth fiscal quarter (years end September 30th).

AGL recently completed a common equity offering. It issued about 1.5 million shares at $33.625 each, yielding around $48 million after expenses. With this in hand, AGL will not need to visit the capital markets again until sometime in fiscal 1996, when its requirements may be in the $40 million to $50 million range (probably funded with debt).

Atlanta Gas stock may be of interest to income-oriented investors. Earnings ought to advance in the next year or so, even without the aid of general rate relief, as the effect of the restructuring takes hold. We also think that AGL ought to build equity by making further investments in non-regulated activities, though we expect them to be closely related to its core business—natural gas distribution. And recent rulings by state regulators have diminished the threat of system bypass by large customers. In sum, dividend growth should resume in 1996 and continue through 1998-2000. On that assumption, this equity offers a worthwhile, risk-adjusted total return.

Charles Clark *June 30, 1995*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early August. Excl. nonrec. items: '84, 37¢; '88, 15¢; '95, $1.65.
(C) Next dividend meeting early August. Goes ex mid-August. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '94: $48.2 mill., $1.90/sh.
(E) In millions, adj'd for stock split.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	75

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE	38	P/E RATIO	13.3 (Trailing: 14.2 Median 14.0)	RELATIVE P/E RATIO	0.90	DIV'D YLD	5.6%	VALUE LINE	473

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos)
SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)
BETA .60 (1.00 = Market)

High.	14 5	19 0	24 3	26 4	26 0	30 8	32 1	37 6	39 0	42 5	38 9	38 4
Low	9 6	14 0	18 5	19 4	21 5	23 9	26.5	29 8	30 3	34 0	29 1	29 8

Target Price Range 1998 | 1999 | 2000

1998-00 PROJECTIONS

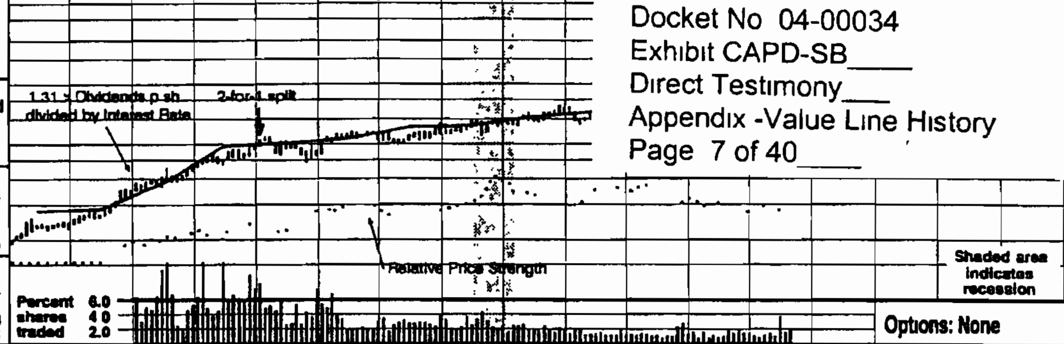
	Price	Gain	Ann'l Total Return
High	50	(+30%)	12%
Low	35	(-10%)	4%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	1	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	1	0	1
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q'94	1Q'95	2Q'95
to Buy	15	28	31
to Sell	31	22	23
Hld's(000)	4072	4315	4668



Options: None

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	© VALUE LINE PUB., INC.	98-00
60.27	77 11	91 44	104.23	96 54	92 00	74 85	55 17	52.48	45 94	43.26	45 17	40 52	40 85	45 47	47 18	*39.25*	*41.05*	Revenues per sh A	*45 75*
3 04	3 40	3.27	2 99	3.20	3 74	3 38	3.04	3.68	3.79	3 86	4 09	4 14	4 62	4 51	4 49	*4 65*	*4 95*	"Cash Flow" per sh	*5 50*
1 31	1.55	1 29	91	1 56	2.25	1 82	1 67	2.04	2.25	1 90	2 02	2.07	2.26	2 16	2 34	*2.65*	*2.85*	Earnings per sh B	*3 20*
72	75	84	90	96	1 08	1.26	1 40	1 60	1 76	1 88	1 96	2.04	2 06	2.08	2 08	*2 08*	*2.12*	Div'ds Decl'd per sh C■	*2.26*
3.51	3 97	4 90	5 05	4 87	5 89	6 03	6 60	7 18	5 72	5.29	5 47	5 91	5 48	4 98	4 74	*4 45*	*4.10*	Cap'l Spending per sh	*4.25*
11 71	12 52	12 99	12.90	12.74	13 84	14.25	15 18	15 78	17 44	17 66	17 93	18 84	19 39	19.79	20 39	*20 40*	*21.50*	Book Value per sh D	*24.00*
9 07	9 07	9 07	9 26	11 54	13 32	15 56	18 28	18 74	21 24	21 70	22 16	23.79	24 35	24 86	25 43	*27.50*	*28.00*	Common Shs Outst'g E	*29.00*
6 1	4 8	5 9	8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15.5	17 9	15 1	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*13.0*
88	64	72	91	48	44	67	80	77	92	1 04	1 05	98	94	1 06	97	*estimates*		Relative P/E Ratio	*1.00*
9 1%	10.2%	11 1%	12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7.2%	6 8%	6 4%	5 9%	5 4%	5 9%			Avg Ann'l Div'd Yield	*5 4%*
						1164 7	1008 3	983 5	975 6	938 7	1000 9	963 9	994 6	1130 3	1199 9	*1080*	*1150*	Revenues ($mill) A	*1325*
						29 7	29 2	39 4	46 0	42 1	45 6	49 4	55 4	57 5	63 2	*74 5*	*83 5*	Net Profit ($mill)	*96.0*
						46 7%	46 0%	47 6%	31 8%	27 6%	31 7%	34 6%	31 6%	32 9%	35.2%	*36 0%*	*36.0%*	Income Tax Rate	*36 0%*
						2.5%	2 9%	4 0%	4 7%	4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	*6.9%*	*7.3%*	Net Profit Margin	*7.2%*
						49 8%	49 4%	46.2%	49 3%	47 9%	50.2%	49 6%	40.2%	40 5%	49.0%	*47 0%*	*47 5%*	Long-Term Debt Ratio	*46 5%*
						45 5%	46.9%	50 3%	48.2%	49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	*48.0%*	*47 5%*	Common Equity Ratio	*49 5%*
						487 7	590 9	587 7	768.5	770 0	831 9	918 3	812 7	925 7	1131 5	*1175*	*1260*	Total Capital ($mill)	*1400*
						560 7	652 1	757 7	866.5	979 1	1049 6	1141 6	1217 9	1281 3	1297 4	*1340*	*1400*	Net Plant ($mill)	*1550*
						8 8%	7 6%	9 0%	8.2%	7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	*8.5%*	*8.5%*	% Earned Total Cap'l	*9.0%*
						12 1%	9 8%	12.5%	11 8%	10.5%	11 0%	10 7%	11 4%	10 4%	11 0%	*12 0%*	*12.5%*	% Earned Net Worth	*13.0%*
						12 5%	9 9%	12 8%	12 0%	10 6%	11.2%	10 8%	11.5%	10 8%	11 3%	*12.5%*	*13.0%*	% Earned Comm Equity	*13.0%*
						3 8%	1 7%	2 8%	2 7%	.2%	.2%	.2%	1 0%	4%	3 0%	*2.5%*	*3 5%*	% Retained to Comm Eq	*7 0%*
						72%	84%	79%	79%	98%	98%	98%	91%	96%	90%	*80%*	*76%*	% All Div'ds to Net Prof	*72%*

CAPITAL STRUCTURE as of 6/30/95
Total Debt $554 5 mill **Due in 5 Yrs** $50 mill
LT Debt $554 5 mill **LT Interest** $41 5 mill
(LT interest earned 3 8x, total interest coverage 3 4x)

Leases, Uncapitalized Annual rentals $6 0 mill

Pension Liability None

Pfd Stock $58 5 mill **Pfd Div'd** $4 5 mill
$14 2 mill 4 50%-8 32% cum , callable at $101 96-$105 25, $44 5 mill 7 70% cum

Common Stock 27,375,405 shs

CURRENT POSITION ($MILL.)	1993	1994	6/30/95
Cash Assets	3 3	3 3	78 4
Other	232 1	267 8	200 1
Current Assets	235 4	271 1	278 5
Accts Payable	63 6	57 6	55 5
Debt Due	132 1	110 4	- -
Other	77 0	117 9	200 9
Current Liab	272 7	285 9	256 4
Fix Chg Cov	239%	256%	283%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs	Est'd '92-'94 to '98-'00
Revenues	-7 5%	-1 0%	*5%*
"Cash Flow"	3 0%	3 5%	*3 5%*
Earnings	3 5%	2 0%	*6 0%*
Dividends	8 0%	3 5%	*1 5%*
Book Value	4 0%	3 0%	*3 0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1992	300 2	395 3	176 0	123 1	994 6
1993	334 1	448 2	197 7	150 3	1130 3
1994	361 9	500 2	191 2	146 6	1199 9
1995	328 8	448 2	177 5	*125.5*	*1080*
1996	*350*	*500*	*175*	*125*	*1150*

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1992	88	1 79	d 08	d 31	2 26
1993	87	1 79	d.14	d.34	2 16
1994	1 01	1 97	d.19	d 43	2 34
1995	1 14	1 91	05	*d 45*	*2.65*
1996	*1.20*	*2.05*	*Nil*	*d.40*	*2.85*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep.30	Dec.31	Full Year
1991	51	51	51	51	2.04
1992	51	52	52	52	2 07
1993	52	52	52	52	2 08
1994	52	52	52	52	2.08
1995	52	52	52		

BUSINESS Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah Also operates the Chattanooga Gas Company in Tennessee Has about 1,325,200 customers in total System throughput 260 4 Bcf in FY '94 System throughput (operating margin) breakdown, FY '94 Residential, 38 5% (61 4%), commercial, 15 6% (19 7%), industrial and interruptible, 19 1% (10 0%), transportation and other, 26 8% (8 9%) Depreciation rate 3 3% Purchased gas cost 61 4% of revenues in FY '94 Has about 3,325 employees, 18,000 shareholders President & C E O David R Jones Inc Georgia Address 303 Peachtree St, N E Atlanta, GA 30308 Telephone 404-584-4000

The restructuring at Atlanta Gas Light is taking hold. In the June quarter, operating and maintenance expenses were down sharply. True, the company has now broken out the operating costs associated with such programs as its Integrated Resource Plan (IRP), calling attention to the decline. But these expenses are recovered in the utility's rates Consequently, they are essentially offset by revenues, and the new presentation provides meaningful information, in our view. We continue to expect that the costs of the restructuring, which reduced employee count, realigned business processes, and streamlined field operations, should be offset through lower operating expenses over the next three fiscal years. (Years end September 30th) The total costs of the plan may reach $43 million after taxes; almost all has been accrued. (The charge is excluded from our earnings presentation)

The utility's margin on providing natural gas service should continue to progress. This figure's advance (defined as operating revenues less the cost of gas) is underpinned by the customer growth in AGL's service area For the 12 months ending June 30th, the company's roster has expanded by about 2.8%, of which the vast majority remains the higher-margined residential load The growth of the utility's service area is likely to keep pace with the established trend of around 2.5% a year or so, which is above the average for gas distributors of its size AGL's margin, then, ought to advance a little faster than customer additions (net of IRP effects), reflecting the volume increases it appears to be garnering from its industrial customers This estimate assumes no changes in rate design. We do not expect AGL to file a general rate case for some time, given the recent restructuring, though capital spending will likely remain substantial, reflecting the expansion of demand in its service territory

AGL stock may be of interest to income-oriented investors. No guarantees are made, but the company appears to now be in a position to boost its quarterly dividend for the first time since 1992 Further, our projections through 1998-2000 suggest a decent, risk-adjusted total return over this time frame

Charles Clark *September 29, 1995*

(A) Fiscal year ends September 30th
(B) Primary egs Next egs report due early November Excl nonrecurring items '84, 37¢, '88, 15¢, '95, *$1 65*
(C) Next dividend meeting early November Goes ex mid-November Approx div'd payment dates March 1, June 1, Sept. 1, Dec. 1
■ Dividend reinvestment plan available
(D) Incl def'd chgs '94 $48 2 mill , $1 90/sh
(E) In millions , adj'd for stock split
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	75

ATLANTA GAS LIGHT NYSE-ATG

RECENT PRICE 20 | P/E RATIO 14.2 (Trailing 14.8 / Median 14.0) | RELATIVE P/E RATIO 0.99 | DIV'D YLD 5.3% | VALUE LINE 473

TIMELINESS 4 Below Average (Relative Price Perform-ance Next 12 Mos)
SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)
BETA .70 (1.00 = Market)

High	7.3	9.5	12.1	13.2	14.0	15.4	16.1	18.8	19.5	21.3	19.4	19.9	Target Price Range
Low	4.8	7.0	9.3	9.7	10.8	11.9	13.3	14.9	15				

1998-00 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+25%)	10%
Low	18	(-10%)	3%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	1	0	1	0	0	0	3
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q'95	2Q'95	3Q'95
to Buy	28	31	45
to Sell	22	23	23
Hld's(000)	8630	9336	15970

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Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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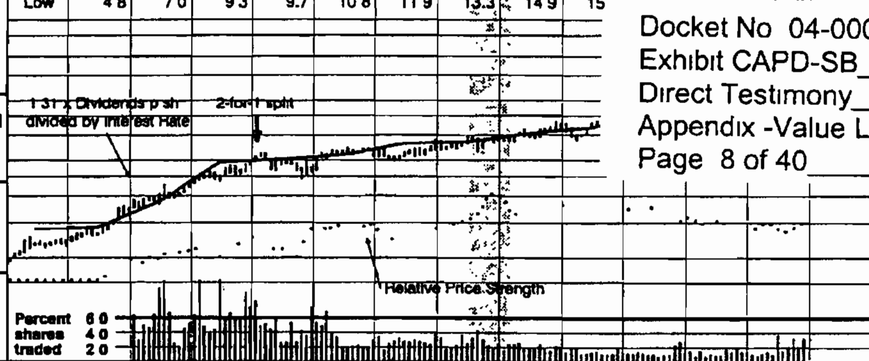


Options: None

1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	© VALUE LINE PUB., INC.	98-00
30.14	38.56	45.72	52.11	48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.33	20.20	Revenues per sh A	21.65
1.52	1.70	1.63	1.50	1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.40	2.50	"Cash Flow" per sh	2.75
65	78	64	45	78	1.13	91	83	1.02	1.13	95	1.01	1.04	1.13	1.08	1.17	1.33	1.45	Earnings per sh B	1.65
36	38	42	45	48	54	63	70	80	88	94	98	1.02	1.03	1.04	1.04	1.04	1.06	Div'ds Decl'd per sh C■	1.18
1.76	1.99	2.45	2.52	2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.21	1.95	Cap'l Spending per sh	2.00
5.85	6.26	6.49	6.45	6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.13	10.70	Book Value per sh D	11.90
18.14	18.14	18.14	18.53	23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.00	56.00	Common Shs Outst'g E	60.00
6.1	4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6		Avg Ann'l P/E Ratio	13.0
88	64	72	91	48	44	67	80	77	92	1.04	1.05	98	94	1.06	99	85		Relative P/E Ratio	1.00
9.1%	10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%		Avg Ann'l Div'd Yield	5.5%

CAPITAL STRUCTURE as of 9/30/95
Total Debt $554.5 mill Due in 5 Yrs $50.0 mill
LT Debt $554.5 mill LT Interest $45.0 mill
(LT interest earned 3.9x, total interest coverage 3.4x)

Leases, Uncapitalized Annual rentals $6.0 mill

Pension Liability None

Pfd Stock $58.5 mill Pfd Div'd $4.5 mill
$14.2 mill 4.50%-8.32% cum, callable at $101.96-$105.25, $44.5 mill 7.70% cum

Common Stock 55,000,000 shs

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996		98-00
1164.7	1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1130	Revenues ($mill) A	1300
29.7	29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	73.9	82.5	Net Profit ($mill)	98.0
46.7%	46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	37.0%	Income Tax Rate	37.0%
2.5%	2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	6.9%	7.3%	Net Profit Margin	7.5%
49.8%	49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	48.0%	Long-Term Debt Ratio	46.0%
45.5%	46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	47.5%	Common Equity Ratio	50.0%
487.7	590.9	587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	1170.6	1260	Total Capital ($mill)	1425
560.7	652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1400	Net Plant ($mill)	1500
8.8%	7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.3%	8.5%	% Earned Total Cap'l	8.5%
12.1%	9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.0%	12.5%	% Earned Net Worth	12.5%
12.5%	9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	13.0%	% Earned Comm Equity	13.0%
3.8%	1.7%	2.8%	2.7%	.2%	.2%	.2%	1.0%	4%	1.3%	2.7%	3.5%	% Retained to Comm Eq	3.5%
72%	84%	79%	79%	98%	98%	98%	91%	96%	90%	80%	77%	% All Div'ds to Net Prof	76%

CURRENT POSITION ($MILL.)	1993	1994	9/30/95
Cash Assets	3.3	3.3	3.7
Other	232.1	267.8	216.3
Current Assets	235.4	271.1	220.0
Accts Payable	63.6	57.6	72.3
Debt Due	132.1	110.4	--
Other	77.0	117.9	156.0
Current Liab	272.7	285.9	228.3
Fix. Chg. Cov	239%	256%	292%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs	Est'd '92-'94 to '98-'00
Revenues	-7.5%	-1.0%	-.5%
"Cash Flow"	3.0%	3.5%	3.5%
Earnings	3.5%	2.0%	6.0%
Dividends	8.0%	3.5%	2.0%
Book Value	4.0%	3.0%	3.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec 31	Mar 31	Jun.30	Sep 30	Full Fiscal Year
1992	300.2	395.3	176.0	123.1	994.6
1993	334.1	448.2	197.7	150.3	1130.3
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	448.2	177.5	108.5	1063.0
1996	350	480	175	125	1130

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec.31	Mar.31	Jun 30	Sep.30	Full Fiscal Year
1992	44	89	d.04	d.16	1.13
1993	43	89	d.07	d.17	1.08
1994	50	98	d.09	d.21	1.17
1995	57	95	03	d.19	1.33
1996	60	1.00	Nil	d.15	1.45

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun 30	Sep 30	Dec.31	Full Year
1991	255	255	255	255	1.02
1992	255	26	26	26	1.04
1993	.26	26	26	26	1.04
1994	26	26	26	26	1.04
1995	26	26	26	265	

BUSINESS Atlanta Gas Light Company provides natural gas service in 228 Georgia municipalities and surrounding areas including metropolitan Atlanta, Augusta, and Savannah. Also operates the Chattanooga Gas Company in Tennessee. Has about 1,325,200 customers in total. System throughput 260.4 Bcf in FY '94. System throughput (operating margin) breakdown, FY '94, Residential, 38.5% (61.4%), commercial, 15.6% (19.7%), industrial and interruptible, 19.1% (10.0%), transportation and other, 26.8% (8.9%). Depreciation rate 3.3%. Purchased gas cost 61.4% of revenues in FY '94. Has about 3,325 employees, 18,000 shareholders. President & C.E.O. David R. Jones. Inc. Georgia. Address 303 Peachtree St., N.E. Atlanta, GA 30308. Telephone 404-584-4000.

Atlanta Gas Light's customer base should continue to expand in fiscal 1996 and beyond. (Years end September 30th.) The utility's roster grew by over 37,000 in 1995, an advance of 2.8% and slightly above the historical trend of around 2.5% a year. Customer growth ought to stay on the established path through late decade, given the city of Atlanta's attractive business environment.

The lion's share of the meter additions will likely accrue to AGL's residential load, which accounts for the largest part of its overall gross margin (revenues less the cost of gas). But the utility should also be able to increase its throughput (and its margin) by pursuing the markets for natural gas cooling, electric power generation, and natural gas vehicles. Further, the company's recently completed restructuring—which reduced employee count, realigned business processes, and streamlined field operations—should moderate the growth of operating and maintenance expenses.

Non-regulated activities ought to be more of a factor in the next couple of years. Although the bulk of AGL's operating profits are likely to continue to come from its regulated operations, it is looking to take advantage of the energy-related business opportunities that are arising from the general movement toward market competition in the regulated utility arena. Indeed, it made an equity investment in Sonat's natural gas marketing business in 1995. And it is seeking to form a holding company (to be called AGL Resources, Inc.), which will provide for a clear separation between its regulated and non-regulated enterprises. The new corporate structure will also facilitate the funding of these new ventures (no regulatory approval will be needed). In sum, AGL's share earnings and dividends should advance nicely over the next 3 to 5 years. *(Note. All figures have been adjusted to reflect a 2-for-1 stock split effected on December 1st.)*

This stock may be of interest to income-oriented investors. Dividend growth has resumed. And our projections suggest it will likely continue through 1998-2000, leading to a decent, risk-adjusted total return over this time frame.

Charles Clark *December 29, 1995*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early February. Excl. nonrecurring items '84, 37¢, '88, 15¢, '95, d83¢.
(C) Next dividend meeting early February. Goes ex mid-February. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '95: $56.9 mill., $1.04/sh.
(E) In millions, adj'd for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	80

AGL RESOURCES NYSE-ATG

RECENT PRICE	18	P/E RATIO	12.4 (Trailing: 14.0 Median 14.0)	RELATIVE P/E RATIO	0.82	DIV'D YLD	5.9%	VALUE LINE	473

TIMELINESS 5 Lowest (Relative Price Performance Next 12 Mos)

SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)

BETA 75 (1 00 = Market)

1999-01 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+40%)	13%
Low	19	(+5%)	7%

Insider Decisions

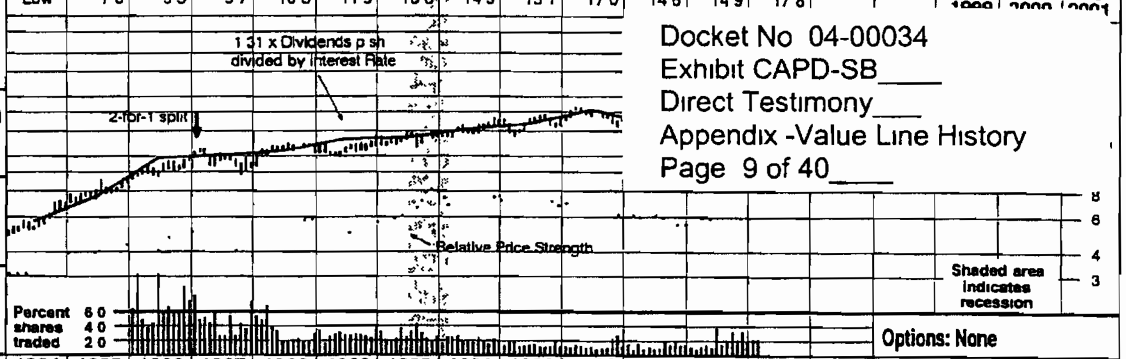
	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	1	0	0	0	0	1
Options	1	0	1	0	0	0	3	1	2
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q'95	3Q'95	4Q'95
to Buy	31	45	31
to Sell	23	23	28
Hld's(000)	9336	15970	10410

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
High	9 5	12 1	13 2	14 0	15 4	16.1	18 8	19 5	21 3	19 4	20 0	20 4	
Low	7 0	9 3	9 7	10 8	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 8	

Target Price Range 1999 | 2000 | 2001



Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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Options: None

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	© VALUE LINE PUB., INC.	99-01
38 56	45 72	52 11	48 27	46 00	37 42	27 58	26 24	22 97	21 63	22 58	20.26	20 43	22 73	23 59	19 32	*19 80*	*20 80*	Revenues per sh A	*21 65*
1 70	1 63	1 50	1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2.31	2 25	2 24	2 33	*2 55*	*2.75*	"Cash Flow" per sh	*3 00*
.78	64	45	78	1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	*1 45*	*1 55*	Earnings per sh B	*1 75*
38	42	45	48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	*1 06*	*1 12*	Div'ds Decl'd per sh C■	*1 24*
1 99	2 45	2 52	2 43	2 95	3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	*2 00*	*2.00*	Cap'l Spending per sh	*2.00*
6 26	6 49	6 45	6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	*10.80*	*11.20*	Book Value per sh D	*12 30*
18 14	18 14	18 53	23 07	26 64	31 12	36 55	37 48	42 47	43 40	44.32	47 57	48 69	49 72	50 86	55 02	*55.50*	*56 00*	Common Shs Outst'g E	*60 00*
4 8	5 9	8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	*13.0*
64	.72	91	48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	86			Relative P/E Ratio	*1.00*
10.2%	11 1%	12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7.2%	6 8%	6 4%	5 9%	5 4%	5 9%	6.2%			Avg Ann'l Div'd Yield	*5 5%*

CAPITAL STRUCTURE as of 12/31/95
Total Debt $554 5 mill Due in 5 Yrs $50 0 mill
LT Debt $554 5 mill LT Interest $45 0 mill
(LT interest earned 3 9x, total interest coverage 3 5x)

Leases, Uncapitalized Annual rentals $6 0 mill

Pension Liability None

Pfd Stock $58 5 mill Pfd Div'd $4 5 mill
$14 2 mill 4 50%-8 32% cum , callable at $101 96-$105 25, $44 5 mill 7 70% cum

Common Stock 55,167,451 shs

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997		99-01
1008 3	983 5	975 6	938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	*1100*	*1165*	Revenues ($mill) A	*1300*
29 2	39 4	46 0	42 1	45 6	49 4	55 4	57 5	63 2	74 3	*84 5*	*91 5*	Net Profit ($mill)	*110*
46 0%	47 6%	31 8%	27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	*37 0%*	*37 0%*	Income Tax Rate	*37 0%*
2 9%	4 0%	4 7%	4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	*7 7%*	*7 9%*	Net Profit Margin	*8.5%*
49 4%	46.2%	49 3%	47 9%	50 2%	49 6%	40.2%	40 5%	49 0%	47 4%	*48.0%*	*48.5%*	Long-Term Debt Ratio	*46.0%*
46 9%	50 3%	48 2%	49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	*47 5%*	*47 5%*	Common Equity Ratio	*50 0%*
590 9	587 7	768 5	770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	*1260*	*1320*	Total Capital ($mill)	*1475*
652 1	757 7	866 5	979 1	1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	*1400*	*1460*	Net Plant ($mill)	*1550*
7 6%	9 0%	8.2%	7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	*8 5%*	*9 0%*	% Earned Total Cap'l	*9.0%*
9 8%	12 5%	11 8%	10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	*13 0%*	*13 5%*	% Earned Net Worth	*14 0%*
9 9%	12 8%	12 0%	10 6%	11.2%	10 8%	11 5%	10 8%	11 3%	12 5%	*13 5%*	*14 0%*	% Earned Com Equity	*14 5%*
1 7%	2 8%	2 7%	.2%	.2%	2%	1 0%	4%	3 0%	4 6%	*3 5%*	*4 0%*	% Retained to Com Eq	*4 0%*
84%	79%	79%	98%	98%	98%	91%	96%	90%	80%	*75%*	*73%*	% All Div'ds to Net Prof	*72%*

CURRENT POSITION ($MILL)	1994	1995	12/31/95
Cash Assets	3 3	3 7	5 8
Other	267 8	216 3	332 3
Current Assets	271 1	220 0	338 1
Accts Payable	57 6	72 3	83 1
Debt Due	110 4	- -	- -
Other	117 9	156 0	249 7
Current Liab	285 9	228 3	332 8
Fix Chg Cov	256%	292%	321%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs	Est'd '93-'95 to '99-'01
Revenues	-6 5%	-0 5%	*Nil*
"Cash Flow"	3 0%	3 0%	*4 5%*
Earnings	2 5%	3 0%	*6 5%*
Dividends	6 5%	2 0%	*3 0%*
Book Value	4 0%	2 5%	*3 5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec. 31	Mar 31	Jun 30	Sep.30	Full Fiscal Year
1993	334 1	448 2	197 7	150 3	1130 3
1994	361 9	500 2	191 2	146 6	1199 9
1995	328 8	448 2	177 5	108 5	1063 0
1996	328 8	*465*	*185*	*121.2*	*1100*
1997	*350*	*490*	*195*	*130*	*1165*

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1993	43	89	d 07	d 17	1 08
1994	50	98	d 09	d 21	1 17
1995	57	95	03	d 19	1 33
1996	53	*87*	*.08*	*d 03*	*1.45*
1997	*.55*	*90*	*.10*	*Nil*	*1 55*

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun.30	Sep 30	Dec 31	Full Year
1992	255	26	26	26	1 04
1993	26	26	26	26	1 04
1994	26	26	26	26	1 04
1995	26	26	26	265	1 05
1996	265				

BUSINESS AGL Resources, Inc is a holding company Its primary subsidiary is Atlanta Gas Light, which provides natural gas service in 228 Georgia municipalities and surrounding areas including metro Atlanta, Augusta, and Savannah Also operates the Chattanooga Gas Company in Tennessee Has about 1,378,500 customers in total System throughput 262 0 Bcf in FY '95 System throughput (oper margin) breakdown, FY '95 Residential, 35 0% (62 4%), commercial, 14 4% (20 1%), industrial and interruptible, 23 0% (9 8%), transportation and other, 27 6% (7 7%) Depr rate 3 0% Gas cost 53 8% of revs in FY '95 Has about 3,349 empls, 17,250 shrhdrs Pres & C E O David R Jones Inc GA Addr 303 Peachtree St., N E Atlanta, GA 30308 Tel 404-584-4000

AGL Resources, Inc., a newly formed holding company, is the parent company of Atlanta Gas Light. This structure was adopted in order to provide a clear separation between Atlanta's regulated and non-regulated enterprises This distinction is likely to become increasingly important, since AGL is looking to take advantage of energy-related business opportunities that are arising from the general movement toward market competition in the regulated utility arena. True, most of the company's operating profits probably will continue to come from natural gas distribution in coming years. But now funding for any future forays into non-regulated ventures will not require regulatory approval In addition, the new structure is more consistent with management's overall strategy, likely facilitating the implementation of its plans.

The design of Atlanta Gas Light's rates to firm-service customers has been revised. The change increases the monthly customer charge and decreases the charge collected based on the volume of gas used by a corresponding amount. The upshot is a portion of the utility's share earnings will be shifted from the winter-heating months and into the warmer months, starting this fiscal year (ends September 30th) We have adjusted our 1996 earnings estimates to reflect the new rate design We note that the effect is on interim results only and that our estimates for 1996 and 1997 are unchanged

Customer growth is still progressing nicely. AGL's residential-heating roster grew by just under 3%, on average, in the December quarter, in line with 1995's advance and above the historical trend of about 2 5% a year Customer growth ought to stay on the established path through late decade, given the city of Atlanta's attractive business environment Hence,

AGL stock may be of interest to income-oriented investors. The company is benefiting from last year's restructuring And our projections suggest shareholders may receive a decent risk-adjusted total return through 1999-2001, owing to the earnings and dividend growth we envision. We also note that this stock has held its own fairly well, given the recent jump in long-term interest rates.

Charles Clark *March 29, 1996*

(A) Fiscal year ends September 30th
(B) Primary egs Next egs report due early May Excl nonrecurring items '84, 37¢, '88, 15¢, '95, d83¢
(C) Next dividend meeting early May Goes ex mid-May Approx div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available
(D) Incl def'd chgs '95 $56 9 mill , $1 04/sh
(E) In millions , adj'd for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	80

003345

AGL RESOURCES NYSE-ATG

RECENT PRICE	18	P/E RATIO	12.7 (Trailing: 15.3; Median: 14.0)	RELATIVE P/E RATIO	0.84	DIV'D YLD	6.1%	VALUE LINE	474

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
High	9.5	12.1	13.2	14.0	15.4	16.1	18.8	19.5	21.3	19.4	20.0	20.4
Low	7.0	9.3	9.7	10.8	11.9	13.3	14.9	15.1	17.0	14.6	14.9	17.1

Target Price Range 1999 | 2000 | 2001

TIMELINESS (Relative Price Perform-ance Next 12 Mos) 5 Lowest

SAFETY (Scale 1 Highest to 5 Lowest) 2 Above Average

BETA .75 (1.00 = Market)

1999-01 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+40%)	13%
Low	20	(+10%)	8%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	1	0	0	0	0	0
Options	1	2	0	2	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q'95	4Q'95	1Q'96
to Buy	52	46	45
to Sell	27	34	57
Hld's(000)	14796	10889	10672

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Direct Testimony___
Appendix -Value Line History
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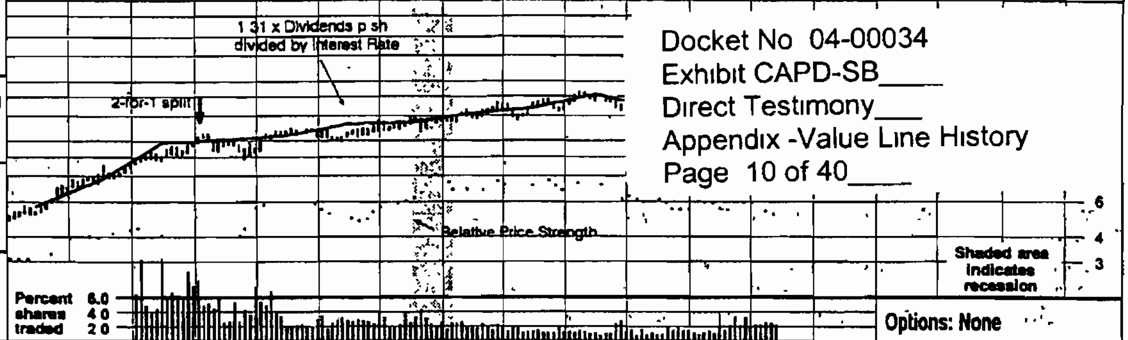


Options: None

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	© VALUE LINE PUB., INC	99-01
38.56	45.72	52.11	48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	*20.10*	*20.80*	Revenues per sh A	*23.00*
1.70	1.63	1.50	1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	*2.50*	*2.60*	"Cash Flow" per sh	*2.90*
.78	.64	.45	.78	1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	*1.40*	*1.50*	Earnings per sh B	*1.80*
.38	.42	.45	.48	.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	*1.06*	*1.12*	Div'ds Decl'd per sh C■	*1.26*
1.99	2.45	2.52	2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	*2.15*	*2.35*	Cap'l Spending per sh	*2.10*
6.26	6.49	6.45	6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	*10.40*	*10.65*	Book Value per sh D	*11.75*
18.14	18.14	18.53	23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	*55.75*	*57.00*	Common Shs Outst'g E	*60.00*
4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.64	.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.86	*Value Line*		Relative P/E Ratio	*1.00*
10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	*estimates*		Avg Ann'l Div'd Yield	*5.4%*

CAPITAL STRUCTURE as of 3/31/96
Total Debt $621.0 mill Due in 5 Yrs $116.5 mill.
LT Debt $554.5 mill LT Interest $42.5 mill
(LT interest earned 3.6x, total interest coverage 3.3x)

Leases, Uncapitalized Annual rentals $8.0 mill

Pension Liability None

Pfd Stock $58.5 mill **Pfd Div'd** $4.5 mill
$14.0 mill 4.50%-8.32% cum., callable at $101.96-$105.25, $44.5 mill 7.70% cum

Common Stock 55,362,112 shs

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997		99-01
1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	*1120*	*1185*	Revenues ($mill) A	*1380*
29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	74.3	*82.0*	*89.0*	Net Profit ($mill)	*110*
46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	*37.0%*	*37.0%*	Income Tax Rate	*37.0%*
2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	*7.3%*	*7.5%*	Net Profit Margin	*8.0%*
49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	*46.5%*	*47.5%*	Long-Term Debt Ratio	*47.5%*
46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	*48.5%*	*48.0%*	Common Equity Ratio	*48.5%*
590.9	587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	*1190*	*1265*	Total Capital ($mill)	*1450*
652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	*1400*	*1470*	Net Plant ($mill)	*1650*
7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	*8.5%*	*9.0%*	% Earned Total Cap'l	*9.5%*
9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	*13.0%*	*13.5%*	% Earned Net Worth	*14.5%*
9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	*14.0%*	*14.5%*	% Earned Com Equity	*15.5%*
1.7%	2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	3.0%	4.6%	*3.5%*	*3.5%*	% Retained to Com Eq	*4.5%*
84%	79%	79%	98%	98%	98%	91%	96%	75%	66%	*77%*	*76%*	% All Div'ds to Net Prof	*72%*

CURRENT POSITION ($MILL.)	1994	1995	3/31/96
Cash Assets	3.3	3.7	4.5
Other	267.8	216.3	280.3
Current Assets	271.1	220.0	284.8
Accts Payable	57.6	72.3	81.5
Debt Due	110.4	51.0	66.5
Other	117.9	107.6	126.0
Current Liab	285.9	230.9	274.0
Fix Chg Cov	250%	288%	271%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs.	Est'd '93-'95 to '99-'01
Revenues	-6.5%	-0.5%	*1.0%*
"Cash Flow"	3.0%	3.0%	*4.0%*
Earnings	2.5%	3.0%	*7.0%*
Dividends	6.5%	2.0%	*3.0%*
Book Value	4.0%	2.5%	*2.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar.31	Jun.30	Sep 30	Full Fiscal Year
1993	334.1	448.2	197.7	150.3	1130.3
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	448.2	177.5	108.5	1063.0
1996	328.8	478.8	*190*	*122.4*	*1120*
1997	*350*	*505*	*200*	*130*	*1185*

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1993	.43	.89	d.07	d.17	1.08
1994	.50	.98	d.09	d.21	1.17
1995	.57	.95	.03	d.19	1.33
1996	.53	.81	*.09*	*d.03*	*1.40*
1997	*.55*	*.85*	*.10*	*Nil*	*1.50*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1992	.255	.26	.26	.26	1.04
1993	.26	.26	.26	.26	1.04
1994	.26	.26	.26	.26	1.04
1995	.26	.26	.26	.265	1.05
1996	.265	.265			

BUSINESS AGL Resources, Inc is a holding company Its primary subsidiary is Atlanta Gas Light, which provides natural gas service in 229 Georgia municipalities and surrounding areas including metro Atlanta, Augusta, and Savannah Also operates the Chattanooga Gas Company in Tennessee Has about 1,372,700 customers in total System throughput 262.0 Bcf in FY '95 System throughput (oper margin) breakdown, FY '95 Residential, 35.0% (62.4%), commercial, 14.4% (20.1%), industrial and interruptible, 23.0% (9.8%), transportation and other, 27.6% (7.7%) Depr rate 3.0% Gas cost 53.8% of revs in FY '95 Has about 3,349 empls., 17,250 shrhdrs Pres & C.E.O David R Jones Inc GA Addr 303 Peachtree St., N.E., Atlanta, GA 30308 Tel 404-584-4000

AGL Resources received stockholder approval for its restructuring plan on March 6. AGL is looking to boost operating results through expansion into nonregulated, somewhat riskier, arenas The separation of the main business, Atlanta Gas Light Co., as an independent unit allows AGL to pursue nonregulated opportunities without approval of the Georgia Public Service Commission A recent move along these lines is AGL's formation of EnerConnect, a retail marketing unit, to provide energy procurement and management services to industrial and large commercial clients

We expect modest share earnings growth in fiscal 1996 and 1997. (Years end September 30.) Quarterly year-to-year earnings comparisons in fiscal 1996 have been skewed due to mandated revisions of rates to firm-service customers The new rate structure essentially transfers earnings from the colder periods into the spring and summer months, while maintaining the same overall yearly level of earnings The Summer Olympics, to be hosted in Atlanta, might also boost AGL's bottom line this year, as the city's metro-area population of 3.5 million will be supplemented by 2 million people. Earnings through late decade should continue to rise as a result of customer growth at about a 2.5% to 3.0% annual clip and favorable economic conditions in Georgia The Atlanta market, in particular, ought to be particularly strong in the coming years due to its expanding infrastructure

Upcoming capital expenditures will probably center on system upgrades. Management intends to further expand AGL's natural gas system, due largely to unusually cold weather this past winter-heating season and likely customer additions. We expect AGL to supplement its "cash flow" with debt and equity to fund this expansion, maintaining fairly consistent capitalization ratios along the way

This issue is probably best suited for income investors. Recent price activity and a rise in long-term interest rates suggest that appreciation potential is below average for the upcoming year This stock's investment merit lies primarily in its current dividend yield and decent total return potential to decade's end

Oscar L. Vidal *June 28, 1996*

(A) Fiscal year ends September 30th
(B) Primary egs Next egs report due early August Excl nonrecurring items '84, 37¢, '88, 15¢; '95, d83¢
(C) Next dividend meeting early August Goes ex mid-August Approx div'd payment dates March 1, June 1, Sept. 1, Dec 1
■ Dividend reinvestment plan available
(D) Incl def'd chgs '95 $56.9 mill, $1.04/sh
(E) In millions, adj'd for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	80

AGL RESOURCES NYSE-ATG

RECENT PRICE 20 | P/E RATIO 13.7 (Trailing 16.5 / Median 14.0) | RELATIVE P/E RATIO 0.91 | DIV'D YLD 5.6% | VALUE LINE 474

TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos)

SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)

BETA 75 (1 00 = Market)

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
High	9 5	12 1	13 2	14 0	15 4	16 1	18 8	19 5	21 3	19 4	20 0	21 1
Low	7 0	9 3	9 7	10 8	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 1

Target Price Range 1999 | 2000 | 2001

1999-01 PROJECTIONS

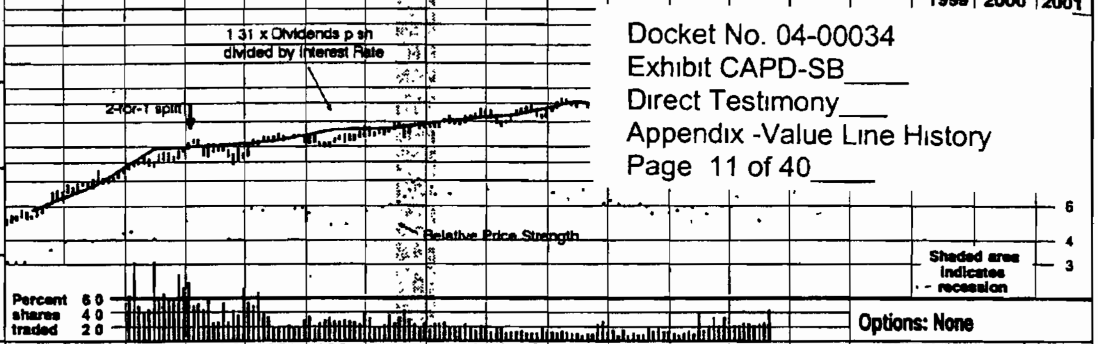
	Price	Gain	Ann'l Total Return
High	25	(+25%)	10%
Low	20	(Nil)	6%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	1	0	0	0	0	0	0	0	0
Options	2	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q'95	1Q'96	2Q'96
to Buy	46	45	51
to Sell	34	57	35
Hld's(000)	10889	10672	12890



Docket No. 04-00034
Exhibit CAPD-SB___
Direct Testimony___
Appendix -Value Line History
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Options: None

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	© VALUE LINE PUB., INC.	99-01
38 56	45 72	52 11	48.27	46 00	37 42	27 58	26.24	22 97	21 63	22 58	20.26	20 43	22.73	23.59	19 32	*21.25*	*22.00*	Revenues per sh A	*24.25*
1 70	1 63	1 50	1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2.31	2.25	2.24	2 33	*2.50*	*2.60*	"Cash Flow" per sh	*2.90*
78	64	45	78	1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	*1.40*	*1.50*	Earnings per sh B	*1.80*
38	42	45	48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	*1.06*	*1 12*	Div'ds Decl'd per sh C■	*1.26*
1 99	2 45	2 52	2 43	2 95	3 01	3 30	3 59	2.86	2 65	2 73	2 95	2.74	2 49	2 37	2 17	*2.15*	*2.30*	Cap'l Spending per sh	*2.10*
6.26	6 49	6 45	6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	*10 40*	*10 60*	Book Value per sh D	*11 70*
18 14	18 14	18 53	23 07	26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	*55.75*	*57 00*	Common Shs Outst'g E	*60.00*
4 8	5 9	8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12.6	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*13 0*
64	72	91	48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	86	*estimates*		Relative P/E Ratio	*1 00*
10.2%	11 1%	12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%			Avg Ann'l Div'd Yield	*5 4%*

CAPITAL STRUCTURE as of 6/30/96
Total Debt $626 4 mill Due In 5 Yrs $121 9 mill
LT Debt $554 5 mill LT Interest $42 5 mill
(LT interest earned 3 7x, total interest coverage 3 4x)

Leases, Uncapitalized Annual rentals $8 0 mill

Pension Liability None

Pfd Stock $58 5 mill **Pfd Div'd** $4 4 mill
$14 0 mill 4 50%-8 32% cum , callable at $101 96-$105 25, $44 5 mill 7 70% cum

Common Stock 55,526,692 shs

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997		99-01
1008 3	983 5	975 6	938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	*1185*	*1255*	Revenues ($mill) A	*1455*
29.2	39 4	46 0	42 1	45 6	49 4	55 4	57 5	63.2	74 3	*80.0*	*90 0*	Net Profit ($mill)	*110*
46 0%	47 6%	31 8%	27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	*37 0%*	*37.0%*	Income Tax Rate	*37 0%*
2 9%	4 0%	4 7%	4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	*6.8%*	*7.2%*	Net Profit Margin	*7.6%*
49 4%	46.2%	49 3%	47 9%	50.2%	49 6%	40.2%	40 5%	49 0%	47 4%	*46.5%*	*47.5%*	Long-Term Debt Ratio	*47.5%*
46 9%	50 3%	48.2%	49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	*48.5%*	*48 0%*	Common Equity Ratio	*48.5%*
590 9	587 7	768 5	770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	*1190*	*1265*	Total Capital ($mill)	*1450*
652 1	757 7	866 5	979 1	1049 6	1141 6	1217 9	1281.3	1297 4	1350 3	*1450*	*1550*	Net Plant ($mill)	*1700*
7 6%	9 0%	8.2%	7 8%	7 6%	7 6%	9 4%	8.6%	7.5%	8.2%	*8.5%*	*9 0%*	% Earned Total Cap'l	*9.5%*
9 8%	12 5%	11 8%	10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12.1%	*13 0%*	*13.5%*	% Earned Net Worth	*14.5%*
9 9%	12 8%	12 0%	10 6%	11.2%	10 8%	11 5%	10 8%	11 3%	12 5%	*14 0%*	*14.5%*	% Earned Com Equity	*15.5%*
1 7%	2 8%	2 7%	.2%	.2%	.2%	1 0%	4%	3 0%	4 6%	*3.5%*	*3.5%*	% Retained to Com Eq	*4 5%*
84%	79%	79%	98%	98%	98%	91%	96%	75%	66%	*77%*	*76%*	% All Div'ds to Net Prof	*72%*

CURRENT POSITION ($MILL.)

	1994	1995	6/30/96
Cash Assets	3 3	3 7	2 2
Other	267 8	216 3	245 4
Current Assets	271 1	220 0	247 6
Accts Payable	57 6	72 3	70 0
Debt Due	110 4	51 0	71 9
Other	117 9	107 6	105 0
Current Liab	285 9	230 9	246 9
Fix Chg Cov	250%	288%	270%

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs	Est'd '93-'95 to '99-'01
Revenues	-6 5%	- 5%	1 5%
"Cash Flow"	3 0%	3 0%	4 0%
Earnings	2 5%	3 0%	7 0%
Dividends	6 5%	2 0%	3 0%
Book Value	4 0%	2 5%	2 5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar 31	Jun 30	Sep.30	Full Fiscal Year
1993	334 1	448 2	197 7	150 3	1130 3
1994	361 9	500 2	191 2	146 6	1199 9
1995	328 8	448 2	177 5	108 5	1063 0
1996	328 8	478 8	241 1	*136.3*	*1185*
1997	*350*	*505*	*255*	*145*	*1255*

Fiscal Year Ends	EARNINGS PER SHARE ABF Dec 31	Mar.31	Jun 30	Sep.30	Full Fiscal Year
1993	43	89	d 07	d 17	1 08
1994	50	.98	d 09	d 21	1 17
1995	57	95	03	d.19	1 33
1996	53	81	06	*Nil*	*1.40*
1997	*55*	*.85*	*.10*	*Nil*	*1.50*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep.30	Dec.31	Full Year
1992	255	26	26	26	1 04
1993	26	26	26	26	1 04
1994	26	26	26	26	1 04
1995	26	26	26	265	1 05
1996	265	265	265		

BUSINESS. AGL Resources, Inc is a holding company Its primary subsidiary is Atlanta Gas Light Co , which distributes natural gas to about 1 4 million customers in Georgia and southern Tennessee Also involved in natural gas and power marketing, energy management services, and wholesale and retail propane sales System throughput 262 0 Bcf in FY '95 System throughput (oper margin) breakdown, FY '95 Residential, 35 0% (62 4%), commercial, 14 4% (20 1%), industrial and interruptible, 23 0% (9 8%), transportation and other, 27 6% (7 7%) Depr rate 3 0% Gas cost 53 8% of revs in FY '95 Has about 3,349 empls , 17,250 shrhdrs Pres & C E O David R Jones Inc GA Addr 303 Peachtree St, N E , Atlanta, GA 30308 Tel 404-584-9470

AGL Resources' anticipated 1996 fiscal fourth-quarter share-earnings gains will be primarily attributable to weather normalization of rates. (Quarter ends September 30th) This fiscal year, Atlanta Gas Light Company, its regulated distribution subsidiary, adopted a revised rate structure which shifts some profits from the heating season (November to March) into warmer periods. Hence, the weather normalization will likely boost fourth-quarter share net to the break-even point Overall annual profits, however, will not be affected by the new rate design

In fiscal 1997 and beyond, AGL's nonregulated operations should make significant contributions to the bottom line. On August 5, 1996, in response to rapidly growing gas industry deregulation, the company announced its corporate reorganization. Three unregulated subsidiaries—The Energy Spring, AGL Investments, and AGL Energy Services—were formed to focus largely on gas marketing and energy management. Although such efforts are somewhat riskier than AGL's traditional distribution activities, the company's know-how suggests that these businesses will provide worthwhile returns and increase share earnings accordingly.

We expect Atlanta Gas Light Company to maintain its solid operating performance. Strength in Atlanta's economy and various infrastructural needs should provide support for about 2.5% to 3 0% annual customer growth through late decade These meter additions bode well for AGL's net income in upcoming years.

This issue's investment merit lies mainly in its dividend yield. Income-oriented investors should note the stock's dividend yield, which is more than twice the *Value Line* median. The stock price has risen by about 11% since our last review published in June. A good part of this rise can be attributed to growing investor speculation on mergers between electric and gas utilities. Recent price activity and higher long-term interest rates both contribute to our below-average appreciation expectations for the stock in the year ahead and the 3- to 5-year pull. Success in nonregulated businesses, however, should allay interest-rate concerns associated with the distribution operations.

Oscar L. Vidal *September 27, 1996*

(A) Fiscal year ends September 30th
(B) Primary egs Next egs report due early November Excl nonrecurring items '84, 37¢, '88, 15¢, '95, d83¢
(C) Next dividend meeting early November Goes ex mid-November Approx div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available
(D) Incl def'd chgs '95 $56 9 mill, $1 04/sh
(E) In millions , adj'd for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	60
Earnings Predictability	85

AGL RESOURCES NYSE-ATG

RECENT PRICE **21** | P/E RATIO **14.4** (Trailing 15.4, Median 14.0) | RELATIVE P/E RATIO **0.92** | DIV'D YLD **5.1%** | VALUE LINE **473**

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony____
Appendix -Value Line History
Page 12 of 40____

TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos)
SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)
BETA .75 (1.00 = Market)

	High	Low
	9.5	7.0
	12.1	9.3
	13.2	9.7
	14.0	10.8
	15.4	11.9
	16.1	13.3
	18.8	14.9
	19.5	15.1
	21.3	17
	19.4	
	20.0	
	22.0	

Target Price Range

1999-01 PROJECTIONS

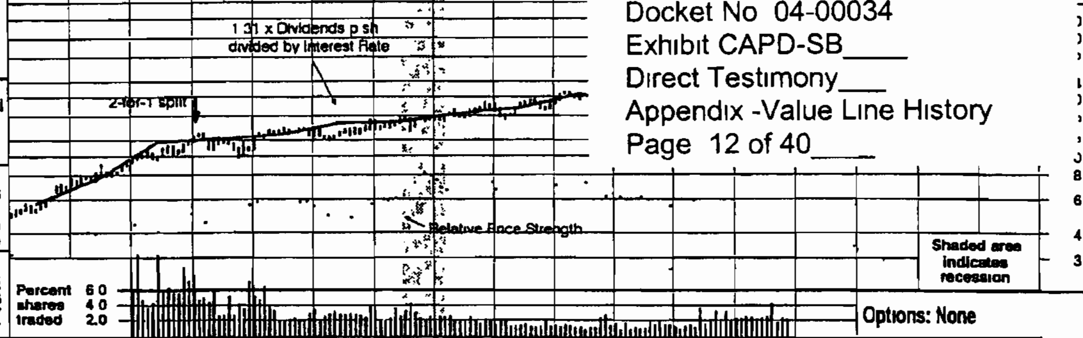
	Price	Gain	Ann'l Total Return
High	30	(+45%)	13%
Low	20	(-5%)	4%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	1	0

Institutional Decisions

	1Q'96	2Q'96	3Q'96
to Buy	45	51	36
to Sell	57	35	47
Hld's(000)	10672	12890	12377



Options: None

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	© VALUE LINE PUB., INC	99-01
38.56	45.72	52.11	48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	*22.80*	Revenues per sh A	*26.15*
1.70	1.63	1.50	1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	*2.70*	"Cash Flow" per sh	*3.05*
.78	.64	.45	.78	1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	*1.50*	Earnings per sh B	*1.80*
.38	.42	.45	.48	.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	*1.08*	Div'ds Decl'd per sh C■	*1.26*
1.99	2.45	2.52	2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	*2.10*	Cap'l Spending per sh	*2.10*
6.26	6.49	6.45	6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	*10.80*	Book Value per sh D	*11.85*
18.14	18.14	18.53	23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	*57.00*	Common Shs Outst'g E	*60.00*
4.8	5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8		Avg Ann'l P/E Ratio	*14.0*
.64	.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86		Relative P/E Ratio	*1.10*
10.2%	11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%		Avg Ann'l Div'd Yield	*5.0%*

CAPITAL STRUCTURE as of 9/30/96
Total Debt $706.5 mill. Due in 5 Yrs $222.0 mill.
LT Debt $554.5 mill. LT Interest $42.5 mill.
(LT interest earned 3.9x; total interest coverage 3.5x)

Leases, Uncapitalized Annual rentals $6.1 mill.
Pension Liability $4.9 mill. in '96 vs. $10.3 mill. in '95

Pfd Stock $58.5 mill. **Pfd Div'd** $4.4 mill.
$14.0 mill. 4.50%-8.32% cum., callable at $101.96-$105.25; $44.5 mill. 7.70% cum.

Common Stock 55,700,000 shs.

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997		99-01
1008.3	983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	*1300*	Revenues ($mill) A	*1570*
29.2	39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	74.3	75.6	*90.0*	Net Profit ($mill)	*110*
46.0%	47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	*37.5%*	Income Tax Rate	*37.5%*
2.9%	4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	*6.9%*	Net Profit Margin	*7.0%*
49.4%	46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	*46.5%*	Long-Term Debt Ratio	*47.0%*
46.9%	50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	*49.0%*	Common Equity Ratio	*48.5%*
590.9	587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	*1255*	Total Capital ($mill)	*1460*
652.1	757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	*1475*	Net Plant ($mill)	*1650*
7.6%	9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.1%	*8.5%*	% Earned Total Cap'l	*9.5%*
9.8%	12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	*13.0%*	% Earned Net Worth	*14.5%*
9.9%	12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.9%	*14.5%*	% Earned Com Equity	*15.5%*
1.7%	2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	3.0%	4.6%	3.8%	*3.5%*	% Retained to Com Eq	*4.5%*
84%	79%	79%	98%	98%	98%	91%	96%	75%	66%	71%	*76%*	% All Div'ds to Net Prof	*72%*

CURRENT POSITION ($MILL.)

	1994	1995	9/30/96
Cash Assets	3.3	3.7	8.7
Other	267.8	216.3	280.5
Current Assets	271.1	220.0	289.2
Accts Payable	57.6	72.3	73.7
Debt Due	110.4	51.0	152.0
Other	117.9	107.6	96.8
Current Liab.	285.9	230.9	322.5
Fix. Chg. Cov.	250%	288%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '94-'96 to '99-'01
Revenues	-5.0%	--	*4.0%*
"Cash Flow"	3.5%	3.0%	*5.5%*
Earnings	3.0%	5.5%	*7.0%*
Dividends	5.5%	1.5%	*4.0%*
Book Value	3.5%	2.5%	*3.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1993	334.1	448.2	197.7	150.3	1130.3
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	448.2	177.5	108.5	1063.0
1996	328.8	478.8	241.1	171.5	1220.2
1997	*360*	*520*	*255*	*165*	*1300*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1993	.43	.89	d.07	d.17	1.08
1994	.50	.98	d.09	d.21	1.17
1995	.57	.95	.03	d.19	1.33
1996	.53	.81	.06	d.04	1.37
1997	*.55*	*.85*	*.10*	*Nil*	*1.50*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1992	.255	.26	.26	.26	1.04
1993	.26	.26	.26	.26	1.04
1994	.26	.26	.26	.26	1.04
1995	.26	.26	.26	.265	1.05
1996	.265	.265	.265	.27	

BUSINESS: AGL Resources, Inc. is a holding company. Its primary subsidiary is Atlanta Gas Light Co., which distributes natural gas to about 1.4 million customers in Georgia and southern Tennessee. Also involved in natural gas and power marketing, energy management services, and wholesale and retail propane sales. System throughput: 289.2 Bcf in fiscal '96. System throughput breakdown, fiscal '96: residential, 40.3%; commercial, 18.6%; industrial, 15.5%; transportation and other, 25.6%. Depreciation rate: 3.3%. Gas cost: 59.0% of revenues in fiscal '96. Has about 2,940 employees, 16,760 shareholders. President & C.E.O.: David R. Jones. Incorporated in Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470.

AGL Resources ought to post a healthy share-earnings advance in fiscal 1997... (Years end September 30th.) One driver for this anticipated rise in income will likely be meter additions for Atlanta Gas Light Company, its regulated gas distribution subsidiary. In fiscal 1996, the utility's number of customers increased by approximately 3.1%, versus the industry average of about 1.7%. Over the next few years, we believe that the distributor can maintain a 2.5%-to-3.0% customer growth rate, given the apparent strength in Atlanta's economy and various infrastructural needs. Ongoing efforts to improve efficiency (as measured by operations and maintenance expense per customer and customers served per employee) should also help the bottom line. Weather-normalization riders in the utility's rates ought to provide earnings stability and ease the company's efforts to earn its authorized return on equity. In fact, over the past three years, Atlanta Gas Light has exceeded its allowed return.

... and long-term prospects for AGL's nonregulated operations look promising. Such businesses include wholesale natural gas and power marketing, wholesale and retail propane sales, and energy management services. Start-up expenses for some of these ventures will likely partially offset the aforementioned fiscal 1997 share-net gains. Such costs, however, should be more than recovered in subsequent years. This already seems evident in the case of the gas marketing operations. In fiscal 1996, the marketing units reported $3.1 million in net income, providing the major portion of AGL's year-to-year earnings-per-share increase. By the year 2000, management expects nonregulated businesses to account for roughly 25% of the bottom line.

AGL's primary investment merit lies in its dividend. Strong operating results and continued speculation on gas and electric industry mergers have steadily pushed this stock's P/E ratio higher in 1996. Due, in part, to this price strength, 3- to 5-year appreciation potential is unexciting. The dividend yield, though, holds at about the industry average. The Safety rank is above average, making the issue well-suited for conservative, income-oriented investors.

Oscar L. Vidal *December 27, 1996*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early February. Excl. nonrecurring items: '84, 37¢; '88, 15¢; '95, d83¢.
(C) Next dividend meeting early February. Goes ex mid-February. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '96: $61.2 mill., $1.10/sh.
(E) In millions, adjusted for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	85

AGL RESOURCES NYSE-ATG

RECENT PRICE 20 | P/E RATIO 13.8 (Trailing 14.7 / Median 14.0) | RELATIVE P/E RATIO 0.87 | DIV'D YLD 5.6% | VALUE LINE 472

TIMELINESS (Relative Price Performance Next 12 Mos) 5 Lowest

SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)

BETA .70 (1.00 = Market)

	High	Low
	12.1	9.3
	13.2	9.7
	14.0	10.8
	15.4	11.9
	16.1	13.3
	18.8	14.9
	19.5	15.1
	21.3	17.0
	19.4	14.6
	20.0	14.9
	22.0	17.1
	21.6	19.4

Target Price Range 2000 | 2001 | 2002

2000-02 PROJECTIONS

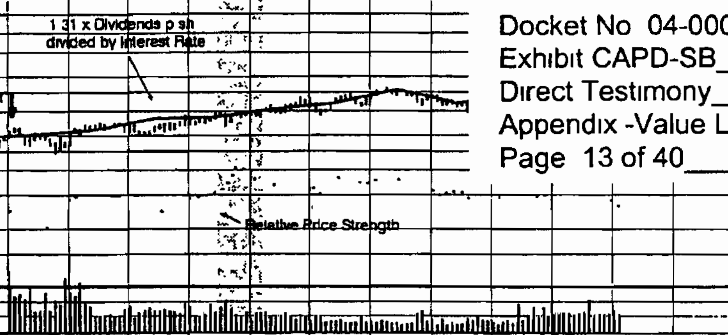
	Price	Gain	Ann'l Total Return
High	30	(+50%)	15%
Low	25	(+25%)	11%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	0	0	0	0	0	0	1
Options	0	0	0	0	0	2	6	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	2Q'96	3Q'96	4Q'96
to Buy	51	36	41
to Sell	35	47	41
Hld's(000)	12890	12377	11895



Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
Page 13 of 40____

Options: None

1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	© VALUE LINE PUB., INC	00-02
45.72	52.11	48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	*23.55*	*24.65*	Revenues per sh A	*29.15*
1.63	1.50	1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	*2.70*	*2.80*	"Cash Flow" per sh	*3.20*
.64	.45	.78	1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	*1.45*	*1.55*	Earnings per sh B	*1.90*
.42	.45	.48	.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	*1.08*	*1.14*	Div'ds Decl'd per sh C■	*1.30*
2.45	2.52	2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	*2.15*	*2.20*	Cap'l Spending per sh	*2.25*
6.49	6.45	6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	*10.90*	*11.20*	Book Value per sh D	*12.65*
18.14	18.53	23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	*56.25*	*57.00*	Common Shs Outst'g E	*58.00*
5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	*Value Line*		Relative P/E Ratio	*1.00*
11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	*estimates*		Avg Ann'l Div'd Yield	*5.0%*
						983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	*1325*	*1405*	Revenues ($mill) A	*1690*
						39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	74.3	75.6	*85.0*	*90.0*	Net Profit ($mill)	*115*
						47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	*37.5%*	*37.5%*	Income Tax Rate	*37.5%*
						4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	*6.4%*	*6.4%*	Net Profit Margin	*6.8%*
						46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	*48.0%*	*48.5%*	Long-Term Debt Ratio	*47.5%*
						50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	*47.0%*	*47.5%*	Common Equity Ratio	*48.5%*
						587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	*1295*	*1345*	Total Capital ($mill)	*1520*
						757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	*1475*	*1530*	Net Plant ($mill)	*1700*
						9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	*8.5%*	*8.5%*	% Earned Total Cap'l	*9.0%*
						12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	*13.0%*	*13.0%*	% Earned Net Worth	*14.5%*
						12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	*14.0%*	*14.5%*	% Earned Com Equity	*15.5%*
						2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	3.0%	4.6%	3.8%	*3.5%*	*3.5%*	% Retained to Com Eq	*4.5%*
						79%	79%	98%	98%	98%	91%	96%	75%	66%	71%	*76%*	*75%*	% All Div'ds to Net Prof	*70%*

CAPITAL STRUCTURE as of 12/31/96
Total Debt $773.3 mill Due in 5 Yrs $258.8 mill
LT Debt $584.5 mill LT Interest $43.8 mill
(LT interest earned 3.9x, total interest coverage 3.5x)

Leases, Uncapitalized Annual rentals $6.1 mill
Pension Liability $4.9 mill in '96 vs $10.3 mill in '95

Pfd Stock $58.5 mill Pfd Div'd $4.4 mill
$14.0 mill 4.50%-8.32% cum, callable at $101.96-$105.25, $44.5 mill 7.70% cum

Common Stock 55,867,649 shs

CURRENT POSITION ($MILL.)	1995	1996	12/31/96
Cash Assets	3.7	8.7	1.1
Other	216.3	280.5	403.5
Current Assets	220.0	289.2	404.6
Accts Payable	72.3	73.7	108.7
Debt Due	51.0	152.0	188.8
Other	107.6	96.8	105.5
Current Liab	230.9	322.5	403.0
Fix Chg Cov	288%	280%	282%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '94-'96 to '00-'02
Revenues	-.5%	--	*5.0%*
"Cash Flow"	3.5%	3.0%	*5.5%*
Earnings	3.0%	5.5%	*6.5%*
Dividends	5.5%	1.5%	*3.5%*
Book Value	3.5%	2.5%	*3.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec 31	Mar.31	Jun 30	Sep 30	Full Fiscal Year
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	448.2	177.5	108.5	1063.0
1996	328.8	478.8	241.1	171.5	1220.2
1997	379.6	*520*	*255*	*170.4*	*1325*
1998	*400*	*550*	*275*	*180*	*1405*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun.30	Sep 30	Full Fiscal Year
1994	.50	.98	d.09	d.21	1.17
1995	.57	.95	.03	d.19	1.33
1996	.53	.81	.06	d.04	1.37
1997	.53	*.85*	*.08*	*d.01*	*1.45*
1998	*.56*	*.90*	*.09*	*Nil*	*1.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec.31	Full Year
1993	.26	.26	.26	.26	1.04
1994	.26	.26	.26	.26	1.04
1995	.26	.26	.26	.265	1.05
1996	.265	.265	.265	.27	1.07
1997	.27				

BUSINESS: AGL Resources, Inc. is a holding company. Its primary subsidiary is Atlanta Gas Light Co., which distributes natural gas to about 1.4 million customers in Georgia and southern Tennessee. Also involved in natural gas and power marketing, energy management services, and wholesale and retail propane sales. System throughput: 289.2 Bcf in fiscal '96. System throughput breakdown, fiscal '96: residential, 40.3%; commercial, 18.6%; industrial, 15.5%; transportation and other, 25.6%. Depreciation rate: 3.3%. Gas cost: 59.0% of revenues in fiscal '96. Has about 2,950 employees, 16,760 shareholders. President & C.E.O.: David R. Jones. Incorporated: Georgia. Addr.: 303 Peachtree St., N.E., Atlanta, GA 30308. Tel.: 404-584-9470. Internet addr.: http://www.aglr.com.

We have trimmed AGL Resources' fiscal 1997 share-earnings estimate by a nickel. (Year ends September 30, 1997.) This stems partly from higher-than-expected operating expenses in the fiscal 1997 first quarter that resulted in share net a few pennies below our expectation. Also, temperatures have remained warmer than normal through the end of February, 1997. This is not much of a concern for AGL's gas-distribution segment, since its rates contain weather-normalization adjustment riders. The climate, though, will likely have an effect on earnings from the company's nonregulated 35% Sonat Marketing joint venture, which is engaged in wholesale gas marketing.

AGL's nonregulated efforts should account for the bulk of share-net advances in fiscal 1998 and beyond. Management recently announced the acquisition of Jordan Gas Propane Companies, effective February 1, 1997. This deal essentially triples AGL's propane sales volumes, making it the 30th largest propane distribution company in the nation. As a result, we expect this segment's total bottom-line contribution to triple as well, to almost $0.06 a share. Despite the aforementioned weather effects on gas marketing operations, we still anticipate solid income streams going forward in this area. AGL's fledgling retail energy business has already shown some profitability. All told, the company is shooting for about a 25% contribution to earnings from the nonregulated operations by the year 2000, versus 5% in fiscal 1996.

These shares are best suited for income-oriented investors. AGL's nonregulated opportunities will likely serve as a welcome complement to its solid, regulated distribution operations. Healthy economic conditions in Atlanta should allow the utility to maintain its above-industry-average customer growth. The lack of positive price and earnings momentum of late are primary factors behind this stock's unfavorable Timeliness rank. Three- to five-year appreciation potential is also subpar. This issue's primary investment merit lies in its dividend. The yield is currently at 5.6%, slightly higher than the natural gas distribution industry average, and we are projecting modest growth in the payout.

Oscar L. Vidal March 28, 1997

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early May. Excl. nonrecurring items: '84, 37¢; '88, 15¢; '95, d83¢.
(C) Next dividend meeting about early May. Goes ex mid-May. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '96: $61.2 mill., $1.10/sh.
(E) In millions, adjusted for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	85

AGL RESOURCES NYSE-ATG

RECENT PRICE	20	P/E RATIO	13.4 (Trailing 14.0, Median 14.0)	RELATIVE P/E RATIO	0.79	DIV'D YLD	5.7%	VALUE LINE	471

TIMELINESS 4 Below Average (Relative Price Performance Next 12 Mos)

SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)

BETA 70 (1 00 = Market)

	High	Low
	12 1	9 3
	13 2	9 7
	14 0	10 8
	15 4	11 9
	16 1	13 3
	18 8	14 9
	19 5	15 1
	21 3	17 0
	19 4	14
	20 0	
	22 0	
	21 6	

Target Price Range

2000-02 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+50%)	15%
Low	25	(+25%)	11%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	1	1	0	0
Options	0	0	2	6	0	0	1	0	0
to Sell	1	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q'96	3Q'96	4Q'96
to Buy	51	36	41
to Sell	35	47	41
Hld's(000)	12890	12377	11895

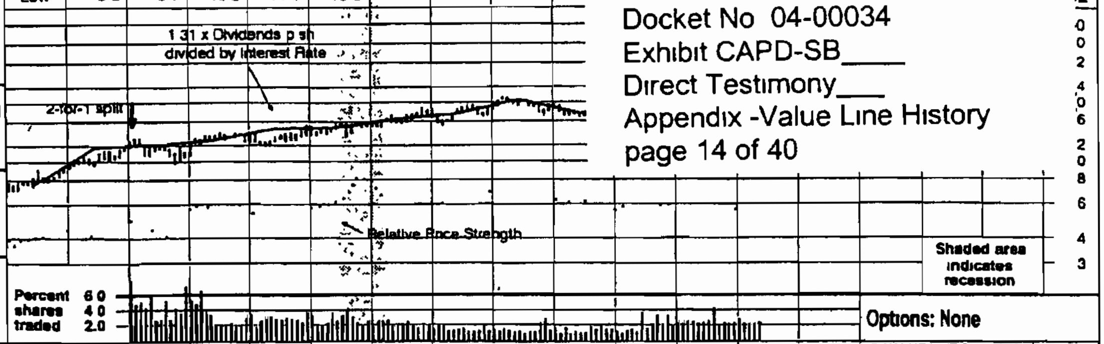


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Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	© VALUE LINE PUB , INC	00-02
45 72	52 11	48 27	46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	*23 10*	*24 10*	Revenues per sh A	*28 45*
1 63	1 50	1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2.25	2 24	2 33	2 49	*2 70*	*2.85*	"Cash Flow" per sh	*3.25*
64	45	78	1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	*1 45*	*1 55*	Earnings per sh B	*1 90*
42	45	48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	*1 08*	*1 14*	Div'ds Decl'd per sh C■	*1 30*
2 45	2 52	2 43	2 95	3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2.17	2 37	*2 05*	*2 10*	Cap'l Spending per sh	*2 25*
6 49	6 45	6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	*10 90*	*11 20*	Book Value per sh D	*12 65*
18 14	18 53	23 07	26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	*56.25*	*57 00*	Common Shs Outst'g E	*58 00*
5 9	8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*14 0*
72	91	48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	84	86		*estimates*	Relative P/E Ratio	*1 00*
11 1%	12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7.2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%			Avg Ann'l Div'd Yield	*5 0%*

CAPITAL STRUCTURE as of 3/31/97
Total Debt $697 5 mill Due in 5 Yrs $183 0 mill
LT Debt $584 5 mill LT Interest $43 8 mill
(LT interest earned 3 9x, total interest coverage 3 5x)

Leases, Uncapitalized Annual rentals $6 1 mill
Pension Liability $4 9 mill in '96 vs $10 3 mill in '95

Pfd Stock $58 5 mill Pfd Div'd $4 4 mill
$14 0 mill 4 50%-8 32% cum , callable at $101 96-$105 25, $44 5 mill 7 70% cum

Common Stock 56,059,806 shs

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998		00-02
983 5	975 6	938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	*1300*	*1375*	Revenues ($mill) A	*1650*
39 4	46 0	42 1	45 6	49 4	55 4	57 5	63 2	74 3	75 6	*87 0*	*92 0*	Net Profit ($mill)	*115*
47 6%	31 8%	27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	*37 5%*	*37 5%*	Income Tax Rate	*37 5%*
4 0%	4 7%	4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	*6 7%*	*6 7%*	Net Profit Margin	*7 0%*
46.2%	49 3%	47 9%	50 2%	49 6%	40.2%	40 5%	49 0%	47 4%	46 2%	*47 0%*	*47 5%*	Long-Term Debt Ratio	*47 5%*
50 3%	48 2%	49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	*44 5%*	*47 0%*	Common Equity Ratio	*47 5%*
587 7	768 5	770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	*1380*	*1365*	Total Capital ($mill)	*1540*
757 7	866 5	979 1	1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	*1460*	*1505*	Net Plant ($mill)	*1650*
9 0%	8.2%	7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	*8 0%*	*8 5%*	% Earned Total Cap'l	*9 0%*
12 5%	11 8%	10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	*12.0%*	*13 0%*	% Earned Net Worth	*14 0%*
12 8%	12 0%	10 6%	11.2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	*14 0%*	*14 5%*	% Earned Com Equity	*15 5%*
2 8%	2 7%	.2%	.2%	.2%	1 0%	4%	3 0%	4 6%	3 8%	*3 5%*	*3 5%*	% Retained to Com Eq	*4 5%*
79%	79%	98%	98%	98%	91%	96%	75%	66%	71%	*76%*	*75%*	% All Div'ds to Net Prof	*71%*

CURRENT POSITION ($MILL.)	1995	1996	3/31/97
Cash Assets	3 7	8 7	8 7
Other	216 3	280 5	305 0
Current Assets	220 0	289 2	313 7
Accts Payable	72 3	73 7	58 6
Debt Due	51 0	152 0	113 0
Other	107 6	96 8	136 6
Current Liab	230 9	322 5	308 2
Fix Chg. Cov	288%	280%	291%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs.	Est'd '94-'96 to '00-'02
Revenues	-5 0%	--	*4 5%*
"Cash Flow"	3 5%	3 0%	*5 5%*
Earnings	-3 0%	5 5%	*6 5%*
Dividends	5 5%	1 5%	*3 5%*
Book Value	3 5%	2 5%	*3 5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec 31	Mar.31	Jun 30	Sep 30	Full Fiscal Year
1994	361 9	500 2	191 2	146 6	1199 9
1995	328 8	448 2	177 5	108 5	1063 0
1996	328 8	478 8	241 1	171 5	1220 2
1997	379 6	496 7	*250*	*173.7*	*1300*
1998	*405*	*525*	*265*	*180*	*1375*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec.31	Mar 31	Jun.30	Sep.30	Full Fiscal Year
1994	50	98	d 09	d 21	1 17
1995	57	95	03	d 19	1 33
1996	53	81	06	d 04	1 37
1997	53	88	*05*	*d 01*	*1 45*
1998	*57*	*94*	*05*	*d 01*	*1 55*

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep.30	Dec 31	Full Year
1993	26	26	26	26	1 04
1994	26	26	26	26	1 04
1995	26	26	26	265	1 05
1996	265	265	265	27	1 07
1997	27	27			

BUSINESS AGL Resources, Inc is a holding company Its primary subsidiary is Atlanta Gas Light Co , which distributes natural gas to more than 1 4 million customers in Georgia and southern Tennessee Also involved in natural gas and power marketing, energy management services, and wholesale and retail propane sales System throughput 289 2 Bcf in fiscal '96 System throughput breakdown, fiscal '96 residential, 40 3%, commercial, 18 6%, industrial, 15 5%, transportation and other, 25 6% Depreciation rate 3 3% Gas cost 59 0% of revenues in fiscal '96 Has about 2,950 employees, 16,760 shareholders Pres & C E O David R Jones Incorporated in Georgia Addr 303 Peachtree St, N E, Atlanta, GA 30308 Tel 404-584-9470 Internet addr http //www aglr com

AGL Resources is on track to meet our fiscal 1997 and 1998 share-earnings estimates of $1.45 and $1.55, respectively. (Years end September 30th) A significant driver of this should be above-industry-average meter additions. Customer growth ought to hold close to this pace going forward, considering the favorable economic conditions in Atlanta

Nonregulated efforts' contributions to share-net advances should steadily increase in the pull to 2000-2002. Over the next five years, AGL is looking for a 25% contribution to total earnings here (versus 5% in fiscal 1996) The recently announced acquisition of Capital Fuels Inc , a small retail propane distributor, complements last February's purchase of Jordan Gas Propane Companies We expect propane operations to contribute roughly $0 06 a share to income annually Moreover, AGL's 35% Sonat Marketing joint venture has become the eighth-largest wholesale gas marketer in the United States.

Potential unbundling of AGL's utility operations may provide further nonregulated business opportunities. Last April, Georgia enacted "The Natural Gas Competition and Deregulation Act" The law provides AGL the option to open its gas system to competition That is expected to lead to unregulated sales opportunities for gas marketers, including the company's own Energy Spring subsidiary The Georgia Public Service Commission, AGL's regulatory body, has yet to complete the rulemaking process necessary to implement the new law AGL is currently adopting a "wait and see" attitude as the new rules evolve to determine how the act would affect the company AGL will probably elect whether or not to unbundle its system sometime in calendar 1998 We suspect that the new regulations will be a plus for the company's profits in time

This issue is well-suited for conservative, income-oriented investors. The dividend yield remains slightly above the gas distribution industry average Furthermore, we believe that AGL's nonregulated businesses serve as a good partner to solid utility assets, permitting good earnings and dividend growth

Oscar L Vidal *June 27, 1997*

(A) Fiscal year ends September 30th
(B) Primary egs Next egs report due early Aug Excl nonrecurring items '84, 37¢, '88, 15¢, '95, d83¢
(C) Next dividend meeting about early Aug Goes ex mid-Aug Approx div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available
(D) Incl def'd chgs '96 $61 2 mill, $1 10/sh
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	35
Earnings Predictability	85

003359

AGL RESOURCES NYSE-ATG

RECENT PRICE	19	P/E RATIO	12.7 (Trailing 13.6 / Median: 14.0)	RELATIVE P/E RATIO	0.71	DIV'D YLD	6.0%	VALUE LINE	469

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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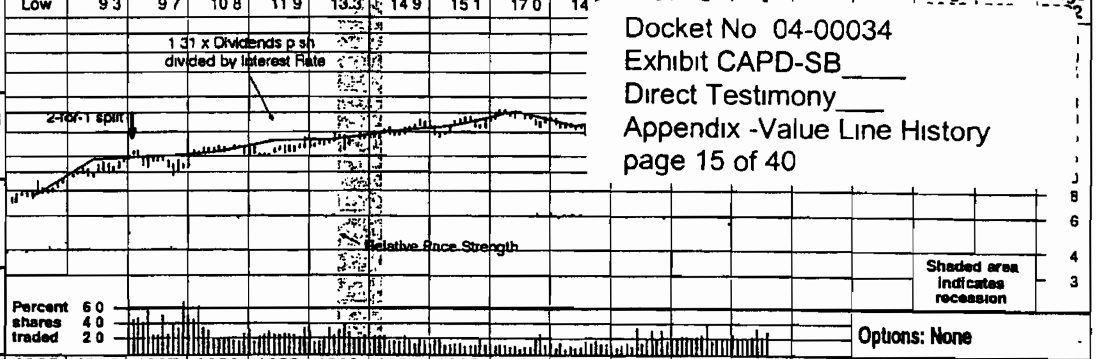
TIMELINESS 5 Lowest (Relative Price Performance Next 12 Mos)
SAFETY - 2 Above Average (Scale 1 Highest to 5 Lowest)
BETA .70 (1.00 = Market)

High	12.1	13.2	14.0	15.4	18.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6		Target Price Range
Low	9.3	9.7	10.8	11.9	13.3	14.9	15.1	17.0	14.					



2000-02 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+60%)	16%
Low	25	(+30%)	12%

Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	0	1	1	0	0	0	0	0
Options	6	0	0	1	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q'96	4Q'96	1Q'97
to Buy	36	41	43
to Sell	47	41	40
Hld's(000)	12377	11895	12050

Options: None

1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	© VALUE LINE PUB., INC.	00-02
45.72	52.11	48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	*22.35*	*23.30*	Revenues per sh A	*27.65*
1.63	1.50	1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	*2.65*	*2.80*	"Cash Flow" per sh	*3.25*
.64	.45	.78	1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	*1.40*	*1.55*	Earnings per sh B	*1.90*
.42	.45	.48	.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	*1.08*	*1.14*	Div'ds Decl'd per sh C■	*1.30*
2.45	2.52	2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	*2.30*	*2.00*	Cap'l Spending per sh	*2.15*
6.49	6.45	6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	*10.75*	*11.05*	Book Value per sh D	*12.60*
18.14	18.53	23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	*57.00*	*58.00*	Common Shs Outst'g E	*59.00*
5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	*Value Line*		Relative P/E Ratio	*1.00*
11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	*estimates*		Avg Ann'l Div'd Yield	*4.9%*
						983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	*1275*	*1350*	Revenues ($mill) A	*1630*
						39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	74.3	75.6	*85.0*	*95.0*	Net Profit ($mill)	*115*
						47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	*38.0%*	*38.0%*	Income Tax Rate	*38.0%*
						4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	*6.7%*	*7.0%*	Net Profit Margin	*7.1%*
						46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	*47.0%*	*47.5%*	Long-Term Debt Ratio	*47.0%*
						50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	*44.5%*	*47.0%*	Common Equity Ratio	*48.0%*
						587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	*1380*	*1365*	Total Capital ($mill)	*1550*
						757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	*1470*	*1510*	Net Plant ($mill)	*1650*
						9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	*7.5%*	*8.5%*	% Earned Total Cap'l	*9.0%*
						12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	*11.5%*	*13.0%*	% Earned Net Worth	*14.0%*
						12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	*13.5%*	*14.5%*	% Earned Com Equity	*15.5%*
						2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	3.0%	4.6%	3.8%	*3.0%*	*3.5%*	% Retained to Com Eq	*4.5%*
						79%	79%	98%	98%	98%	91%	96%	75%	66%	71%	*79%*	*75%*	% All Div'ds to Net Prof	*70%*

CAPITAL STRUCTURE as of 6/30/97
Total Debt $618.0 mill Due in 5 Yrs $104.0 mill
LT Debt $584.5 mill LT Interest $43.8 mill
(LT interest earned 3.8x, total interest coverage 3.4x)

Leases, Uncapitalized Annual rentals $6.1 mill
Pension Liability None in '96 vs $4.9 mill. in '95

Pfd Stock $118.8 mill Pfd Div'd $10.5 mill
$74.3 mill 8.17% subsidiary obligated mandatorily redeemable pfd secs., $44.5 mill 7.70% cum

Common Stock 56,456,402 shs

CURRENT POSITION ($MILL.)	1995	1996	6/30/97
Cash Assets	3.7	8.7	4.3
Other	216.3	280.5	265.1
Current Assets	220.0	289.2	269.4
Accts Payable	72.3	73.7	65.7
Debt Due	51.0	152.0	33.5
Other	107.6	96.8	125.2
Current Liab	230.9	322.5	224.4
Fix. Chg. Cov.	288%	280%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '94-'96 to '00-'02
Revenues	-5.0%	--	4.0%
"Cash Flow"	3.5%	3.0%	5.5%
Earnings	3.0%	5.5%	6.5%
Dividends	5.5%	1.5%	3.5%
Book Value	3.5%	2.5%	3.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	448.2	177.5	108.5	1063.0
1996	328.8	478.8	241.1	171.5	1220.2
1997	379.6	496.7	216.7	*182*	*1275*
1998	*400*	*525*	*230*	*195*	*1350*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar.31	Jun 30	Sep 30	Full Fiscal Year
1994	.50	.98	d.09	d.21	1.17
1995	.57	.95	.03	d.19	1.33
1996	.53	.81	.06	d.04	1.37
1997	.53	.88	.03	*d.04*	*1.40*
1998	*.57*	*.94*	*.05*	*d.01*	*1.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1993	.26	.26	.26	.26	1.04
1994	.26	.26	.26	.26	1.04
1995	.26	.26	.26	.265	1.05
1996	.265	.265	.265	.27	1.07
1997	.27	.27	.27		

BUSINESS AGL Resources, Inc. is a holding company. Its primary subsidiary is Atlanta Gas Light Co., which distributes natural gas to more than 1.4 million customers in Georgia and southern Tennessee. Also involved in natural gas and power marketing, energy management services, and wholesale and retail propane sales. System throughput: 289.2 Bcf in fiscal '96. System throughput breakdown, fiscal '96: residential, 40.3%, commercial, 18.6%, industrial, 15.5%, transportation and other, 25.6%. Depreciation rate 3.3%. Gas cost 59.0% of revenues in fiscal '96. Has about 2,950 employees, 16,760 shareholders. Pres. & C.E.O.: David R. Jones. Incorporated in Georgia. Addr.: 303 Peachtree St., N.E., Atlanta, GA 30308. Tel.: 404-584-9470. Internet addr: http://www.aglr.com.

We expect continued share-earnings advances for AGL Resources through fiscal 1998 (ends September 30th). The company's utility operations remain solid. The bottom line should be helped along by above industry average customer growth at about a 2% to 3% clip. We believe that this rate of meter additions is sustainable in light of healthy economic trends in Atlanta. Furthermore, the gas distributor seems to have a good handle on its operating expenses.

The nonregulated businesses are apt to provide a considerable boost to income per share. Acquisitions earlier this year have enabled AGL's wholesale and retail propane operations to become the 30th largest nationwide. We expect annual share net from this segment of a little more than a nickel. The retail marketing subsidiary formed in July, 1996 is well on its way and making significant profit contributions. Management is currently exploring its options with respect to "The Natural Gas Competition and Deregulation Act" recently passed in Georgia. Under the new law, AGL will have the option to open its gas system to competition. This ought to result in nonregulated sales opportunities for gas marketers, such as the company's Energy Spring unit. At this point, with rulemaking still pending to implement the act, the jury is out with regard to the bottom-line benefits for AGL. Nonetheless, the company is ultimately seeking a 25% nonregulated contribution to total earnings over the next five years, versus 5% in fiscal 1996.

AGL strengthened its balance sheet somewhat with the June issue of nearly $75 million in hybrid preferred securities. The company ultimately wants to call all of its other remaining preferred shares, leading to a lower after-tax cost of capital.

This issue is appropriate for conservative, total-return-oriented accounts. The dividend yield exceeds the gas distribution industry mean by about a percentage point. Also, 3- to 5-year appreciation potential is a bit above average. As a result, this stock provides a worthwhile projected total return over the pull to 2000-2002. Risk is limited as well, judging from the Safety rank of 2 (Above Average).

Oscar L. Vidal *September 26, 1997*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early Nov. Excl. nonrecurring items: '84, 37¢, '88, 15¢, '95, d83¢.
(C) Next dividend meeting about early Nov. Goes ex mid-Nov. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '96: $61.2 mill., $1.10/sh.
(E) In millions, adjusted for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	90

C03351

AGL RESOURCES NYSE-ATG

RECENT PRICE	19	P/E RATIO	14.5 (Trailing: 13.8 / Median 14.0)	RELATIVE P/E RATIO	0.84	DIV'D YLD	6.0%	VALUE LINE	467

TIMELINESS 5 Lowest (Relative Price Perform- ance Next 12 Mos)

SAFETY 2 Above Average (Scale 1 Highest to 5 Lowest)

BETA .75 (1.00 = Market)

High	12.1	13.2	14.0	15.4	16.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6
Low	9.3	9.7	10.8	11.9	13.3	14.9	15.1	17.0	14.6	14.9	17.1	17.8

Target Price Range 2000 | 2001 | 2002

2000-02 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+60%)	16%
Low	20	(+5%)	7%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	1	0	0	0	0	0	0	1	0
Options	1	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q'96	1Q'97	2Q'97
to Buy	41	43	41
to Sell	41	40	35
Hld's(000)	11895	12050	12725

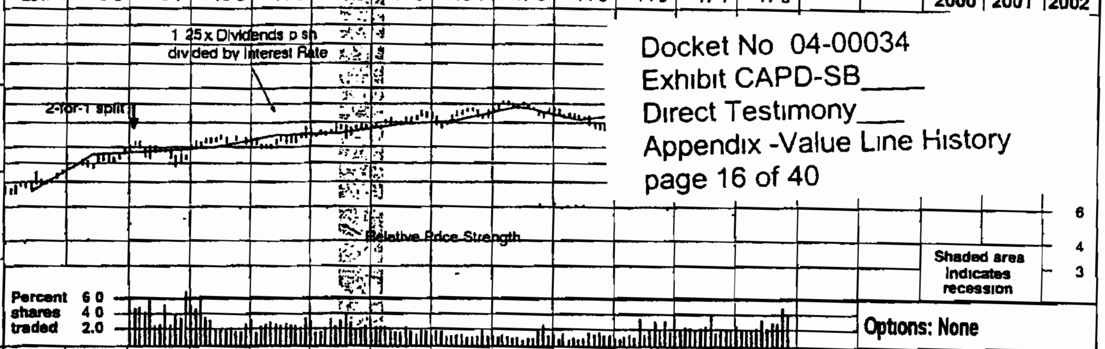


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Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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Options: None

1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	© VALUE LINE PUB., INC.	00-02
45.72	52.11	48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.85	Revenues per sh A	28.00
1.63	1.50	1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.55	2.55	"Cash Flow" per sh	3.10
.64	.45	.78	1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.30	Earnings per sh B	1.70
.42	.45	.48	.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	Div'ds Decl'd per sh C■	1.15
2.45	2.52	2.43	2.95	3.01	3.30	3.59	2.88	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.60	2.10	Cap'l Spending per sh	2.15
6.49	6.45	6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	11.00	11.30	Book Value per sh D	12.85
18.14	18.53	23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.00	Common Shs Outst'g E	59.00
5.9	8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	13.8		Avg Ann'l P/E Ratio	14.5
.72	.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.79		Relative P/E Ratio	1.05
11.1%	12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.7%		Avg Ann'l Div'd Yield	4.8%
						983.5	975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	1287.6	1360	Revenues ($mill) A	1650
						39.4	46.0	42.1	45.6	49.4	55.4	57.5	63.2	74.3	75.6	76.6	74.0	Net Profit ($mill)	100
						47.6%	31.8%	27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	38.0%	38.0%	Income Tax Rate	38.0%
						4.0%	4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	5.4%	Net Profit Margin	6.1%
						46.2%	49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.5%	48.5%	Long-Term Debt Ratio	47.0%
						50.3%	48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	46.0%	46.0%	Common Equity Ratio	48.0%
						587.7	768.5	770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	1355	1395	Total Capital ($mill)	1575
						757.7	866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1495	1560	Net Plant ($mill)	1650
						9.0%	8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.5%	7.0%	% Earned Total Cap'l	9.0%
						12.5%	11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.5%	11.0%	% Earned Net Worth	12.5%
						12.8%	12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	12.5%	11.5%	% Earned Com Equity	13.0%
						2.8%	2.7%	.2%	.2%	.2%	1.0%	.4%	3.0%	4.6%	3.8%	2.5%	2.0%	% Retained to Com Eq	4.0%
						79%	79%	98%	98%	98%	91%	96%	75%	66%	71%	79%	83%	% All Div'ds to Net Prof	68%

CAPITAL STRUCTURE as of 6/30/97
Total Debt $618.0 mill Due in 5 Yrs $104.0 mill
LT Debt $584.5 mill LT Interest $43.8 mill
(LT interest earned 3.8x, total interest coverage 3.4x)

Leases, Uncapitalized Annual rentals $6.1 mill
Pension Liability None in '96 vs $4.9 mill in '95

Pfd Stock $118.8 mill Pfd Div'd $10.5 mill
$74.3 mill 8.17% subsidiary obligated mandatorily redeemable pfd secs, $44.5 mill 7.70% cum

Common Stock 56,456,402 shs

CURRENT POSITION ($MILL.)	1995	1996	6/30/97
Cash Assets	3.7	8.7	4.3
Other	216.3	280.5	265.1
Current Assets	220.0	289.2	269.4
Accts Payable	72.3	73.7	65.7
Debt Due	51.0	152.0	33.5
Other	107.6	96.8	125.2
Current Liab	230.9	322.5	224.4
Fix Chg Cov	288%	280%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '94-'96 to '00-'02
Revenues	-5.0%	--	4.5%
"Cash Flow"	3.5%	3.0%	4.5%
Earnings	3.0%	5.5%	6.0%
Dividends	5.5%	1.5%	1.5%
Book Value	3.5%	2.5%	3.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1994	361.9	500.2	191.2	146.6	1199.9
1995	328.8	448.2	177.5	108.5	1063.0
1996	328.8	478.8	241.1	171.5	1220.2
1997	379.6	496.7	216.7	194.6	1287.6
1998	400	520	230	210	1360

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1994	.50	.98	d.09	d.21	1.17
1995	.57	.95	.03	d.19	1.33
1996	.53	.81	.06	d.04	1.37
1997	.53	.88	.03	d.07	1.37
1998	.52	.85	.01	d.08	1.30

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1993	.26	.26	.26	.26	1.04
1994	.26	.26	.26	.26	1.04
1995	.26	.26	.26	.265	1.05
1996	.265	.265	.265	.27	1.07
1997	.27	.27	.27	.27	

BUSINESS: AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.4 million customers in Georgia and southern Tennessee. Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales. Fiscal 1996 gas system throughput, 289 billion cu. ft. Throughput breakdown: residential, 40%; commercial, 19%; industrial, 15%; transportation and other, 26%. Cost of gas sold: 59.0% of revenues. Has about 2,950 employees, 16,760 shareholders. Pres. & Ch. Exec. Off.: David R. Jones. Incorporated: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet addr: http://www.aglr.com.

AGL Resources' share earnings may have peaked in fiscal 1997 (ended September 30th). While most other gas-utility stocks have gained support in the past year because of lower interest rates and aggressive participation in nonregulated natural gas marketing, AGL shares have lost a little ground. The problem here is that while this holding company is also joining the fray in gas marketing, it will need perhaps a year or so to prepare the non-utility subsidiary to meet the competitive incursions by other marketers and begin a program of unbundled services. Overall, since the effort in fiscal 1998 will mean additional costs that won't be fully recoverable, AGL's share earnings may settle back a little this year.

This untimely stock continues to be a good-quality holding for income. The gas utility, which will face much less business risk than the marketers, should continue to add modestly to last year's profits in fiscal 1998. This prospect assumes normal weather conditions in the Georgia service area and continued growth of the gas distributor's customer rolls at a 2.5%-3.0% annual rate. But with overall profits apt to dip this year and AGL developing a nonregulated business that might have unseen pitfalls, directors may have no latitude to raise the dividend. And keeping the dividend level this year will support management's efforts to lower the *payout ratio* to a more comfortable range of 60%-70%. The stock's recent price sets the dividend yield about 1.5 percentage points above the gas-utility average and takes into account the probable absence of a higher quarterly payment in 1998.

The lower payout ratio may take a few years to attain. AGL, in the meantime, might be willing to resume dividend increases in 1999 as long as they lag the company's renewed earnings upturn that we project. The utility's financial results will provide the benchmark for rising dividends. These regulated profits should benefit from Georgia's pending rate-making incentives and may grow by about twice the inflation rate. If so, AGL's dividend may advance by 1.5%-2.0% annually, which would pretty much match the dividend prospects for most other regulated gas distributors.

Gerald Holtzman *December 26, 1997*

(A) Fiscal year ends September 30th.
(B) Primary egs. Next egs. report due early Feb. Excl. nonrecurring items: '84, 37¢; '88, 15¢; '95, d83¢.
(C) Next dividend meeting about early Feb. Goes ex mid-Feb. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Dividend reinvestment plan available.
(D) Incl. def'd chgs. '96: $61.2 mill., $1.10/sh.
(E) In millions, adjusted for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	90

AGL RESOURCES NYSE-ATG

RECENT PRICE	21	P/E RATIO	16.8 (Trailing 16 3 / Median 14.0)	RELATIVE P/E RATIO	0.88	DIV'D YLD	5.1%	VALUE LINE	466

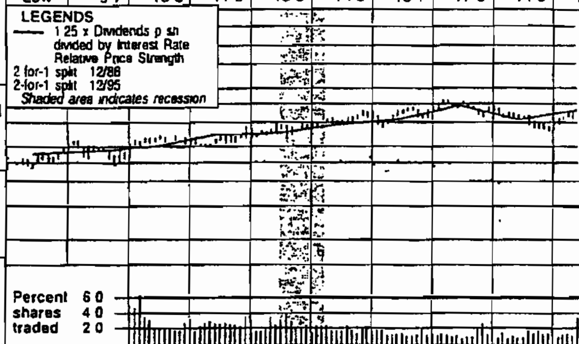
TIMELINESS 4 Raised 1/16/98

SAFETY 2 New 7/27/90

TECHNICAL 4 Raised 1/23/98

BETA 70 (1 00 = Market)

High	-13 2	14 0	15 4	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	21 0			Target Price Range 2001 2002 2003
Low	9 7	10 8	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	18 9			



Docket No 04-00034

Exhibit CAPD-SB____

Direct Testimony___

Appendix -Value Line History

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2001-03 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+45%)	13%
Low	20	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	1	0	0	1
Options	0	0	0	0	0	0	0	0	1
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q'97	3Q'97	4Q'97
to Buy	41	52	67
to Sell	35	42	36
Hld's(000)	12725	12099	14085

% TOT RETURN 2/98

	THIS STOCK	VL ARITH INDEX
1 yr	10 2	34 2
3 yr	42 4	107 5
5 yr	32 4	154 7

1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	© VALUE LINE PUB , INC	01-03
52 11	48 27	46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	*23 75*	*24 85*	Revenues per sh A	*28 50*
1 50	1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	*2 45*	*2 60*	"Cash Flow" per sh	*3 20*
45	78	1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	*1 25*	*1 40*	Earnings per sh B	*1 70*
45	48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 15*
2 52	2 43	2 95	3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	*2 50*	*2 50*	Cap'l Spending per sh	*2 50*
6 45	6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	*11 30*	*11 70*	Book Value per sh D	*13 75*
18 53	23 07	26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	*57 25*	*58 00*	Common Shs Outst'g E	*59 50*
8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*14 5*
91	48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	94	86	83			Relative P/E Ratio	*1 05*
12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%			Avg Ann'l Div'd Yield	*4 7%*
						975 6	938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	*1360*	*1440*	Revenues ($mill) A	*1700*
						46 0	42 1	45 6	49 4	55 4	57 5	63 2	74 3	75 6	76 6	*71 0*	*79 5*	Net Profit ($mill)	*100*
						31 8%	27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	*37 5%*	*37 5%*	Income Tax Rate	*37 0%*
						4 7%	4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	*5 2%*	*5 5%*	Net Profit Margin	*5 9%*
						49 3%	47 9%	50 2%	49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	*48 0%*	*48 0%*	Long-Term Debt Ratio	*48 0%*
						48 2%	49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	*46 0%*	*47 0%*	Common Equity Ratio	*48 0%*
						768 5	770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	*1380*	*1455*	Total Capital ($mill)	*1670*
						866 5	979 1	1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	*1550*	*1610*	Net Plant ($mill)	*1800*
						8 2%	7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	*7 0%*	*7 5%*	Return on Total Cap	*7 5%*
						11 8%	10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	*10 5%*	*11 5%*	Return on Shr Equity	*12 0%*
						12 0%	10 6%	11 2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	*11 0%*	*11 5%*	Return on Com Equity	*12 0%*
						2 7%	2%	2%	2%	1 0%	4%	3 0%	4 6%	3 8%	3 2%	*1 5%*	*2 5%*	Retained to Com Eq	*4 0%*
						79%	98%	98%	98%	91%	96%	75%	66%	71%	74%	*86%*	*78%*	All Div'ds to Net Prof	*68%*

CAPITAL STRUCTURE as of 12/31/97

Total Debt $810 5 mill Due in 5 Yrs $265 0 mill
LT Debt $660 0 mill LT Interest $49 0 mill
(total interest coverage 3 4x)

Leases, Uncapitalized Annual rentals $6 1 mill
Pension Liability None

Pfd Stock $118 8 mill Pfd Div'd $10 5 mill
$74 3 mill 8 17% subsidiary obligated mandatorily redeemable pfd secs , $44 5 mill 7 70% cum

Common Stock 56,456,402 shs

MARKET CAP $1 1 billion (Mid Cap)

CURRENT POSITION ($MILL)	1996	1997	12/31/97
Cash Assets	8 7	4 8	7 9
Other	280 5	287 9	400 8
Current Assets	289 2	292 7	408 7
Accts Payable	73 7	65 1	96 6
Debt Due	152 0	29 5	150 5
Other	96 8	148 8	110 5
Current Liab	322 5	243 4	357 6
Fix Chg Cov	330%	311%	293%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '95-'97 to '01-'03
Revenues	-3 5%	--	*5 0%*
"Cash Flow"	3 5%	2 5%	*5 0%*
Earnings	4 0%	5 0%	*4 0%*
Dividends	4 0%	1 0%	*1 5%*
Book Value	3 5%	2 5%	*4 5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1995	328 8	448 2	177 5	108 5	1063 0
1996	328 8	478 8	241 1	171 5	1220 2
1997	379 6	496 7	216 7	194 6	1287 6
1998	402 3	*520*	*230*	*207 7*	*1360*
1999	*425*	*550*	*245*	*220*	*1440*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1995	57	95	03	d 19	1 33
1996	53	81	06	d 04	1 37
1997	53	88	03	d 07	1 37
1998	45	*85*	*02*	*d 07*	*1 25*
1999	*55*	*88*	*04*	*d 07*	*1 40*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1993	26	26	26	26	1 04
1994	26	26	26	26	1 04
1995	26	26	26	265	1 05
1996	265	265	265	27	1 07
1997	27	27	27	27	

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co , a regulated distributor of natural gas to more than 1 4 million customers in Georgia and southern Tennessee Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales Fiscal 1997 gas system throughput, 280 billion cu ft Throughput breakdown residential, 36%, commercial, 16%, industrial, 12%, transportation and other, 36% Has about 2,985 employees, 16,760 shareholders Chairman David R Jones Pres & Ch Exec Off Walter M Higgins Incorporated in Georgia Address 303 Peachtree St , N E , Atlanta, GA 30308 Telephone 404-584-9470 Internet addr http //www agtr com

AGL Resources seeks to adapt itself to a competitive market. The utility subsidiary, Atlanta Gas Light (AGL), is preparing for a time (which might only be a few years away) when nonregulated marketers will pretty much dominate the business of arranging to obtain natural gas supplies for all comers Right now that job is still largely the utility's But the marketers are gradually gaining ground in Georgia, and AGL sees itself in the future as only a transporter of gas supplies, not a merchant Since the utility may profit only on its capital investment in plant, it is asking the state to approve a new incentive rate design that gives the gas system a better earning potential in the changing market structure The proposed tariffs would be based on a return on common equity of, say, 11 5%- 12 0%, with AGL permitted to exceed the state-ordered benchmark by operating the gas system with increasing efficiency The excess profits would be shared, perhaps 50-50, with ratepayers as billing credits, which would effectively give AGL a competitive edge over the local electric company

The proposed tariffs would also allow a more reliable coverage of fixed capital costs. AGL hopes to set a higher minimum monthly charge for its transport service Such an increase would help the utility compensate for a diminished gas flow during long spells of mild winter weather and would improve the its cash stream during the summer off-season

The dividend seems secure, but it won't likely be raised for a while. Earnings of AGL Resources for fiscal 1998 (ends September 30th) may recede a little because of management's efforts to ready the company for the competitive playing field Subsidiaries are engaged in the marketing of fuel and allied services In all, they are turning a small profit, though most of it, at this juncture, seems to be coming from the sale of propane As for the principal utility business, AGL sees a dip in system earnings this year due to lower gas consumption per customer, reflecting end-user conservation The pending rate design should help to compensate for this problem In the meantime, there will be a cap on the dividend, which is factored into this untimely stock's generous yield

Gerald Holtzman *March 27, 1998*

(A) Fiscal year ends September 30th
(B) Diluted eearnings per share Next egs report due early May Excl nonrecurring items '84, $0 37, '88, $0 15, '95, d$0 83

(C) Next dividend meeting about early May Goes ex mid-May Approx div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available

(D) Incl def'ed'chgs '97 72 4 mill , $1 28/sh
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	25
Earnings Predictability	90

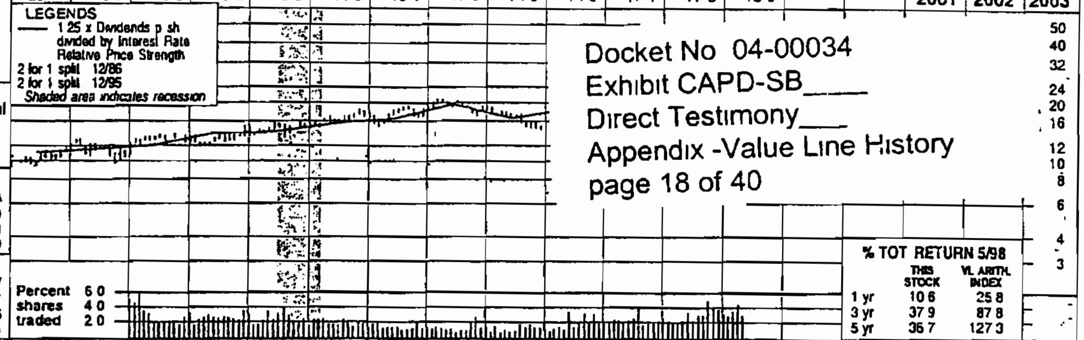
AGL RESOURCES NYSE-ATG

RECENT PRICE	20	P/E RATIO	15.9 (Trailing 16 7 / Median 14 0)	RELATIVE P/E RATIO	0.90	DIV'D YLD	5.4%	VALUE LINE	467

TIMELINESS 4 Raised 1/16/98
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 6/5/98
BETA 70 (1 00 = Market)

													Target Price Range
High	13 2	14 0	15 4	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	22 1	2001 | 2002 | 2003
Low	9 7	10 8	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	18 9	

LEGENDS
—— 1 25 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for 1 split 12/86
2 for 1 split 12/95
Shaded area indicates recession



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Direct Testimony___
Appendix -Value Line History
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2001-03 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+50%)	15%
Low	20	(Nil)	5%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	1	0	0	1	1	2	0	0
Options	0	0	0	0	1	0	1	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q1997	3Q1997	4Q1997
to Buy	41	52	67
to Sell	35	42	36
Hld's(000)	12725	12099	14085

Percent shares traded 6 0 / 4 0 / 2 0

% TOT RETURN 5/98	THIS STOCK	VL ARITH. INDEX
1 yr	10 6	25 8
3 yr	37 9	87 8
5 yr	36 7	127 3

1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	© VALUE LINE PUB , INC	01-03
52 11	48 27	46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	*22 95*	*24 40*	Revenues per sh A	*28 35*
1 50	1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	*2.45*	*2 50*	"Cash Flow" per sh	*3.20*
45	78	1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	*1.20*	*1 30*	Earnings per sh B	*1 65*
45	48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 15*
2 52	2 43	2 95	3 01	3 30	3 59	2 96	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	*2 00*	*2 00*	Cap'l Spending per sh	*2.10*
6 45	6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	*11.25*	*11 55*	Book Value per sh D	*13 65*
18 53	23 07	26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	*57.25*	*58 00*	Common Shs Outst'g E	*60 00*
8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 5	13 8	14 7	*Bold figures are*		Avg Ann'l P/E Ratio	*15 0*
91	48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	84	86	83	*Value Line*		Relative P/E Ratio	*1 05*
12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	*estimates*		Avg Ann'l Div'd Yield	*4 7%*

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999		01-03
975 6	938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	*1315*	*1415*	Revenues ($mill) A	*1700*
46 0	42 1	45 6	49 4	55 4	57 5	63 2	74 3	75 6	76 6	*68 0*	*74 0*	Net Profit ($mill)	*100*
31 8%	27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	*37 5%*	*37 5%*	Income Tax Rate	*37 0%*
4 7%	4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	*5 2%*	*5 5%*	Net Profit Margin	*5 9%*
49 3%	47 9%	50 2%	49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	*48 0%*	*48 0%*	Long-Term Debt Ratio	*46 5%*
48 2%	49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	*46 0%*	*47 0%*	Common Equity Ratio	*49 0%*
768 5	770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	*1380*	*1440*	Total Capital ($mill)	*1670*
866 5	979 1	1049 8	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	*1565*	*1630*	Net Plant ($mill)	*1835*
8 2%	7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	*7 0%*	*7 0%*	Return on Total Cap	*7 5%*
11 8%	10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	*10 5%*	*11 0%*	Return on Shr Equity	*12.0%*
12 0%	10 6%	11 2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	*10 5%*	*11 0%*	Return on Com Equity	*12 0%*
2 7%	2%	2%	2%	1 0%	4%	3 0%	4 6%	3 8%	3 2%	*1 0%*	*2.0%*	Retained to Com Eq	*3 5%*
79%	98%	98%	98%	91%	96%	75%	66%	71%	74%	*90%*	*83%*	All Div'ds to Net Prof	*70%*

CAPITAL STRUCTURE as of 3/31/98
Total Debt $664 4 mill Due in 5 Yrs $120 0 mill
LT Debt $660 0 mill LT Interest $49 0 mill
(total interest coverage 3 2x)

Leases, Uncapitalized Annual rentals $6 1 mill
Pension Liability None

Pfd Stock $74 3 mill Pfd Div'd $5 0 mill
$74 3 mill 8 17% subsidiary obligated mandatorily redeemable pfd secs

Common Stock 57,000,000 shs

MARKET CAP $1 1 billion (Mid Cap)

CURRENT POSITION ($MILL)	1996	1997	3/31/98
Cash Assets	8 7	4 8	7 7
Other	280 5	287 9	279 3
Current Assets	289 2	292 7	287 0
Accts Payable	73 7	65 1	77 2
Debt Due	152 0	29 5	4 4
Other	96 8	148 8	135 9
Current Liab	322 5	243 4	217 5
Fix Chg Cov	330%	311%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '95-'97 to '01-'03
Revenues	-3 5%	--	*5 0%*
"Cash Flow"	3 5%	2 5%	*5 0%*
Earnings	4 0%	5 0%	*3 5%*
Dividends	4 0%	1 0%	*1 5%*
Book Value	3 5%	2 5%	*4 5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1995	328 8	448 2	177 5	108 5	1063 0
1996	328 8	478 8	241 1	171 5	1220 2
1997	379 6	496 7	216 7	194 6	1287 6
1998	402 3	483 9	*220*	*208 8*	*1315*
1999	*425*	*540*	*230*	*220*	*1415*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1995	57	95	03	d 19	1 33
1996	53	81	06	d 04	1 37
1997	53	88	03	d 07	1 37
1998	45	79	*02*	*d 06*	*1 20*
1999	*51*	*80*	*04*	*d 05*	*1 30*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1994	26	26	26	26	1 04
1995	26	26	26	265	1 05
1996	265	265	265	27	1 07
1997	27	27	27	27	1 08
1998	27	27			

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co , a regulated distributor of natural gas to more than 1 4 million customers in Georgia and southern Tennessee Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales Fiscal 1997 gas system throughput, 280 billion cu ft Throughput breakdown residential, 36%, commercial, 16%, industrial, 12%, transportation and other, 36% Has about 3,010 employees, 16,760 shareholders Chairman David R Jones Pres & Ch Exec Off Walter M Higgins Incorporated in Georgia Address 303 Peachtree St , N E , Atlanta, GA 30308 Telephone 404-584 9470 Internet addr http //www aglr com

AGL Resources may operate at a reduced earnings level for a while. The slack in profits in fiscal 1998 (year ends September 30th) isn't due to an unusually warm winter That's because the utility invoked its weather normalization provision to make up for revenue deficiencies resulting from temperature deviations from seasonal norms Rather, AGL blames the setback on declining sales per meter due to conservation factors, such as more efficient gas furnaces and better insulated homes Management will begin to work on the problem in fiscal 1999

A new rate design may lift profits. The competitive marketplace now evolving has required AGL to recast its operating structure It has formed a new subsidiary, Atlanta Gas Light Services (AGLS), which will join the fray against several marketing heavyweights in customer-choice programs as a nonregulated gas supplier Operating with a familiar name on its home turf should let AGLS win its fair share of business AGL's regional gas utility will remain fully regulated But it will abandon its customary merchant role to become solely a gas transporter, since the marketers will do the buying and reselling of gas System revenues will be derived entirely from the associated carrier charges (as it always has) and profits will continue to be based on the regulated return on plant investment To realize the allowed return, which might be set at about 11 5% on common equity, AGL seeks a big boost in the fixed-minimum monthly charge to customers A higher minimum would improve cash flow, especially in the summer AGL also proposes that new customers remotely situated from the system's main pipeline route pay for the line extension through added tariffs The new rate structure may be approved soon and should gradually play out in AGL's favor

But don't expect a dividend increase in fiscal 1999. Dividend reinvestments in newly issued stock effectively reduce the payout ratio and thus supplement cash flow But AGL is unlikely to up the quarterly declaration until the *indicated* payout ratio recedes to 80% or less via rising profits The prospect of a flat cash dividend into next year is reflected in this untimely stock's very generous yield

Gerald Holtzman *June 26, 1998*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next egs report due early Aug Excl nonrecurring items '84, $0 37, '88, $0 15, '95, d$0 83
(C) Next dividend meeting about early Aug Goes ex mid-Aug Approx div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available
(D) Incl def'ed chgs '97 72 4 mill , $1 28/sh
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	20
Earnings Predictability	85

AGL RESOURCES NYSE-ATG

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
19	15.6	Trailing 16.5 / Median 14.0	1.03	5.7%	466

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Direct Testimony___
Appendix -Value Line History
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TIMELINESS	4	Raised 1/16/98
SAFETY	2	New 7/27/90
TECHNICAL	3	Raised 6/5/98

BETA .70 (1.00 = Market)

High	13.2	14.0	15.4	16.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6	22.1
Low	9.7	10.8	11.9	13.3	14.9	15.1	17.0	14.5	14.9	17.1	17.8	17.7

Target Price Range 2001 | 2002 | 2003

2001-03 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+60%)	16%
Low	20	(+5%)	7%

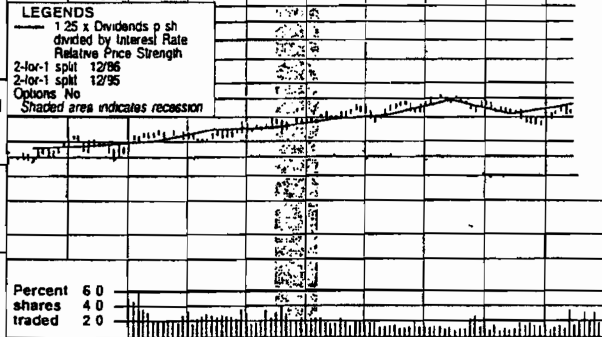
Insider Decisions

	N	D	J	F	M	A	M	J	J
to Buy	0	1	0	2	0	0	0	0	1
Options	0	1	0	1	0	0	1	0	0
to Sell	0	0	0	0	0	0	1	0	0

Institutional Decisions

	4Q1997	1Q1998	2Q1998
to Buy	67	46	51
to Sell	36	52	49
Hld's(000)	14085	14956	16571

LEGENDS
— 1.25 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 12/86
2-for-1 split 12/95
Options No
Shaded area indicates recession



Percent shares traded 6.0 4.0 2.0

% TOT RETURN 8/98

	THIS STOCK	VL ARITH. INDEX
1 yr	2.3	11.4
3 yr	17.4	34.7
5 yr	28.2	70.3

1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	© VALUE LINE PUB., INC	01-03
52.11	48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	*23.65*	*25.00*	Revenues per sh A	*30.00*
1.50	1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	*2.35*	*2.50*	"Cash Flow" per sh	*3.00*
.45	.78	1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	*1.15*	*1.30*	Earnings per sh B	*1.65*
.45	.48	.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	*1.08*	*1.08*	Div'ds Decl'd per sh C■	*1.15*
2.52	2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	*2.00*	*2.00*	Cap'l Spending per sh	*2.10*
6.45	6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	*11.20*	*11.55*	Book Value per sh D	*13.65*
18.53	23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	*57.25*	*58.00*	Common Shs Outst'g E	*60.00*
8.3	5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	*Bold figures are*		Avg Ann'l P/E Ratio	*15.0*
.91	.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.83	*Value Line*		Relative P/E Ratio	*1.05*
12.0%	10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	*estimates*		Avg Ann'l Div'd Yield	*4.7%*

CAPITAL STRUCTURE as of 6/30/98
Total Debt $670.4 mill Due in 5 Yrs $125.0 mill
LT Debt $660.0 mill LT Interest $49.0 mill
(total interest coverage 3.0x)

Leases, Uncapitalized Annual rentals $6.1 mill
Pension Liability None

Pfd Stock $74.3 mill Pfd Div'd $5.0 mill
$74.3 mill 8.17% subsidiary obligated mandatorily redeemable pfd secs (Div'ds are a tax-deductible fixed charge.)

Common Stock 57,165,252 shs
MARKET CAP $1.1 billion (Mid Cap)

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999		01-03
975.6	938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	1287.6	*1355*	*1450*	Revenues ($mill) A	*1800*
46.0	42.1	45.6	49.4	55.4	57.5	63.2	74.3	75.6	76.6	*66.0*	*74.0*	Net Profit ($mill)	*100*
31.8%	27.6%	31.7%	34.6%	31.8%	32.9%	35.2%	36.9%	38.6%	37.9%	*37.5%*	*37.5%*	Income Tax Rate	*37.0%*
4.7%	4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	*4.9%*	*5.1%*	Net Profit Margin	*5.6%*
49.3%	47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	*48.0%*	*48.0%*	Long-Term Debt Ratio	*46.5%*
48.2%	49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	*46.5%*	*47.0%*	Common Equity Ratio	*49.0%*
768.5	770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	1356.4	*1380*	*1440*	Total Capital ($mill)	*1670*
866.5	979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	*1550*	*1615*	Net Plant ($mill)	*1800*
8.2%	7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	*7.0%*	*7.0%*	Return on Total Cap	*7.5%*
11.8%	10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	*10.5%*	*11.0%*	Return on Shr. Equity	*12.0%*
12.0%	10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	*10.5%*	*11.0%*	Return on Com Equity	*12.0%*
2.7%	2%	2%	2%	1.0%	4%	3.0%	4.6%	3.8%	3.2%	*5%*	*2.0%*	Retained to Com Eq	*3.5%*
79%	98%	98%	98%	91%	96%	75%	66%	71%	74%	*94%*	*83%*	All Div'ds to Net Prof	*70%*

CURRENT POSITION ($MILL.)	1996	1997	6/30/98
Cash Assets	8.7	4.8	9.5
Other	280.5	287.9	254.3
Current Assets	289.2	292.7	263.8
Accts Payable	73.7	65.1	77.3
Debt Due	152.0	29.5	10.4
Other	96.8	148.8	114.9
Current Liab	322.5	243.4	202.6
Fix. Chg. Cov.	330%	311%	265%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '95-'97 to '01-'03
Revenues	-3.5%	--	*5.0%*
"Cash Flow"	3.5%	2.5%	*5.0%*
Earnings	4.0%	5.0%	*3.5%*
Dividends	4.0%	1.0%	*1.5%*
Book Value	3.5%	2.5%	*4.5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1995	328.8	448.2	177.5	108.5	1063.0
1996	328.8	478.8	241.1	171.5	1220.2
1997	379.6	496.7	216.7	194.6	1287.6
1998	402.3	483.9	247.0	*221.8*	*1355*
1999	*420*	*525*	*265*	*240*	*1450*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1995	.57	.95	.03	d.19	1.33
1996	.53	.81	.06	d.04	1.37
1997	.53	.88	.03	d.07	1.37
1998	.45	.79	d.02	*d.07*	*1.15*
1999	*.51*	*.80*	*.04*	*d.05*	*1.30*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
1994	.26	.26	.26	.26	1.04
1995	.26	.26	.26	.265	1.05
1996	.265	.265	.265	.27	1.07
1997	.27	.27	.27	.27	1.08
1998	.27	.27	.27		

BUSINESS: AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.4 million customers in Georgia and southern Tennessee. Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales. Fiscal 1997 gas system throughput, 280 billion-cu. ft. Throughput breakdown: residential, 36%, commercial, 16%, industrial, 12%, transportation and other, 36%. Has about 3,010 employees, 16,760 shareholders. Chairman: David R. Jones. Pres. & Ch. Exec. Off.: Walter M. Higgins. Incorporated in Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet addr.: http://www.aglr.com

AGL Resources' new rate order includes a key element in the utility's favor. Atlanta Gas Light has been challenged by a decline in natural gas consumption per meter. The utility, citing better insulated homes and more efficient space-heating appliances as the reasons for the sales erosion, asked its regulators for a new tariff that would let the utility overcome the conservation factor. Georgia, last June, responded with a so-called straight fixed-variable rate design, which, in effect, raises the fixed monthly charge to customers. The new tariff improves AGL's chances of recouping its investment in gas plant, while reduces the utility's reliance on customers' actual gas demand.

There are a few regulatory hurdles to get over. The commission, though it has kept the allowed return on common equity at 11.0%, has denied performance-based regulation, which would let AGL exceed its benchmark return by increasing operating efficiency through cost savings. Additionally, the order is based on a common equity ratio (43.9%) in the utility's capital structure, which is lower than AGL requested (47.6%). The difference, we estimate, means a yearly share earnings shortfall of $0.05-$0.08. Management is asking the state to reconsider these adverse decisions.

Regulators also raised an obstacle for the marketing business. A separate subsidiary is marketing gas to all comers in Georgia in a competitive arena. The state, however, bars this non-regulated unit from using the proprietary name of the Atlanta Gas Light utility as part of its own name— a constraint that would stop the marketer from trading on its sister company's goodwill. A Georgia court has stayed the order pending a full review of the issue.

The stock may be held for income. The marketing business won't put the utility at risk, since it will serve as the sole transporter of gas in its Georgia service area. It should profit entirely on the basis of its investment in gas plant. Assuming the benefits of the new rate design kick in soon, the dividend should get added security, though the payout might not be increased until fiscal year 2000 (accounting years begin September 1st). The stock's current lofty yield factors in the likely absence of a near-term dividend hike.

Gerald Holtzman *September 25, 1998*

(A) Fiscal year ends September 30th.
(B) Diluted earnings per share. Next egs. report due early Nov. Excl. nonrecurring items: '84, $0.37; '88, $0.15; '95, d$0.83.

(C) Next dividend meeting about early Nov. Goes ex mid-Nov. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1.
■ Dividend reinvestment plan available.

(D) Incl. def'ed chgs. '97: 72.4 mill., $1.28/sh.
(E) In millions, adjusted for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	20
Earnings Predictability	85

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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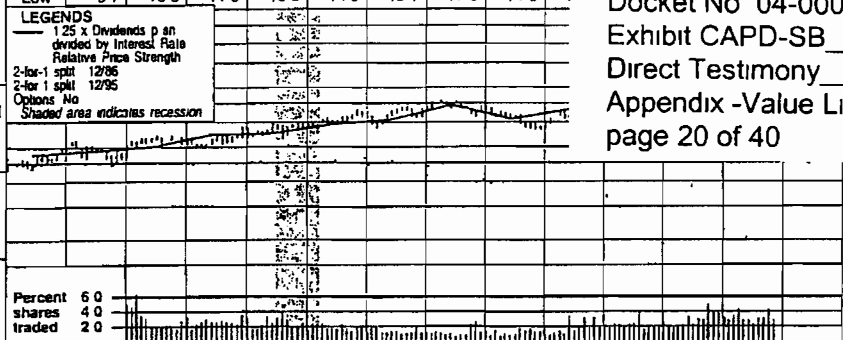
AGL RESOURCES NYSE-ATG

RECENT PRICE 22 | P/E RATIO 16.4 (Trailing 15 6 / Median 14 0) | RELATIVE P/E RATIO 1.02 | DIV'D YLD 4.9% | VALUE LINE 467

TIMELINESS 3 Raised 10/30/98
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 6/5/98
BETA 65 (1 00 = Market)

	1987	1988	1989	1990	1991	1992	1993	1994
High	13 2	14 0	15 4	16 1	18 8	19 5	21 3	19 4
Low	9 7	10 8	11 9	13 3	14 9	15 1	17 0	14 6

LEGENDS
— 1 25 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 12/86
2-for 1 split 12/95
Options No
Shaded area indicates recession



2001-03 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+35%)	12%
Low	20	(-10%)	3%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	2	0	0	0	0	1	0	0	0
Options	1	0	0	1	0	0	0	0	0
to Sell	0	0	0	1	0	0	0	0	0

Institutional Decisions

	1Q1998	2Q1998	3Q1998
to Buy	48	51	50
to Sell	52	49	40
Hld's(000)	14956	16571	17280

Percent shares traded 6 0 / 4 0 / 2 0

% TOT RETURN 11/98

	THIS STOCK	VL ARITH. INDEX
1 yr	16 0	3 3
3 yr	33 1	58 2
5 yr	58 5	102 4

1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	© VALUE LINE PUB , INC	01-03
52 11	48 27	46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 65	24 15	Revenues per sh A	30 00
1 50	1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2.80	"Cash Flow" per sh	3 00
45	78	1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	1 45	Earnings per sh B	1 65
45	48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	Div'ds Decl'd per sh C■	1 15
2 52	2 43	2 95	3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2.25	2 75	Cap'l Spending per sh	2.10
6 45	6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11.20	11 80	Book Value per sh D	13 65
18 53	23 07	26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	58 60	57.25	58 00	Common Shs Outst'g E	60 00
8 3	5 7	4 7	8 3	11 8	11 5	11 1	13 7	14.2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9		Avg Ann'l P/E Ratio	15 0
91	48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	84	86	83	73		Relative P/E Ratio	1 05
12 0%	10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	-	Avg Ann'l Div'd Yield	4 7%

CAPITAL STRUCTURE as of 9/30/98
Total Debt 736 5 mill Due in 5 Yrs $190 0 mill
LT Debt $660 0 mill LT Interest $49 0 mill
(total interest coverage 3 0x)

Leases, Uncapitalized Annual rentals $6 1 mill
Pension Liability None

Pfd Stock $74 3 mill Pfd Div'd $5 0 mill
$74 3 mill 8 17% subsidiary obligated mandatorily redeemable pfd secs (Div'ds are a tax-deductible fixed charge)

Common Stock 57,300,000 shs
MARKET CAP $1 3 billion (Mid Cap)

1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999		01-03
975 6	938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1400	Revenues ($mill) A	1800
46 0	42.1	45 6	49 4	55 4	57 5	63 2	74 3	75 6	76 6	80 6	82.5	Net Profit ($mill)	100
31 8%	27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	36 0%	Income Tax Rate	37 0%
4 7%	4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	5 9%	Net Profit Margin	5 6%
49 3%	47 9%	50 2%	49 5%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	48 0%	Long-Term Debt Ratio	46 5%
48 2%	49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 0%	47 0%	Common Equity Ratio	49 0%
768 5	770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	1390	1450	Total Capital ($mill)	1670
866 5	979 1	1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1535	1600	Net Plant ($mill)	1800
8 2%	7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 5%	7 5%	Return on Total Cap	7 5%
11 8%	10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	12.5%	12 0%	Return on Shr Equity	12.0%
12 0%	10 6%	11 2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12.5%	12.0%	Return on Com Equity	12.0%
2 7%	2%	.2%	2%	1 0%	4%	3 0%	4 6%	3 8%	3 2%	5%	3 0%	Retained to Com Eq	3 5%
79%	98%	98%	98%	91%	96%	75%	66%	71%	74%	94%	77%	All Div'ds to Net Prof	70%

CURRENT POSITION ($MILL.)

	1996	1997	9/30/98
Cash Assets	8 7	4 8	3 6
Other	280 5	287 9	294 0
Current Assets	289 2	292 7	297 6
Accts Payable	73 7	65 1	51 1
Debt Due	152 0	29 5	76 5
Other	96 8	148 8	125 1
Current Liab	322 5	243 4	252 7
Fix Chg Cov	330%	311%	295%

ANNUAL RATES

of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '95-'97 to '01-'03
Revenues	-3 5%	--	6 0%
"Cash Flow"	3 5%	2 5%	3 5%
Earnings	4 0%	5 0%	3 5%
Dividends	4 0%	1 0%	1 5%
Book Value	3 5%	2 5%	4 5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1995	328 8	448 2	177 5	108 5	1063 0
1996	328 8	478 8	241 1	171 5	1220 2
1997	379 6	496 7	216 7	194 6	1287 6
1998	402 3	483 9	247 0	205 4	1338 6
1999	440	460	265	235	1400

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1995	57	95	03	d 19	1 33
1996	53	81	06	d 04	1 37
1997	53	88	03	d 07	1 37
1998	45	79	d 02	19	1 41
1999	37	40	38	30	1 45

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1994	26	26	26	26	1 04
1995	26	26	26	265	1 05
1996	265	265	265	27	1 07
1997	27	27	27	27	1 08
1998	27	27	27		

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co , a regulated distributor of natural gas to more than 1 4 million customers in Georgia and southern Tennessee Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales Fiscal 1997 gas system throughput, 280 billion cu ft Throughput breakdown residential, 36%, commercial, 16%, industrial, 12%, transportation and other, 36% Has about 3,010 employees, 16,760 shareholders Chairman David R Jones Pres & Ch Exec Off Walter M Higgins Incorporated in Georgia Address 303 Peachtree St , N E , Atlanta, GA 30308 Telephone 404-584-9470 Internet address www aglr com

AGL Resources is adapting to Georgia's unbundled gas-service structure. The state, in 1997, deregulated the prices of natural gas and electricity Decontrol has required AGL to set up a separate marketing subsidiary to sell gas as a commodity in competiton with other marketers willing to court business in Georgia Under the new rules, the state aims to eventually eliminate the AGL utility system as a seller of gas, leaving it only to do business as a gas transporter (common carrier) for the region's residential and industrial consumers Barring a major diversification move by acquisition, hauling gas for others is apt to remain AGL's biggest business, in terms of total capital investment, and its main source of profits And in keeping with tradition, the utility will be the sole gas-system operator in the service area, the tradeoff being regulation of transportation prices and profits State oversight will minimize the business risks for this capital intensive gas distributor In this way, the stock will continue to appeal to investors seeking income

A new rate structure seems to be rebuilding system profits. Management blames customer conservation efforts for declining gas sales per meter To overcome this problem and to stay compatible with the state's unbundled services program, the utility has been operating since last July with a so-called straight fixed-variable rate The new tariff more than doubles the residential fixed monthly charge to $19 This increase in the basic service charge betters AGL's chances of clearing its capital costs (interest and preferred dividends) to provide a satisfactory profit for common shareholders The new rate design (which alters AGL's quarterly earnings pattern) should work in the system's favor during long warm spells in winter and especially during the summer months

By the same token, the dividend should get better coverage. Competition may keep marketing profits very thin But AGL's cash flow is apt to be more predictable under the utility's new tariff, thus moving directors to up the dividend, perhaps within the next four quarters or so The stock's current yield seems to take that prospect into account

Gerald Holtzman *December 25, 1998*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next egs report due early Feb Excl nonrecurring items '84, $0 37, '86, $0 15, '95 d$0 83
(C) Next dividend meeting early Feb Goes ex mid-Feb Approx div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available
(D) Incl def'ed chgs '97 72 4 mill , $1 28/sh
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	85

AGL RESOURCES NYSE-ATG

RECENT PRICE	19	P/E RATIO	13.6 (Trailing 15 3 / Median 14 0)	RELATIVE P/E RATIO	0.84	DIV'D YLD	5.7%	VALUE LINE	467

TIMELINESS 4 Lowered 3/12/99

SAFETY 2 New 7/27/90

TECHNICAL 3 Raised 6/5/98

BETA 65 (1 00 = Market)

High	14 0	15 4	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4
Low	10 8	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	18 3

Target Price Range 2002 2003 2004

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for 1 split 12/86
2-for 1 split 12/95
Options No
Shaded area indicates recession

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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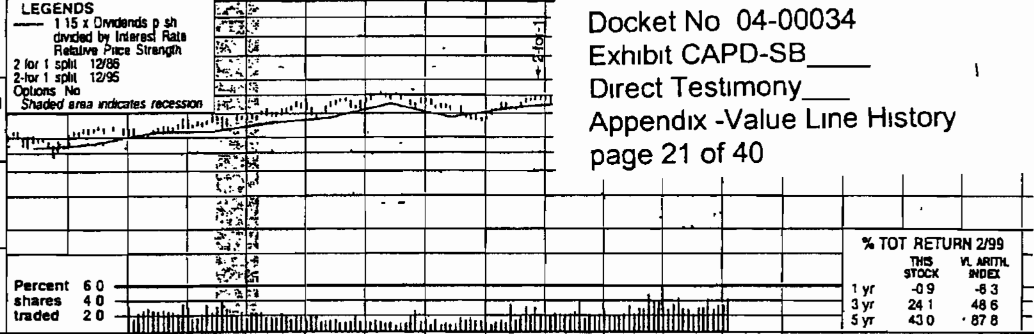


2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+60%)	16%
Low	20	(+5%)	7%

Insider Decisions

	M	J	J	A	S	O	N	D	J
to Buy	0	0	1	0	0	0	0	0	0
Options	1	0	0	0	0	0	0	1	1
to Sell	1	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	51	50	73
to Sell	49	40	41
Hld's(000)	16571	17280	18921

Percent shares traded 6 0 / 4 0 / 2 0

% TOT RETURN 2/99

	THIS STOCK	VL ARITH. INDEX
1 yr	-0 9	-6 3
3 yr	24 1	48 6
5 yr	43 0	87 8

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB, INC	02-04
48 27	46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	*24 15*	*24.20*	Revenues per sh A	*28 00*
1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2.42	2 53	*2 70*	*2 90*	"Cash Flow" per sh	*2.45*
78	1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	*1 40*	*1 60*	Earnings per sh B	*1 90*
48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh. C■	*1.20*
2 43	2 95	3 01	3 30	3 59	2 86	2 65	2 73	2.95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	*2 75*	*2 60*	Cap'l Spending per sh	*2 50*
6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	*11 70*	*12 30*	Book Value per sh D	*14 60*
23 07	26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	*58 00*	*58 50*	Common Shs Outst'g E	*60 00*
5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13 5*
48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	73			Relative P/E Ratio	*90*
10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%			Avg Ann'l Div'd Yield	*4 8%*

CAPITAL STRUCTURE as of 12/31/98
Total Debt 773 0 mill Due in 5 Yrs $225 0 mill
LT Debt $660 0 mill LT Interest $49 0 mill
(total interest coverage *2 8x*)

Leases, Uncapitalized Annual rentals $6 1 mill
Pension Liability None

Pfd Stock $74 3 mill Pfd Div'd $5 0 mill
$74 3 mill 8 17% subsidiary obligated mandatorily redeemable pfd secs (Div'ds are a tax-deductible fixed charge)

Common Stock 57,524,148 shs
MARKET CAP $1 1 billion (Mid Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	*1285*	*1415*	Revenues ($mill) A	*1675*
42 1	45 6	49 4	55 4	57 5	63 2	74 3	75 6	76 6	80 6	*81 0*	*92 0*	Net Profit ($mill)	*112*
27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	*36 0%*	*36 0%*	Income Tax Rate	*36 0%*
4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	*6 3%*	*6 5%*	Net Profit Margin	*6 7%*
47 9%	50 2%	49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	*48 0%*	*47 5%*	Long-Term Debt Ratio	*48 5%*
49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	*47 0%*	*47 5%*	Common Equity Ratio	*48 0%*
770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	*1450*	*1520*	Total Capital ($mill)	*1850*
979 1	1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	*1600*	*1660*	Net Plant ($mill)	*1950*
7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	*7 5%*	*8 0%*	Return on Total Cap'l	*8 0%*
10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	*12 0%*	*12.5%*	Return on Shr Equity	*12.5%*
10 6%	11 2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	11 3%	*12 0%*	*13 0%*	Return on Com Equity	*13 0%*
2%	2%	2%	1 0%	4%	3 0%	4 6%	3 8%	3 2%	3 4%	*3 0%*	*4 0%*	Retained to Com Eq	*5 0%*
98%	98%	98%	91%	96%	75%	66%	71%	74%	72%	*77%*	*68%*	All Div'ds to Net Prof	*63%*

CURRENT POSITION ($MILL)	1997	1998	12/31/98
Cash Assets	4 8	3 6	- -
Other	287 9	294 0	354 8
Current Assets	292 7	297 6	354 8
Accts Payable	65 1	51 1	71 0
Debt Due	29 5	76 5	113 0
Other	148 8	125 1	125 6
Current Liab	243 4	252 7	309 6
Fix Chg Cov	311%	295%	*270%*

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '96-'98 to '02-'04
Revenues	-1 0%	1 5%	*3 5%*
"Cash Flow"	3 5%	2 5%	*Nil*
Earnings	3 5%	5 0%	*5 5%*
Dividends	3 0%	1 0%	*2 0%*
Book Value	3 0%	2 5%	*5 0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	328 8	478 8	241 1	171 5	1220 2
1997	379 6	496 7	216 7	194 6	1287 6
1998	402 3	483 9	247 0	205 4	1338 6
1999	323 9	*460*	*265*	*236 1*	*1285*
2000	*400*	*485*	*280*	*250*	*1415*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	53	81	06	d 04	1 37
1997	53	88	03	d 07	1 37
1998	45	79	d 02	19	1 41
1999	.28	*42*	*40*	*30*	*1 40*
2000	*41*	*45*	*42*	*32*	*1 60*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1995	26	26	26	265	1 05
1996	265	265	265	27	1 07
1997	27	27	27	27	1 08
1998	27	27	27	27	1 08
1999	27				

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co, a regulated distributor of natural gas to more than 1 4 million customers in Georgia and southern Tennessee Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales Fiscal 1998 gas system throughput, 330 billion cu ft Throughput breakdown residential, 33%, commercial, 13%, industrial, 15%, transportation and other, 39% Has about 3,010 employees, 16,760 shareholders Chairman David R Jones Pres & Ch Exec Off Walter M Higgins Incorporated in Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404-584-9470 Internet address www aglr com

AGL Resources has encountered a pitfall in the nonregulated arena. Though the utility's new rate structure, ordered last summer, serves to minimize the seasonal earnings peaks and valleys, AGL's results for the first quarter of fiscal 1999 (began October 1st) fell more than management expected The main reason was the loss incurred by the gas-marketing venture with Sonat AGL's 35% share of the red ink came to $4 1 million, reflecting an $0 11-a-share swing from the year-ago profit The deficit was due to certain adverse accounting items and the ill effects of much warmer weather on commodity gas sales AGL says it can bow out of the partnership on favorable terms, which we expect it to do if it is faced with more financial surprises

The utility, though not fully insulated from the effects of warmer-than-normal winters, won't have to fend off competition. Under Georgia's deregulation rules, AGL has set up a separate marketing subsidiary that goes head to head with other sellers to attract customers This nonregulated business will replace the utility as the supplier of record for system customers But since rival marketers may now sign up the former system accounts, each of which *must* now choose a gas purveyor, AGL's marketing arm would undergo some measure of attrition And price competition would likely limit the growth of profits, at least for the near term The utility, while it will give up its historic role as gas merchant, will continue to transport supplies to the end users As the franchised distributor, it won't have competition, but it will be still regulated by the state as to prices and profits Representing most of AGL's assets, the gas system, applying its new rate design, now has a better chance of clearing its fixed costs, it should have a more predictable cash flow through the year to help service debt and fund capital spending

The stock remains an income vehicle Due to the demands involved in developing nonregulated businesses, AGL may not be willing to up the dividend until rising profits hold the payout ratio below 70% for a year or two So the next dividend hike may not come before 2001 The stock's lofty current yield takes this prospect into account

Gerald Holtzman *March 26, 1999*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next egs report due early May Excl nonrecurring items '84, $0 37, '88, $0 15, '95, d$0 83

(C) Next dividend meeting early May Goes ex mid-May Approx div'd payment dates March 1, June 1, Sept 1, Dec 1
■ Dividend reinvestment plan available

(D) Incl def'ed chgs '98 134 2 mill, $2 34/sh
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	85

AGL RESOURCES NYSE-ATG

RECENT PRICE	P/E RATIO	(Trailing / Median)	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
19	13.1	(Trailing 21.8 / Median 14.0)	0.78	5.7%	467

TIMELINESS 4 Lowered 3/12/99
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 8/5/98
BETA .65 (1.00 = Market)

	High	Low
1987	14.0	10.8
1988	15.4	11.9
1989	16.1	13.3
1990	18.8	14.9
1991	19.5	15.1
1992	21.3	17.0
1993	19.4	14.6
1994	20.0	14.9
1995	22.0	17.1
1996	21.6	17.8
1997	23.4	17.7
1998	23.4	16.8

Target Price Range 2002 | 2003 | 2004

2002-04 PROJECTIONS

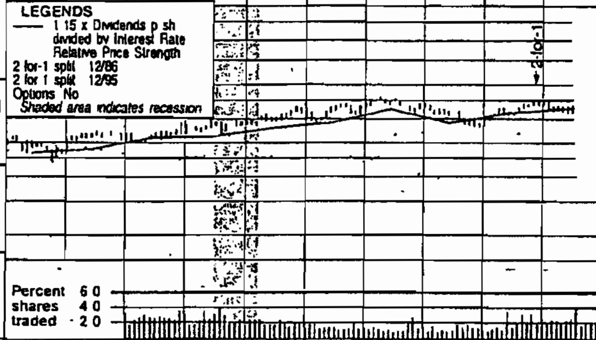
	Price	Gain	Ann'l Total Return
High	30	(+60%)	16%
Low	20	(+5%)	7%

Insider Decisions

	A	S	O	N	D	J	F	M	A
to Buy	0	0	0	0	0	0	0	1	0
Options	0	0	0	0	1	1	1	0	0
to Sell	0	0	0	0	0	0	0	2	0

Institutional Decisions

	2Q1998	3Q1998	4Q1998
to Buy	51	50	73
to Sell	49	40	41
Hld's(000)	16571	17280	18921



Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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% TOT RETURN 5/99

	THIS STOCK	VL ARITH INDEX
1 yr	0.2	5.6
3 yr	26.3	57.3
5 yr	45.6	124.1

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC	02-04
48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	*21.30*	*23.00*	Revenues per sh A	*27.00*
1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.53	*2.65*	*2.85*	"Cash Flow" per sh	*3.50*
.78	1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	*1.35*	*1.55*	Earnings per sh B	*1.90*
.48	.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	*1.08*	*1.08*	Div'ds Decl'd per sh C■	*1.20*
2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	*2.75*	*2.60*	Cap'l Spending per sh	*2.50*
6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	*11.65*	*12.20*	Book Value per sh D	*14.60*
23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	*58.00*	*58.50*	Common Shs Outst'g E	*60.00*
5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	*Bold figures are*		Avg Ann'l P/E Ratio	*13.5*
.48	.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.85	.73	*Value Line*		Relative P/E Ratio	*.90*
10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	*estimates*		Avg Ann'l Div'd Yield	*4.8%*
						938.7	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	1287.6	1338.6	*1235*	*1345*	Revenues ($mill) A	*1625*
						42.1	45.6	49.4	55.4	57.5	63.2	74.3	75.6	76.6	80.6	*78.0*	*90.0*	Net Profit ($mill)	*112*
						27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	37.9%	32.5%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
						4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	6.0%	*6.3%*	*6.7%*	Net Profit Margin	*6.9%*
						47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	47.5%	*48.0%*	*46.0%*	Long-Term Debt Ratio	*48.5%*
						49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	47.1%	*46.5%*	*48.0%*	Common Equity Ratio	*48.0%*
						770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	1356.4	1388.4	*1445*	*1490*	Total Capital ($mill)	*1850*
						979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	1534.0	*1600*	*1660*	Net Plant ($mill)	*1950*
						7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	7.6%	*7.5%*	*8.0%*	Return on Total Cap'l	*8.0%*
						10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	11.1%	*11.5%*	*12.5%*	Return on Shr Equity	*12.5%*
						10.6%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	11.3%	*11.5%*	*12.5%*	Return on Com Equity	*13.0%*
						2%	2%	2%	1.0%	4%	3.0%	4.6%	3.8%	3.2%	3.4%	*2.5%*	*4.0%*	Retained to Com Eq	*5.0%*
						98%	98%	98%	91%	96%	75%	66%	71%	74%	72%	*80%*	*70%*	All Div'ds to Net Prof	*63%*

CAPITAL STRUCTURE as of 3/31/99
Total Debt $661.5 mill Due in 5 Yrs $112.0 mill
LT Debt $660.0 mill LT Interest $49.0 mill
(total interest coverage 3.1x)

Leases, Uncapitalized Annual rentals $6.1 mill
Pension Liability None

Pfd Stock $74.3 mill Pfd Div'd $6.1 mill
$74.3 mill 8.17% subsidiary obligated mandatorily redeemable pfd secs. (Div'ds are a tax-deductible fixed charge.)

Common Stock 57,700,000 shs
MARKET CAP $1.1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	1997	1998	3/31/99
Cash Assets	4.8	3.6	6.9
Other	287.9	294.0	255.9
Current Assets	292.7	297.6	262.8
Accts Payable	65.1	51.1	43.3
Debt Due	29.5	76.5	1.5
Other	148.8	125.1	180.1
Current Liab	243.4	252.7	224.9
Fix Chg Cov.	311%	295%	*285%*

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '96-'98 to '02-'04
Revenues	-1.0%	1.5%	*3.0%*
"Cash Flow"	3.5%	2.5%	*6.0%*
Earnings	3.5%	5.0%	*5.5%*
Dividends	3.0%	1.0%	*2.0%*
Book Value	3.0%	2.5%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	328.8	478.8	241.1	171.5	1220.2
1997	379.6	496.7	216.7	194.6	1287.6
1998	402.3	483.9	247.0	205.4	1338.6
1999	323.9	375.1	*300*	*236*	*1235*
2000	*360*	*400*	*330*	*255*	*1345*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	.53	.81	.06	d.04	1.37
1997	.53	.88	.03	d.07	1.37
1998	.45	.79	d.02	.19	1.41
1999	.28	.42	*.38*	*.27*	*1.35*
2000	*.38*	*.46*	*.41*	*.30*	*1.55*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1995	.26	.26	.26	.265	1.05
1996	.265	.265	.265	.27	1.07
1997	.27	.27	.27	.27	1.08
1998	.27	.27	.27	.27	1.08
1999	.27	.27			

BUSINESS AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.4 million customers in Georgia and southern Tennessee. Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales. Fiscal 1998 gas system throughput, 330 billion cu. ft. Throughput breakdown: residential, 33%, commercial, 13%, industrial, 15%, transportation and other, 39%. Has about 3,010 employees, 16,760 shareholders. Chairman: David R. Jones. Pres. & Ch. Exec. Off.: Walter M. Higgins. Incorporated in Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet address: www.aglr.com.

AGL Resources is a full participant in Georgia's deregulation program. The state is encouraging a competitive gas market to keep a lid on energy costs. By October 1st, AGL's traditional utility, Atlanta Gas Light, will no longer hold the role of reseller. Rather, its distribution system, with its underground mains in place, will continue as the sole gas transporter in the service area, governed by its state franchise, flowing gas supplied by the region's many new resellers to the end-users. A separate AGL subsidiary, Georgia Natural Gas Services (GNGS), has joined the fray as a marketer. To date, under state rules, about 55% of the utility's customers have signed up with a marketer of their choice. By August 11th, the remaining customers will be assigned a gas purveyor; we assume GNGS will hold on to its current 30%-35% share of the field.

GNGS has to bear start-up costs. Gas marketing is shareholder-risk business. As such, the AGL unit's losses, as it absorbs the cost of building a customer base, may be on the order of $0.05 a share in fiscal 1999 (ends September 30th). GNGS should begin to cross breakeven in fiscal 2000. Though the state doesn't set price or profit caps on marketing sales, GNGS' earnings promise down the road will depend on the degree of competition. To date, while only a few regional rivals have dropped out of marketing, the arena is still too competitive to allow GNGS more than modest profits for the next few years.

AGL's dividend may stay fixed through fiscal 2000. GNGS' market development costs and other subsidiary costs are one reason AGL can't raise its payout. Notably, the company has recently dropped out of its money-losing marketing venture with Sonat, which has agreed to buy back AGL's 35% partnership stake at a fair value that may be no less than its original $32 million investment. Meanwhile, the utility will continue to contribute nearly all of AGL's earnings, with its new rate design for gas-transport service, giving the system a better chance of clearing its fixed charges. If that's the case, the odds for a small dividend boost should rise in fiscal 2001, or possibly a bit sooner. Meantime, this untimely, but good-quality, stock is priced on a generous yield basis.

Gerald Holtzman *June 25, 1999*

(A) Fiscal year ends September 30th.
(B) Diluted earnings per share. Next egs. report due early Aug. Excl. nonrecurring items: '84, $0.37; '88, $0.15; '95, d$0.83.
(C) Next dividend meeting early Aug. Goes ex mid-Aug. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Div'd reinvest. plan available.
(D) Incl. deferred chgs. In '98: $2.34/sh.
(E) In millions, adjusted for stock splits.
(F) Quarters may not add to total due to change in shares outstanding.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	80

AGL RESOURCES NYSE-ATG

RECENT PRICE	18	P/E RATIO	15.1 (Trailing 17 8 / Median 14 0)	RELATIVE P/E RATIO	0.96	DIV'D YLD	6.0%	VALUE LINE	466

High	14 0	15 4	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4
Low	10 8	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	16 8

Target Price Range 2002 | 2003 | 2004

TIMELINESS 4 Lowered 3/12/99

SAFETY 2 New 7/27/90

TECHNICAL 4 Raised 9/17/99

BETA 65 (1 00 = Market)

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 12/86
2 for-1 split 12/95
Options No
Shaded area indicates recession

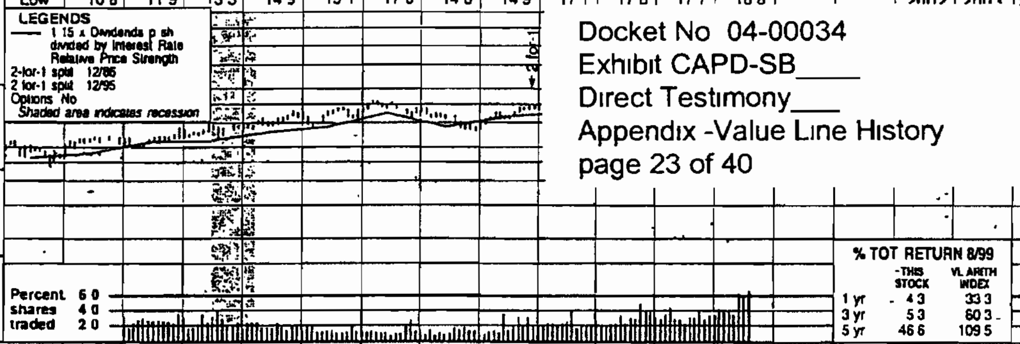

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Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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2002-04 PROJECTIONS	Price	Gain	Ann'l Total Return
High	30	(+65%)	18%
Low	20	(+10%)	8%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	1	0	1	0
Options	0	0	1	1	1	0	0	0	0
to Sell	0	0	0	0	0	2	0	0	0

Institutional Decisions

	3Q1998	4Q1998	1Q1999
to Buy	50	73	70
to Sell	40	41	50
Hld's(000)	17280	18921	19356

Percent shares traded 6 0 / 4 0 / 2 0

% TOT RETURN 8/99	THIS STOCK	VL ARITH INDEX
1 yr	- 4 3	33 3
3 yr	5 3	60 3
5 yr	46 6	109 5

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB, INC	02-04
48 27	46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22.75	23 36	*19 65*	*21 75*	Revenues per sh A	*27 00*
1 60	1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2.31	2 25	2 24	2 33	2 49	2 42	2 53	*2 55*	*2 90*	"Cash Flow" per sh	*3 50*
78	1 13	91	83	1 02	1 13	95	1.01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	*1 10*	*1 45*	Earnings per sh B	*1 85*
48	54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 20*
2 43	2 95	3 01	3 30	3 59	2 86	2 65	2 73	2 95	2.74	2 49	2 37	2 17	2 37	2 59	2 05	*2 75*	*2 60*	Cap'l Spending per sh	*2 50*
6 37	6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	*11 65*	*12 30*	Book Value per sh D	*14 20*
23 07	26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	*57 00*	*57 50*	Common Shs Outst'g E	*59 00*
5 7	4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	***Bold figures are***		Avg Ann'l P/E Ratio	*13 5*
48	44	67	80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	73	***Value Line***		Relative P/E Ratio	*90*
10 9%	10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	***estimates***		Avg Ann'l Div'd Yield	*4 8%*

CAPITAL STRUCTURE as of 6/30/99
Total Debt 661 5 mill Due in 5 Yrs 112 0 mill
LT Debt $610 0 mill LT Interest $45 0 mill
(total interest coverage *2 9x*)

Leases, Uncapitalized Annual rentals $6 1 mill
Pension Liability None

Pfd Stock $74 3 mill Pfd Div'd $6 1 mill
$74 3 mill 8 17% subsidiary obligated mandatorily redeemable pfd secs (Div'ds are a tax-deductible fixed charge)

Common Stock 56,911,802 shs
MARKET CAP $1 0 billion (Mid Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB, INC	02-04
938 7	1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	*1120*	*1250*	Revenues ($mill) A	*1600*
42 1	45 6	49 4	55 4	57 5	63 2	74 3	75 6	78 8	80 6	*64 0*	*84 0*	Net Profit ($mill)	*110*
27 6%	31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	*33 0%*	*33 0%*	Income Tax Rate	*34 0%*
4 5%	4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	*5 7%*	*6 7%*	Net Profit Margin	*6 9%*
47 9%	50 2%	49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	*46 5%*	*46 5%*	Long-Term Debt Ratio	*47 0%*
49 8%	47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	*48 0%*	*48 5%*	Common Equity Ratio	*48 5%*
770 0	831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	*1400*	*1450*	Total Capital ($mill)	*1725*
979 1	1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	*1600*	*1660*	Net Plant ($mill)	*1900*
7 8%	7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	*6 5%*	*7 5%*	Return on Total Cap'l	*8 0%*
10 5%	11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	*9 5%*	*12 0%*	Return on Shr Equity	*13 0%*
10 6%	11 2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	11 3%	*9 5%*	*12 0%*	Return on Com Equity	*13 0%*
2%	2%	2%	1 0%	4%	3 0%	4 6%	3 8%	3 2%	3 4%	*1 0%*	*3 0%*	Retained to Com Eq	*4 0%*
98%	98%	98%	91%	96%	75%	66%	71%	74%	72%	*98%*	*74%*	All Div'ds to Net Prof	*65%*

CURRENT POSITION ($MILL)	1997	1998	6/30/99
Cash Assets	4 8	3 6	14 0
Other	287 9	294 0	209 9
Current Assets	292 7	297 6	223 9
Accts Payable	65 1	51 1	39 7
Debt Due	29 5	76 5	51 5
Other	148 8	125 1	138 7
Current Liab	243 4	252 7	229 9
Fix Chg Cov	311%	295%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '96-'98 to '02-'04
Revenues	-1 0%	1 5%	*3 0%*
"Cash Flow"	3 5%	2 5%	*6 0%*
Earnings	3 5%	5 0%	*5 5%*
Dividends	3 0%	1 0%	*2 0%*
Book Value	3 0%	2 5%	*5 0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	328 8	478 8	241 1	171 5	1220 2
1997	379 6	496 7	216 7	194 6	1287 6
1998	402 3	483 9	247 0	205 4	1338 6
1999	323 9	375 1	185 9	*235 1*	*1120*
2000	*360*	*400*	*230*	*260*	*1250*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	53	81	06	d 04	1 37
1997	53	88	03	d 07	1 37
1998	45	79	d 02	19	1 41
1999	28	42	- 12	*.28*	*1 10*
2000	*32*	*47*	*36*	*30*	*1 45*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1995	26	26	26	265	1 05
1996	265	265	265	27	1 07
1997	27	27	27	27	1 08
1998	27	27	27	27	1 08
1999	27	27	27		

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co, a regulated distributor of natural gas to more than 1 4 million customers in Georgia and southern Tennessee Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales Fiscal 1998 gas system throughput, 330 billion cu ft Throughput breakdown residential, 33%, commercial, 13%, industrial, 15%, transportation and other, 39% Has about 3,010 employees, 16,760 shareholders Chairman David R Jones Pres & Ch Exec Off Walter M Higgins Incorporated in Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404 584 9470 Internet address www aglr com

AGL Resources now has to share its gas-sales business with rival marketers. The Georgia legislature has decreed that gas companies in the state must establish separate agreements with customers (residential, commercial, and industrial) to sell them gas, segregating this function from the traditional utility service of flowing the fuel to the users' burner tips For its part, AGL has formed a new marketing subsidiary, Georgia Natural Gas Service (GNGS), to assume the role of merchant in competition with the many other marketers now doing business in Georgia. The state is hopeful consumers will benefit from free market pricing of natural gas, which should attract enough sellers to the playing field to justify deregulation Under Georgia's ground rules, utility customers have selected their gas providers at a rapid rate GNGS may continue to hold about a third of the market But the expeditious switchover has been costly for Atlanta Gas Light, AGL's utility business, which is to blame for most of the parent's earnings sag this year

Results may improve in fiscal 2000 (begins October 1, 1999). Gas customers' migratory rush to marketers has been very costly for Atlanta Gas Light It has been hit with a measure of lost revenues and a jump in operating expenses—in all, more than $40 million on an annualized basis Though this cost should diminish a little in fiscal 2000, management is working to achieve more efficient utility operations via consolidations and computer-system upgrades The utility may also ask state regulators for permission to defer much of these costs And next year, GNGS should begin to erase its losses AGL Resources, in addition, has dropped out of its money-losing marketing venture with Sonat and should realize a gain on the sale-back transaction with its former partner

The utility continues to generate most of AGL's profits and cash flow. Its new regulated gas transportation tariff should allow better coverage of fixed charges The dividend seems secure Still, there may not be enough earnings to permit a higher payout for at least another year This prospect is factored into the stock's recent price, AGL shares are untimely, but may be held for their liberal yield

Gerald Holtzman *September 24, 1999*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next egs report due early Nov Excl nonrecurring items '84, $0 37, '88, $0 15, '95, d$0 83
(C) Next dividend meeting early Nov Goes ex mid-Nov Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available
(D) Incl deferred chgs In '98 $2 34/sh
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	80

AGL RESOURCES NYSE-ATG

RECENT PRICE	18	P/E RATIO	19.1 (Trailing 19.8 / Median 14.0)	RELATIVE P/E RATIO	1.33	DIV'D YLD	6.0%	VALUE LINE	464

TIMELINESS 4 Lowered 3/12/99

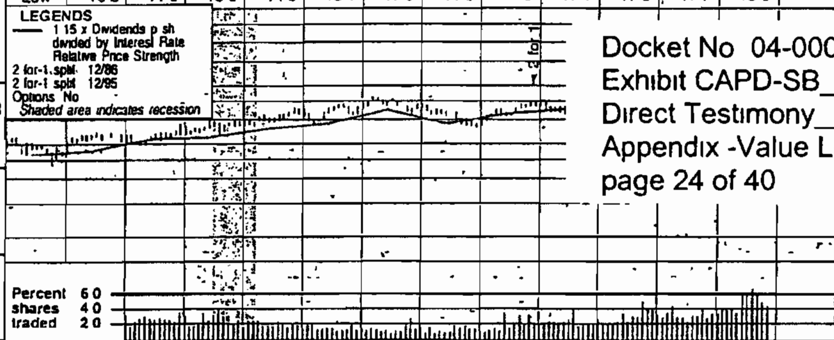
SAFETY 2 New 7/27/90

TECHNICAL 4 Raised 9/17/99

BETA .65 (1.00 = Market)

													Target Price Range		
High	14.0	15.4	16.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6	23.4	23.4	2002	2003	2004
Low	10.8	11.9	13.3	14.9	15.1	17.0	14.6	14.9	17.1	17.8	17.7	15.6			

LEGENDS
— 1.15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for-1 split 12/86
2 for-1 split 12/95
Options No
Shaded area indicates recession



Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
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2002-04 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+40%)	13%
Low	20	(+10%)	8%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	1	0	1	0	0	0	2
Options	1	1	0	0	0	0	0	0	0
to Sell	0	0	2	0	0	0	0	0	0

Institutional Decisions

	1Q1999	2Q1999	3Q1999
to Buy	70	62	53
to Sell	50	63	62
Hld's(000)	19356	19789	21203

Percent shares traded 6.0 / 4.0 / 2.0

% TOT RETURN 11/99

	THIS STOCK	VL ARITH. INDEX
1 yr	9.2	10.6
3 yr	3.5	44.7
5 yr	65.4	121.2

1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	© VALUE LINE PUB., INC	02-04
48.27	46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	18.71	*18.80*	Revenues per sh A	*22.00*
1.60	1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.53	2.29	*2.65*	"Cash Flow" per sh	*3.50*
78	1.13	91	83	1.02	1.13	95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	91	*1.10*	Earnings per sh B	*1.70*
48	54	63	70	80	88	94	98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	*1.08*	Div'ds Decl'd per sh C■	*1.15*
2.43	2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	*2.50*	*2.50*	Cap'l Spending per sh	*2.50*
6.37	6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	*11.75*	Book Value per sh D	*13.75*
23.07	26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	*57.50*	Common Shs Outst'g E	*59.00*
5.7	4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4		Avg Ann'l P/E Ratio	*13.5*
48	44	67	80	77	92	1.04	1.05	98	94	1.06	99	84	86	85	73	1.18		Relative P/E Ratio	*90*
10.9%	10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.6%		Avg Ann'l Div'd Yield	*5.0%*

CAPITAL STRUCTURE as of 9/30/99
Total Debt 661.5 mill Due in 5 Yrs 112.0 mill
LT Debt $610.0 mill LT Interest $45.0 mill
(total interest coverage 2.3x)

Leases, Uncapitalized Annual rentals $6.1 mill
Pension Liability None

Pfd Stock $74.3 mill Pfd Div'd $6.1 mill
$74.3 mill 8.17% subsidiary obligated mandatorily redeemable pfd secs (Div'ds are a tax-deductible fixed charge)

Common Stock 57,100,000 shs
MARKET CAP $1.0 billion (Mid Cap)

1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000		02-04
938.7	1000.9	963.9	994.8	1130.3	1199.9	1063.0	1220.2	1287.6	1338.6	1068.6	*1080*	Revenues ($mill) A	*1300*
42.1	45.6	49.4	55.4	57.5	63.2	74.3	75.6	76.6	80.6	52.1	*65.0*	Net Profit ($mill)	*100*
27.6%	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	37.9%	32.5%	33.1%	*33.0%*	Income Tax Rate	*34.0%*
4.5%	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	6.0%	4.9%	*6.0%*	Net Profit Margin	*7.7%*
47.9%	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	47.5%	49.2%	*47.5%*	Long-Term Debt Ratio	*47.5%*
49.8%	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	47.1%	45.3%	*47.5%*	Common Equity Ratio	*48.0%*
770.0	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	1356.4	1388.4	1346.3	*1425*	Total Capital ($mill)	*1700*
979.1	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	1534.0	1604.9	*1660*	Net Plant ($mill)	*1850*
7.8%	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	7.6%	5.5%	*7.0%*	Return on Total Cap'l	*8.0%*
10.5%	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	11.1%	7.9%	*9.5%*	Return on Shr. Equity	*12.5%*
10.5%	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	11.3%	7.9%	*9.5%*	Return on Com Equity	*12.5%*
2%	2%	2%	1.0%	4%	3.0%	4.6%	3.8%	3.2%	3.4%	NMF	*Nil*	Retained to Com Eq	*4.0%*
98%	98%	98%	91%	96%	75%	66%	71%	74%	72%	101%	*98%*	All Div'ds to Net Prof	*68%*

CURRENT POSITION ($MILL.)

	1997	1998	9/30/99
Cash Assets	4.8	3.6	32.9
Other	287.9	294.0	152.3
Current Assets	292.7	297.6	185.2
Accts Payable	65.1	51.1	32.0
Debt Due	29.5	76.5	51.5
Other	148.8	125.1	129.8
Current Liab	243.4	252.7	213.3
Fix Chg Cov	311%	295%	232%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '96-'98 to '02-'04
Revenues	-1.0%	1.5%	*-.5%*
"Cash Flow"	3.5%	2.5%	*6.0%*
Earnings	3.5%	5.0%	*3.5%*
Dividends	3.0%	1.0%	*2.0%*
Book Value	3.0%	2.5%	*4.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	328.8	478.8	241.1	171.5	1220.2
1997	379.6	496.7	216.7	194.6	1287.6
1998	402.3	483.9	247.0	205.4	1338.6
1999	323.9	375.1	185.9	183.7	1068.6
2000	*320*	*380*	*190*	*190*	*1080*

Fiscal Year Ends	EARNINGS PER SHARE A B F Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1996	53	81	06	d.03	1.37
1997	53	88	03	d.07	1.37
1998	45	79	d.02	19	1.41
1999	28	42	12	09	91
2000	*25*	*30*	*30*	*25*	*1.10*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1995	26	26	26	265	1.05
1996	265	265	265	27	1.07
1997	27	27	27	27	1.08
1998	27	27	27	27	1.08
1999	27	27	27	27	

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co, a regulated distributor of natural gas to more than 1.4 million customers in Georgia and southern Tennessee Also engaged in nonregulated natural gas and power marketing, energy management services, and wholesale and retail propane sales Fiscal 1998 gas system throughput, 330 billion cu ft. Throughput breakdown residential, 33%, commercial, 13%, industrial, 15%, transportation and other, 39% Has about 3,010 employees; 16,760 shareholders Chairman David R Jones Pres & Ch-Exec Off Walter M Higgins Incorporated in Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404-584-9470 Internet address www aglresources com

AGL Resources leads the gas distribution industry in facilitating deregulation. Aiming to hold down energy costs, Georgia has fostered development of a competitive gas market Obeying the will of the legislature, the state utility commission has ordered all gas companies in its charge to segregate their traditional services That includes gas purchasing and resale, and the delivery of the fuel In effect, the Atlanta Gas Light system has ended its merchant role as a reseller, turning that function over to a new AGL Resources subsidiary, Georgia Natural Gas Services (GNGS) The gas system, as a discrete business unit, acts only to flow this fuel to the customers' burner tips under full state regulation GNGS is a nonregulated operation that has to go toe to toe with other gas marketers to attract customers by offering the best prices The state has required all gas users to select a seller in short order As it stands now, GNGS is the dominant marketer, having captured a third of the regional market

But AGL's shift to the new business structure occurred too quickly. The full migration of system customers to marketers within a year's time has been costly for the utility, in terms of lost revenues and higher expenses Service costs and account delinquencies rose sharply in fiscal 1999 (ended September 30th), without compensating tariff adjustments In fiscal 2000, the utility will defer the bump-up in operating expenses by amortizing them to the extent that lets the system earn no more than its allowed return on equity of 11.6%, the system, notably, was able to exceed this benchmark in previous years In marketing, AGL has sold off its money-losing wholesale ventures and is hopeful of soon eliminating startup expenses in the retail end of the business, and begin to cross into the black

The dividend's thin earnings coverage suggests a flat payout for a while. The utility, a regulated monopoly, is still AGL's chief moneymaker On this basis, the dividend seems secure and should continue to support this untimely stock with a liberal yield But income investors should note that AGL is looking for merger partner Rumors and news to that effect might spark skittish action in the shares

Gerald Holtzman *December 24, 1999*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next egs report due early Feb Excl nonrecurring items '84, $0.37, '88, $0.15, '95, d$0.83, '99, $0.39
(C) Next dividend meeting early Feb Goes ex mid-Feb Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available
(D) Incl deferred chgs In '98 $2.34/sh
(E) In millions, adjusted for stock splits
(F) Quarters may not add to total due to change in shares outstanding

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	5
Earnings Predictability	70

AGL RESOURCES NYSE-ATG

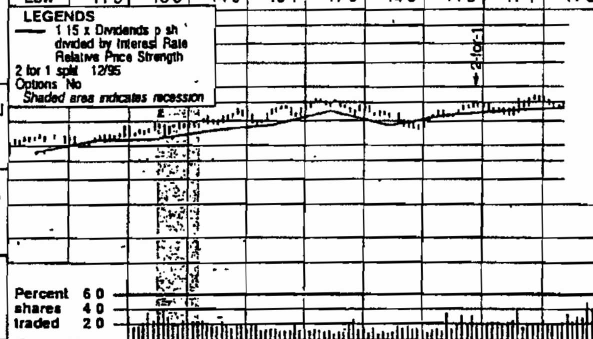
RECENT PRICE	18	P/E RATIO	15.7 (Trailing 19 4 / Median 15 0)	RELATIVE P/E RATIO	1.20	DIV'D YLD	6.0%	VALUE LINE	462

TIMELINESS 3 Raised 2/4/00
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 12/31/99
BETA 65 (1 00 = Market)

High	15 4	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	18 0
Low	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	16 0

Target Price Range 2003 | 2004 | 2005

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for 1 split 12/95
Options No
Shaded area indicates recession



Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
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2003-05 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+40%)	13%
Low	20	(+10%)	8%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	1	0	0	0	2	0	0	0
Options	0	0	0	0	0	0	1	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q1999	3Q1999	4Q1999
to Buy	62	53	62
to Sell	63	62	50
Hld's(000)	19789	21203	22850

Percent shares traded 6 0 / 4 0 / 2 0

% TOT RETURN 2/00

	THIS STOCK	VL ARITH. INDEX
1 yr	5 0	12 0
3 yr	3 7	38 9
5 yr	34 0	107 6

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC	03-05
46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	*13 75*	*14 75*	Revenues per sh A	*19 65*
1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	*2 65*	*2 80*	"Cash Flow" per sh	*3 45*
1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	*1 15*	*1.25*	Earnings per sh B	*1 65*
54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 15*
2 95	3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	*2 50*	*2 50*	Cap'l Spending per sh	*2 50*
6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	*12 00*	*12.00*	Book Value per sh D	*13 35*
26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	*56 70*	*56 70*	Common Shs Outst'g E	*57 00*
4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	*Bold figures are*		Avg Ann'l P/E Ratio	*14 0*
44	67	80	77	.92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	*Value Line*		Relative P/E Ratio	*95*
10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	*estimates*		Avg Ann'l Div'd Yield	*5 0%*

CAPITAL STRUCTURE as of 12/31/99
Total Debt 679 0 mill Due in 5 Yrs 212 0 mill
LT Debt $610 0 mill LT Interest $45 0 mill
(total interest coverage 2 6x)

Leases, Uncapitalized Annual rentals $8 5 mill
Pension Liability None

Pfd Stock $74 3 mill Pfd Div'd $6 1 mill
$74 3 mill 8 17% subsidiary obligated mandatorily sredeemable pfd. secs (Div'ds are a tax-deductible fixed charge)

Common Stock 56,952,069 shs
MARKET CAP $1 0 billion (Mid Cap)

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC	03-05
1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	*780*	*835*	Revenues ($mill) A	*1120*
45 6	49 4	55 4	57 5	63 2	74 3	75 6	76 6	80 6	52 1	*65 0*	*71 0*	Net Profit ($mill)	*95 0*
31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	*33 0%*	*33 0%*	Income Tax Rate	*34 0%*
4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	*8 3%*	*8 5%*	Net Profit Margin	*8 5%*
50 2%	49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	*45 5%*	*46 0%*	Long-Term Debt Ratio	*47 5%*
47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	*49 0%*	*48 5%*	Common Equity Ratio	*48 0%*
831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	*1345*	*1380*	Total Capital ($mill)	*1585*
1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	*1650*	*1710*	Net Plant ($mill)	*1900*
7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	*7 0%*	*7 0%*	Return on Total Cap'l	*8 5%*
11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	*10 0%*	*10 5%*	Return on Shr Equity	*12.5%*
11 2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	*10 0%*	*10 5%*	Return on Com Equity	*12.5%*
2%	2%	1 0%	4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	*5%*	*1 5%*	Retained to Com Eq	*4 0%*
98%	98%	91%	96%	75%	66%	71%	74%	64%	101%	*94%*	*86%*	All Div'ds to Net Prof	*69%*

CURRENT POSITION ($MILL.)	1998	1999	12/31/99
Cash Assets	3 6	32 9	4 2
Other	294 0	124 6	91 4
Current Assets	297 6	157 5	95 6
Accts Payable	51 1	31 3	34 6
Debt Due	76 5	51 5	69 0
Other	125 1	140 1	73 7
Current Liab	252 7	222 9	177 3
Fix Chg Cov	274%	262%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs.	Est'd '97-'99 to '03-'05
Revenues	-1 0%	-0 5%	-1 5%
"Cash Flow"	2 5%	1 5%	6 0%
Earnings	2 0%	2 0%	5 0%
Dividends	2 0%	1 0%	1 0%
Book Value	3 0%	2 5%	3 0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1997	379 6	496 7	216 7	194 6	1287 6
1998	402 3	483 9	247 0	205 4	1338 6
1999	323 9	375 1	185 9	183 7	1068 6
2000	182 3	*213*	*192*	*192 7*	*780*
2001	*193*	*228*	*207*	*207*	*835*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1997	53	88	03	d 07	1 37
1998	45	79	d 02	19	1 41
1999	28	42	12	09	91
2000	30	*40*	*23*	*22*	*1 15*
2001	*32*	*44*	*25*	*24*	*1.25*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1996	265	265	265	27	1 07
1997	27	27	27	27	1 08
1998	27	27	27	27	1 08
1999	27	27	27	27	1 08
2000	27				

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co , a regulated distributor of natural gas to more than 1 4 million customers in Georgia, primarily Atlanta, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail, Utilipro provides billing services for GNGS and other marketers, AGL Propane distributes propane Has about 2890 employees, 16,760 shareholders Chairman & Ch Exec Off Walter M Higgins Incorp Georgia Address 303 Peachtree St , N E , Atlanta, GA 30308. Telephone 404-584-9470 Internet address www aglresources com

AGL Resources is bearing the cost of unbundling its gas business. Georgia, a leading proponent of deregulation, has required the company to segregate its traditional utility services — gas sales and gas transportation — and operate each under separate subsidiaries The transport function continues as a regulated business operated by the Atlanta Gas Light system The sale, or marketing, of gas is now a deregulated activity competing with other regional marketers Since the utility is no longer a reseller of gas, it has had to turn over all of its customers to the marketers, of which AGL's subsidiary, Georgia Natural Gas Service (GNGS), is the largest The utility's primary task today is to flow gas to the end users and bill the marketers for this service The restructured company has the potential to achieve satisfactory profits But it has been a costly transition GNGS has had high startup expenses, while the utility has met with added service costs and delinquent accounts associated with the migration of customers to marketers The transition costs may be mostly cleared away by the close of fiscal 2000 (ends September 30th)

In the meantime, the dividend should remain secure. Though AGL's share earnings should gradually improve into fiscal 2001, it may be a while longer before they reach a new high Thus, for this year and next, directors are apt to see no margin for raising the dividend Still, we expect the board to be inclined to hold the quarterly payout at the current rate This prospect is largely taken into account at the stock's recent price, which sets the annual dividend at a moderate premium to the gas-stock average But conservative investors should note that AGL is seeking a merger partner So this stock's usually sleepy price action might display a bit of turbulence at times due to takeover talk

Gas marketing won't expose the utility to a major business risk. Unlike the regional marketers, which are vying with each other for a share of the field, the utility still has an exclusive franchise as a regulated gas system As a reseller, the utility was never allowed by the state to mark up the cost of gas for profit, earnings continue to be based entirely on the investment in gas plant

Gerald Holtzman *March 24, 2000*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next egs report due late-Apr Excl nonrecurring gains (84) $0 37, '88, $0 15, '95, d$0 83, '99, $0 39
(C) Next dividend meeting early May Goes ex mid-May Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available
(D) Incl deferred chgs In '99 $2 78/sh
(E) In millions, adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	5
Earnings Predictability	70

AGL RESOURCES NYSE-ATG

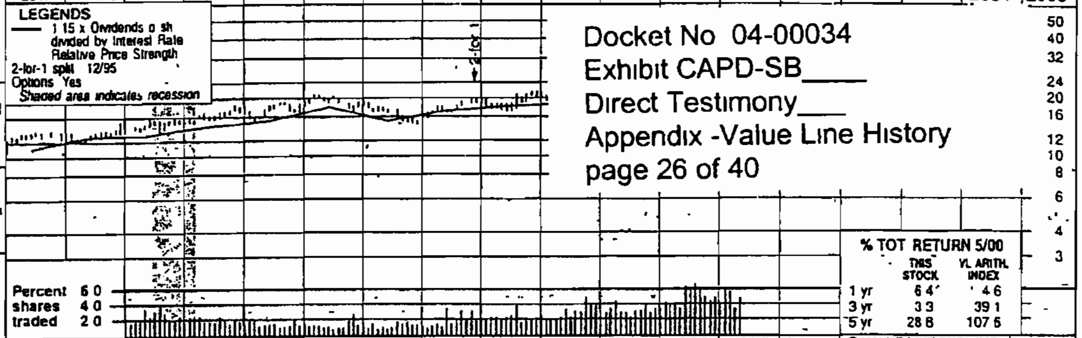
RECENT PRICE	16	P/E RATIO	13.7 (Trailing 17.4 / Median 15.0)	RELATIVE P/E RATIO	1.01	DIV'D YLD	6.8%	VALUE LINE	463

TIMELINESS 3 Raised 2/4/00
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 12/31/99
BETA .60 (1.00 = Market)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
High	15.4	16.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6	23.4	23.4 / 18.4
Low	11.9	13.3	14.9	15.1	17.0	14.6	14.9	17.1	17.8	17.7	15.6 / 15.8

Target Price Range 2003 | 2004 | 2005

LEGENDS
— 1.15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 12/95
Options: Yes
Shaded area indicates recession



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Direct Testimony___
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2003-05 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+55%)	16%
Low	20	(+25%)	11%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	2	0	0	0	0	0	0
Options	0	0	0	1	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q1999	4Q1999	1Q2000
to Buy	53	62	53
to Sell	62	50	63
Hld's(000)	21203	22850	19948

Percent shares traded 6.0 / 4.0 / 2.0

% TOT. RETURN 5/00

	THIS STOCK	VL ARITH. INDEX
1 yr	6.4	4.6
3 yr	3.3	39.1
5 yr	28.8	107.6

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC.	03-05
46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	18.71	12.80	13.70	Revenues per sh A	18.20
1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.75	2.95	"Cash Flow" per sh	3.50
1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	.91	1.15	1.25	Earnings per sh B	1.75
.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	Div'ds Decl'd per sh C■	1.15
2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.65	2.65	Cap'l Spending per sh	2.50
6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.40	11.60	Book Value per sh D	13.50
26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	54.00	Common Shs Outst'g E	55.00
4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.85	.72	1.22			Relative P/E Ratio	.85
10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%			Avg Ann'l Div'd Yield	5.0%

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001		03-05
	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	1287.6	1338.6	1068.6	690	740	Revenues ($mill) A	1000
	45.6	49.4	55.4	57.5	63.2	74.3	75.6	76.6	80.6	52.1	64.0	70.0	Net Profit ($mill)	95.0
	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	37.9%	32.5%	33.1%	33.0%	33.0%	Income Tax Rate	34.0%
	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	6.0%	4.9%	9.3%	9.5%	Net Profit Margin	9.5%
	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	47.5%	45.3%	46.5%	47.5%	Long-Term Debt Ratio	46.5%
	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	47.1%	49.2%	47.5%	47.0%	Common Equity Ratio	49.0%
	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	1356.4	1388.4	1345.8	1290	1325	Total Capital ($mill)	1535
	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	1534.0	1598.9	1665	1715	Net Plant ($mill)	1900
	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	7.6%	5.7%	6.5%	7.0%	Return on Total Cap'l	7.5%
	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	11.1%	7.1%	10.5%	11.0%	Return on Shr. Equity	12.5%
	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	12.3%	7.9%	10.5%	11.0%	Return on Com Equity	12.5%
	2%	2%	1.0%	4%	3.0%	4.6%	3.8%	3.2%	4.4%	NMF	5%	1.5%	Retained to Com Eq	4.5%
	98%	98%	91%	96%	75%	66%	71%	74%	64%	101%	94%	85%	All Div'ds to Net Prof	66%

CAPITAL STRUCTURE as of 3/31/00
Total Debt 721.0 mill. Due in 5 Yrs 250.0 mill.
LT Debt $590.0 mill. LT Interest $43.0 mill.
(total interest coverage: 2.6x)

Leases, Uncapitalized Annual rentals $8.5 mill.
Pension Liability None

Pfd Stock $74.3 mill. Pfd Div'd $6.1 mill.
$74.3 mill. 8.17% subsidiary obligated mandatorily redeemable pfd. secs. (Div'ds are a tax-deductible fixed charge.)

Common Stock 54,285,667 shs.
MARKET CAP: $875 million (Small Cap)

CURRENT POSITION ($MILL.)	1998	1999	3/31/00
Cash Assets	3.6	32.9	6.5
Other	294.0	124.6	77.8
Current Assets	297.6	157.5	84.3
Accts Payable	51.1	31.3	27.4
Debt Due	76.5	51.5	131.0
Other	125.1	140.1	72.8
Current Liab.	252.7	222.9	231.2
Fix. Chg. Cov.	274%	262%	280%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '97-'99 to '03-'05
Revenues	-1.0%	-.5%	-2.5%
"Cash Flow"	2.5%	1.5%	6.0%
Earnings	2.0%	2.0%	6.0%
Dividends	2.0%	1.0%	1.0%
Book Value	3.0%	2.5%	4.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1997	379.6	496.7	216.7	194.6	1287.6
1998	402.3	483.9	247.0	205.4	1338.6
1999	323.9	375.1	185.9	183.7	1068.6
2000	182.3	160.1	170	177.6	690
2001	190	180	180	190	740

Fiscal Year Ends	EARNINGS PER SHARE A B Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1997	.53	.88	.03	d.07	1.37
1998	.45	.79	d.02	.19	1.41
1999	.28	.42	.12	.09	.91
2000	.30	.41	.23	.21	1.15
2001	.32	.44	.25	.24	1.25

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
1996	.265	.265	.265	.27	1.07
1997	.27	.27	.27	.27	1.08
1998	.27	.27	.27	.27	1.08
1999	.27	.27	.27	.27	1.08
2000	.27	.27			

BUSINESS: AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.4 million customers in Georgia, primarily Atlanta, and in southern Tennessee. Also engaged in nonregulated natural gas marketing and other, allied services. Also wholesales and retails propane. Nonregulated subsidiaries: Georgia Natural Gas Services markets natural gas at retail; Utilipro provides billing services for GNGS and other marketers; AGL Propane distributes propane. Has about 2890 employees, 16,760 shareholders. Chairman & Ch. Exec. Off.: Walter M. Higgins. Incorp.: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet address: www.aglresources.com.

In its biggest deal ever, AGL Resources plans to acquire Virginia Natural Gas. Dominion Resources will sell its VNG utility to comply with a regulatory order so that it can complete its acquisition of Consolidated Natural Gas. AGL would buy VNG for $500 million-$550 million. The actual cash price will depend on how Dominion wants the deal structured for tax purposes. Even assuming a price at the lower end of the range, AGL would be making a large financial commitment.

The purchase is apt to be funded in full with borrowings. Given its large regulated utility business, AGL operates prudently with a balance sheet leveraged with debt and preferred stock. The VNG acquisition will require additional long-term debt of about $500 million, making AGL somewhat top-heavy with 65% senior capital (excluding short-term debt). In effect, though VNG is a profitable utility with a fast-growing customer base, its pairing with AGL would likely have a small dilutive impact on share earnings of $0.05-$0.10. Management expects VNG to begin adding to share earnings within a year of the acquisition's closing date, which may happen before the end of 2000.

AGL will form a holding company to facilitate the VNG purchase. VNG is a gas distributor serving the Newport News-Hampton Roads area of southeast Virginia. Since its gas lines are geographically too far apart from AGL's Atlanta Gas Light system for the two distributors to be interconnected, the holding company structure would give AGL more flexibility in financing the needs of each subsidiary. In addition, AGL may pick up a measure of business synergy in the nonregulated area of gas marketing, which both Georgia and Virginia are encouraging.

AGL shares, which have sold off moderately due to the VNG buyout terms, offer generous income. AGL could sell some of VNG's assets if it has to ease its post-merger financial burden. Assuming the current quarterly dividend holds, its yield—nearly two percentage points above the gas-stock average—should give the stock a good underpinning in the year-ahead market. Still, the lofty yield suggests a measure of investment risk that is unsuitable for conservative accounts.

Gerald Holtzman *June 23, 2000*

(A) Fiscal year ends September 30th.
(B) Diluted earnings per share. Next egs. report due late July. Excl. nonrecurring gains: '84, $0.37; '88, $0.15; '95, d$0.83; '99, $0.39.
(C) Next dividend meeting early Aug. Goes ex mid-Aug. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Div'd reinvest. plan available.
(D) Incl. deferred chgs. In '99: $2.78/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	5
Earnings Predictability	70

AGL RESOURCES NYSE-ATG

RECENT PRICE	20	P/E RATIO	15.9 (Trailing 18 9 / Median 15 0)	RELATIVE P/E RATIO	1.11	DIV'D YLD	5.4%	VALUE LINE	468

TIMELINESS 3 Raised 2/4/00
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 9/8/00
BETA 60 (1 00 = Market)

	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
High	15 4	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	20 4
Low	11 9	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5

Target Price Range 2003 | 2004 | 2005

2003-05 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+25%)	10%
Low	20	(Nil)	5%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q1999	1Q2000	2Q2000
to Buy	62	53	73
to Sell	50	63	42
Hld's(000)	22850	19948	20489

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for-1 split 12/95
Options Yes
Shaded area indicates recession

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Direct Testimony___
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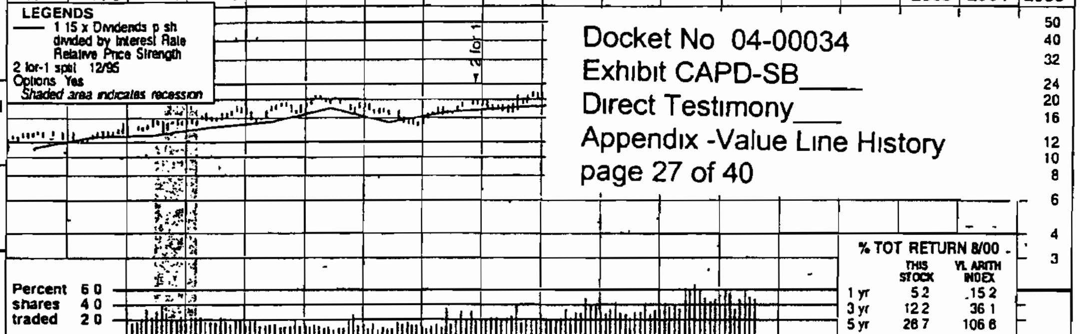

% TOT RETURN 8/00

	THIS STOCK	VL ARITH INDEX
1 yr	5 2	15 2
3 yr	12 2	36 1
5 yr	26 7	106 6

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB , INC	03-05
46 00	37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	*11.20*	*10 85*	Revenues per sh A	*18.20*
1 87	1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	*2 75*	*2 85*	"Cash Flow" per sh	*3 50*
1 13	91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	*1.20*	*1 30*	Earnings per sh B	*1 70*
54	63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 15*
2 95	3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	*2 65*	*2 65*	Cap'l Spending per sh	*2 50*
6 92	7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	*11 45*	*11 65*	Book Value per sh D	*13 50*
26 64	31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	*54 00*	*54 00*	Common Shs Outst'g E	*55 00*
4 7	8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13 0*
44	67	80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22			Relative P/E Ratio	*85*
10 1%	8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%			Avg Ann'l Div'd Yield	*5 0%*
						1000 9	963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	*605*	*585*	Revenues ($mill) A	*720*
						45 6	49 4	55 4	57 5	63 2	74 3	75 6	76 6	80 6	52 1	*65 0*	*70 0*	Net Profit ($mill)	*93 0*
						31 7%	34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	*36 0%*	*36 0%*	Income Tax Rate	*35 0%*
						4 6%	5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	*10 8%*	*12 0%*	Net Profit Margin	*12 9%*
						50 2%	49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	*46 0%*	*47 0%*	Long-Term Debt Ratio	*47 0%*
						47 8%	48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	*48 0%*	*47 5%*	Common Equity Ratio	*48 5%*
						831 9	918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	*1285*	*1325*	Total Capital ($mill)	*1535*
						1049 6	1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	*1665*	*1715*	Net Plant ($mill)	*1900*
						7 6%	7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	*6 5%*	*7 0%*	Return on Total Cap'l	*7 5%*
						11 0%	10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	*10 5%*	*11 0%*	Return on Shr Equity	*12.5%*
						11 2%	10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	*10 5%*	*11 0%*	Return on Com Equity	*12.5%*
						2%	2%	1 0%	4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	*1 0%*	*2 0%*	Retained to Com Eq	*4 0%*
						98%	98%	91%	96%	75%	66%	71%	74%	64%	101%	*90%*	*83%*	All Div'ds to Net Prof	*68%*

CAPITAL STRUCTURE as of 6/30/00
Total Debt 748 5 mill Due in 5 Yrs 278 0 mill
LT Debt $590 0 mill LT Interest $43 0 mill
(total interest coverage 3 3x)

Leases, Uncapitalized Annual rentals $8 5 mill
Pension Liability None

Pfd Stock $74 3 mill Pfd Div'd $6 1 mill
$74 3 mill 8 17% subsidiary obligated mandatorily redeemable pfd secs (Div'ds are a tax-deductible fixed charge)

Common Stock 54,186,135 shs
MARKET CAP $1 1 billion (Mid Cap)

CURRENT POSITION ($MILL)	1998	1999	6/30/00
Cash Assets	3 6	32 9	- -
Other	294 0	124 6	75 1
Current Assets	297 6	157 5	75 1
Accts Payable	51 1	31 3	30 0
Debt Due	76 5	51 5	158 5
Other	125 1	140 1	55 9
Current Liab	252 7	222 9	244 4
Fix Chg Cov	274%	262%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '97-'99 to '03-'05
Revenues	-1 0%	- 5%	*3 0%*
"Cash Flow"	2 5%	1 5%	*6 0%*
Earnings	2 0%	2 0%	*6 0%*
Dividends	2 0%	1 0%	*1 0%*
Book Value	3 0%	2 5%	*3 0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1997	379 6	496 7	216 7	194 6	1287 6
1998	402 3	483 9	247 0	205 4	1338 6
1999	323 9	375 1	185 9	183 7	1068 6
2000	182 3	160 1	131 8	*130 8*	*605*
2001	*150*	*165*	*135*	*135*	*585*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1997	53	88	03	d 07	1 37
1998	45	79	d 02	19	1 41
1999	28	42	12	09	91
2000	30	41	26	*23*	*1 20*
2001	*33*	*44*	*28*	*25*	*1 30*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1996	265	265	265	27	1 07
1997	27	27	27	27	1 08
1998	27	27	27	27	1 08
1999	27	27	27	27	1 08
2000	27	27	27		

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co , a regulated distributor of natural gas to more than 1 4 million customers in Georgia, primarily Atlanta, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail, Utilipro provides billing services for GNGS and other marketers, AGL Propane distributes propane Has about 2890 employees, 16,760 shareholders President & Chief Exec Off Paula Rospot Incorp Georgia. Address 303 Peachtree St, N E , Atlanta, GA 30308 Telephone 404 584-9470 Internet address www aglresources com

AGL Resources is gradually adapting to deregulation. Georgia, in mid-1999, mandated the full segregation of energy services by utilities in the state to foster competition In the gas business, AGL's distribution system has had to abandon its role as reseller and turn the marketing effort over to a new subsidiary, Georgia Natural Gas Services The utility continues as the franchised common carrier of natural gas Between the initial scramble for gas-sales business and the transfer of utility customers to GNGS and rival marketers, AGL, which began the unbundling transition in 1998, has found the going somewhat chaotic The Atlanta Gas Light utility has had to deal with abnormally high service costs and uncollectible accounts associated with the customer migration to marketers And GNGS has had to get through a costly start-up period

The worst seems to be behind the company. The abnormal expenses are diminishing, with the state letting the gas system defer certain costs and amortize them to the extent that the utility can earn its permissible return In addition, AGL Resources has sold its unprofitable wholesale gas-marketing operation and its retail propane venture In the coming years, marketing and distribution should continue to post moderate earnings growth Though marketing is entirely a shareholder-risk business, the principal gas transportation business won't face competition and will remain fully regulated to minimize the risk to shareholders

Income is still the stock's main appeal. Since it may be another two years before AGL has attained enough earning power to raise the dividend, AGL will continue to sell on a generous yield basis Walter Higgins, CEO since '98, recently resigned his position to return to his former post as CEO of Sierra Pacific Resources Paula Rospot, formerly president of AGL's utility, is the parent company's new CEO She will continue to carry out Mr Higgins' business plan and will preside over the coming acquisition of Virginia Natural Gas, which will give AGL a new regulated gas-distribution arm in Newport News This $500 million buyout, to be financed with debt, may dilute share earnings by $0 05-$0 10 in the first year

Gerald Holtzman *September 22, 2000*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next egs report due late Oct Excl nonrecurring gains '84, $0 37, '88, $0 15, '95, d$0 83, '99, $0 39

(C) Next dividend meeting early Nov Goes ex mid-Nov Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available

(D) Incl deferred chgs in '99 $2 78/sh
(E) In millions, adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	5
Earnings Predictability	70

AGL RESOURCES NYSE-ATG

RECENT PRICE	22	P/E RATIO	16.7 (Trailing 17.7 / Median 15.0)	RELATIVE P/E RATIO	1.14	DIV'D YLD	4.9%	VALUE LINE	468

TIMELINESS 3 Raised 2/4/00
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 9/8/00
BETA .60 (1.00 = Market)

High	15.4	16.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6	23.4	23.4	23.0		Target Price Range
Low	11.9	13.3	14.9	15.1	17.0	14.6	14.9	17.1	17.8	17.7	15.6	15.5		2003 | 2004 | 2005

2003-05 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+35%)	12%
Low	20	(-10%)	3%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2000	2Q2000	3Q2000
to Buy	53	73	64
to Sell	63	42	50
Hld's(000)	19948	20489	22115

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Direct Testimony___
Appendix -Value Line History
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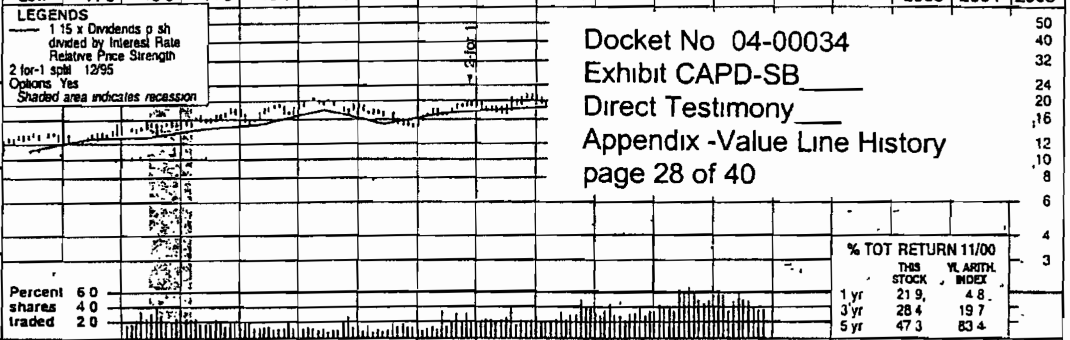

% TOT RETURN 11/00	THIS STOCK	VL ARITH. INDEX
1 yr	21.9	4.8
3 yr	28.4	19.7
5 yr	47.3	83.4

1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	© VALUE LINE PUB., INC	03-05
46.00	37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	10.95	Revenues per sh A	18.20
1.87	1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.80	2.85	"Cash Flow" per sh	3.50
1.13	.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	.91	1.24	1.35	Earnings per sh B	1.70
.54	.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	Div'ds Decl'd per sh C■	1.15
2.95	3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.65	2.65	Cap'l Spending per sh	2.50
6.92	7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	11.80	Book Value per sh D	13.50
26.64	31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	54.00	Common Shs Outst'g E	55.00
4.7	8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4	14.2		Avg Ann'l P/E Ratio	14.0
.44	.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.85	.72	1.22	.96		Relative P/E Ratio	.95
10.1%	8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%		Avg Ann'l Div'd Yield	4.8%

CAPITAL STRUCTURE	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001		03-05
	1000.9	963.9	994.6	1130.3	1199.9	1063.0	1220.2	1287.6	1338.6	1068.6	607.4	590	Revenues ($mill) A	720
	45.6	49.4	55.4	57.5	63.2	74.3	75.6	76.6	80.6	52.1	68.6	75.0	Net Profit ($mill)	93.0
	31.7%	34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	37.9%	32.5%	33.1%	35.0%	35.0%	Income Tax Rate	35.0%
	4.6%	5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	6.0%	4.9%	11.3%	12.7%	Net Profit Margin	12.9%
	50.2%	49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	47.5%	45.3%	46.5%	47.0%	Long-Term Debt Ratio	47.0%
	47.8%	48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	47.1%	49.2%	47.5%	47.5%	Common Equity Ratio	48.5%
	831.9	918.3	812.7	925.7	1131.5	1170.3	1201.3	1356.4	1388.4	1345.8	1305	1350	Total Capital ($mill)	1535
	1049.6	1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	1534.0	1598.9	1665	1715	Net Plant ($mill)	1900
	7.6%	7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	7.6%	5.7%	7.0%	7.5%	Return on Total Cap'l	7.5%
	11.0%	10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	11.1%	7.1%	11.0%	11.5%	Return on Shr Equity	12.5%
	11.2%	10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	12.3%	7.9%	11.0%	11.5%	Return on Com Equity	12.5%
	2%	2%	1.0%	4%	3.0%	4.6%	3.8%	3.2%	4.4%	NMF	1.5%	2.5%	Retained to Com Eq	4.0%
	98%	98%	91%	96%	75%	66%	71%	74%	64%	101%	87%	80%	All Div'ds to Net Prof	68%

CAPITAL STRUCTURE as of 6/30/00
Total Debt $748.5 mill Due in 5 Yrs $278.0 mill
LT Debt $590.0 mill LT Interest $43.0 mill
(total interest coverage 3.3x)

Leases, Uncapitalized Annual rentals $8.5 mill
Pension Liability None

Pfd Stock $74.3 mill Pfd Div'd $6.1 mill
$74.3 mill 8.17% subsidiary obligated mandatorily sredeemable pfd secs (Div'ds are a tax-deductible fixed charge)

Common Stock 54,186,135 shs
MARKET CAP $1.2 billion (Mid Cap)

CURRENT POSITION ($MILL.)	1998	1999	6/30/00
Cash Assets	3.6	32.9	--
Other	294.0	124.6	75.1
Current Assets	297.6	157.5	75.1
Accts Payable	51.1	31.3	30.0
Debt Due	76.5	51.5	158.5
Other	125.1	140.1	55.9
Current Liab	252.7	222.9	244.4
Fix. Chg. Cov.	274%	262%	300%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '97-'99 to '03-'05
Revenues	-1.0%	-.5%	-3.0%
"Cash Flow"	2.5%	1.5%	6.0%
Earnings	2.0%	2.0%	5.5%
Dividends	2.0%	1.0%	1.0%
Book Value	3.0%	2.5%	3.0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1997	379.6	496.7	216.7	194.6	1287.6
1998	402.3	483.9	247.0	205.4	1338.6
1999	323.9	375.1	185.9	183.7	1068.6
2000	182.3	160.1	131.8	133.2	607.4
2001	150	165	137	138	590

Fiscal Year Ends	EARNINGS PER SHARE A B Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1997	.53	.88	.03	d.07	1.37
1998	.45	.79	d.02	.19	1.41
1999	.28	.42	.12	.09	.91
2000	.30	.41	.26	.27	1.24
2001	.33	.44	.28	.30	1.35

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
1996	.265	.265	.265	.27	1.07
1997	.27	.27	.27	.27	1.08
1998	.27	.27	.27	.27	1.08
1999	.27	.27	.27	.27	1.08
2000	.27	.27	.27		

BUSINESS: AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.4 million customers in Georgia, primarily Atlanta, and in southern Tennessee. Also engaged in nonregulated natural gas marketing and other, allied services. Also wholesales and retails propane. Nonregulated subsidiaries: Georgia Natural Gas Services markets natural gas at retail; Utilipro provides billing services for GNGS and other marketers; AGL Propane distributes propane. Has about 2890 employees, 16,760 shareholders. President & Chief Exec. Off.: Paula Rosput. Incorp.: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet address: www.aglresources.com.

AGL Resources' unbundling transition isn't leaving lasting financial scars. The company has carried out Georgia's 1999 legislative mandate to segregate its traditional utility operation into regulated and nonregulated services. The distribution system, with its infrastructure of underground mains, continues as a regulated monopoly. The big difference today is that it is no longer a buyer and reseller of gas supplies. That merchant role now belongs to the new Georgia Natural Gas subsidiary (GNGS), the dominant marketer operating in competition with other regional sellers. The utility is now solely a gas transporter, flowing gas supplies procured by the marketers to local end-users. The transition, however, was costly, especially for the gas system, which had to absorb stepped-up service costs and record account delinquencies as customers transferred their business to the marketers. Management's application of new operating efficiencies is taking the utility out of its slump, and GNGS is clearing away its start-up losses. In all, earnings now seem to be on a forward heading.

The dividend is getting a wider margin of safety. Despite Georgia's competitive marketing arena for natural gas, the utility is apt to remain AGL's chief moneymaker. A new rate design reduces the gas-transport system's dependence on weather-sensitive demand for fuel. The state also permits certain costs to be deferred and amortized to the extent the system can earn its allowed return, now at 10.6%. AGL's regulated systems, moreover, should afford shareholders a good measure of insulation from the risk effects of nonutility business. We believe the Atlanta system's recovering profits will protect the payout, though a quarterly boost might be a year or so away. The shares, offering a generous yield, are a safe haven for conservative investors.

Virginia Natural Gas serves as a new distribution arm. Serving Newport News, this recent $500 million acquisition (not now factored into our estimates) may dilute share earnings modestly in fiscal 2001 (ends September 30th). The dilution might be lessened or eliminated if AGL finds unwanted assets to sell and uses the proceeds to pay down the acquisition debt.

Gerald Holtzman *December 22, 2000*

(A) Fiscal year ends September 30th.
(B) Diluted earnings per share. Next earnings report due late Jan. Excl. nonrecurring gains: '84, $0.37; '88, $0.15; '95, d$0.83; '99, $0.39; '00, $0.05.
(C) Next dividend meeting early Feb. Goes ex mid-Feb. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Div'd reinvest. plan available.
(D) Incl. deferred chgs. In '99: $2.78/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	5
Earnings Predictability	65

AGL RESOURCES NYSE-ATG

RECENT PRICE	20.96	P/E RATIO	15.0 (Trailing 15 0 / Median 15.0)	RELATIVE P/E RATIO	0.96	DIV'D YLD	5.2%	VALUE LINE	468

TIMELINESS 3 Raised 2/4/00
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 9/8/00
BETA 60 (1 00 = Market)

High	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	22 3
Low	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 5

Target Price Range 2004 | 2005 | 2006

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2-for-1 split 12/95
Options Yes
Shaded area indicates recession

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Direct Testimony___
Appendix -Value Line History
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2004-06 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+45%)	13%
Low	20	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2000	3Q2000	4Q2000
to Buy	73	64	64
to Sell	42	50	53
Hld's(000)	20489	22115	22338

Percent shares traded 6 0 4 0 2 0

% TOT RETURN 2/01

	THIS STOCK	VL ARITH INDEX
1 yr	26 6	17 2
3 yr	19 1	23 0
5 yr	49 1	95 1

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	© VALUE LINE PUB, INC	04-06
37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	11 45	11 80	Revenues per sh A	13 70
1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3 40	3 45	"Cash Flow" per sh	3 80
91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1.29	1 40	1 50	Earnings per sh B	1 70
63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	1 08	Div'ds Decl'd per sh C■	1 15
3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 65	2.50	Cap'l Spending per sh	2 50
7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	11 85	12 60	Book Value per sh D	14 10
31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	54.25	56 00	Common Shs Outst'g E	57 00
8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	Bold figures are		Avg Ann'l P/E Ratio	15 0
67	80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	90	Value Line		Relative P/E Ratio	1 00
8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	estimates		Avg Ann'l Div'd Yield	4 8%
						963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	620	660	Revenues ($mill) A	780
						49 4	55 4	57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	78 0	84 0	Net Profit ($mill)	97 0
						34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	34 3%	36 0%	36 0%	Income Tax Rate	36 0%
						5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	12 6%	12.7%	Net Profit Margin	12 4%
						49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	54 5%	51 0%	Long-Term Debt Ratio	50 0%
						48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	40 5%	44 5%	Common Equity Ratio	46 0%
						918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1580	1590	Total Capital ($mill)	1750
						1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	1730	1775	Net Plant ($mill)	1925
						7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	7 0%	7 0%	Return on Total Cap'l	7 5%
						10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12 0%	12.0%	Return on Shr Equity	12 0%
						10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12.0%	12 0%	Return on Com Equity	12 0%
						2%	1 0%	4%	3 0%	4 6%	3 8%	2 4%	3 0%	NMF	1 8%	3 0%	3 5%	Retained to Com Eq	4 0%
						98%	91%	96%	75%	66%	71%	79%	76%	119%	84%	77%	72%	All Div'ds to Net Prof	68%

CAPITAL STRUCTURE as of 12/31/00
Total Debt 1328 6 mill Due in 5 Yrs 885 0 mill
LT Debt $590 0 mill LT Interest $43 0 mill
(total interest coverage 2 5x)
Leases, Uncapitalized Annual rentals $18 3 mill
Pension Liability $6 7 mill in '00 vs $5 3 mill in '99

Pfd Stock $74 3 mill Pfd Div'd $6 1 mill
$74 3 mill 8 17% subsidiary obligated mandatorily redeemable pfd securities (Div'ds are a tax-deductible fixed charge)
VE
Common Stock 54,208,371 shs
MARKET CAP $1 1 billion (Mid Cap)

CURRENT POSITION ($MILL.)	1999	2000	12/31/00
Cash Assets	32 9	2 0	2 0
Other	124 6	97 7	205 7
Current Assets	157 5	99 7	207 7
Accts Payable	31 3	34 0	80 7
Debt Due	51 5	161 2	738 6
Other	140 1	89 6	130 1
Current Liab	222 9	284 8	949 4
Fix Chg Cov	262%	239%	215%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '98-'00 to '04-'06
Revenues	-2 5%	-4 0%	-4 0%
"Cash Flow"	3 0%	2 5%	6 5%
Earnings	1 5%	- -	6 0%
Dividends	1 5%	1 0%	1 0%
Book Value	2 5%	2 5%	3 5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1998	402 3	483 9	247 0	205 4	1338 6
1999	323 9	375 1	185 9	183 7	1068 6
2000	182 3	160 1	131 8	133 2	607 4
2001	164 0	175	141	140	620
2002	175	185	150	150	660

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1998	45	79	d 02	19	1 41
1999	28	42	12	09	91
2000	30	41	26	32	1 29
2001	41	48	27	24	1 40
2002	44	52	28	26	1 50

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1997	27	27	27	27	1 08
1998	27	27	27	27	1 08
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27				

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Lignt Co, a regulated distributor of natural gas to more than 1 4 million customers in Georgia, primarily Atlanta, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail, Utilipro provides billing services for GNGS and other marketers, AGL Propane distributes propane Has about 2890 employees, 16,760 shareholders President & Chief Exec Off Paula Rospot Incorp Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404-584-9470 Internet address www aglresources com

AGL Resources is improving its dividend coverage. Back in 1998, Georgia regulators began to place certain traditional energy services under a deregulated category Under the state's new ground rules, the Atlanta Gas Light utility had to expedite the transfer of its resale customers to marketers, including the parent's subsidiary, Georgia Natural Gas Services (GNGS) It was a costly experience in terms of the extra customer service endeavor that was needed and the uncollectible bills In fiscal 2000 (ended September 30th), the utility business began to go along more smoothly This year, the gas system, functioning now as a gas transporter and assuming less business risk than before, continues to pare operating costs A recent acquisition is also providing financial benefits So, the utility's earnings climb has more than offset the effect of competitive pressure on GNGS, which isn't fully recovering the steep rise in gas costs In all, the dividend is getting better earnings coverage But don't expect a dividend boost until after the payout ratio falls below 70%—and that may not happen before fiscal 2003

Utility operations will remain the chief business activity for a while, likely contributing more than 90% of earnings and cash flow. Since the Atlanta Gas Light system is no longer a reseller of gas, but a transporter, it isn't exposed to unrecovered purchased fuel costs And the utility's improved rate design should insulate it more from the adverse financial impact of warm winters

AGL has acquired Virginia Natural Gas. This $500 million purchase adds a new regulated distribution arm, this one serving the Newport News area The deal was financed mainly with borrowings We expect management to use the proceeds from asset sales to pay down the added debt to sustain a share-earnings benefit from VNG But the accretion might be small at first, if AGL has to sell more common shares to balance the swell in senior capital Though the nonregulated earnings base may grow in the coming years, AGL is still best suited as a good-quality income vehicle Its current yield is above the peer-group average, reflecting the probable absence of a near-term dividend hike

Gerald Holtzman *March 23, 2001*

(A) Fiscal year ends September 30th
(B) Diluted earnings per share Next earnings report due late Apr Excl nonrecurring gains '88, $0 15, '95, d$0 83, '99, $0 39

(C) Next dividend meeting in early May Goes ex in mid-May Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available

(D) Incl deferred chgs In '00 $3 19/sh
(E) In millions, adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	5
Earnings Predictability	60

AGL RESOURCES NYSE-ATG

RECENT PRICE 23.15 | P/E RATIO 13.7 (Trailing 12.7; Median 15.0) | RELATIVE P/E RATIO 0.79 | DIV'D YLD 4.7% | VALUE LINE 468

TIMELINESS 3 Raised 2/4/00
SAFETY 2 New 7/27/90
TECHNICAL 4 Lowered 6/22/01
BETA .55 (1.00 = Market)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
High	16.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6	23.4	23.4	23.2	24.3
Low	13.3	14.9	15.1	17.0	14.6	14.9	17.1	17.8	17.7	15.6	15.5	19.5

Target Price Range 2004 2005 2006

LEGENDS
— 1.15 x Dividends p sh divided by Interest Rate
· · · Relative Price Strength
2-for-1 split 12/95
Options: Yes
Shaded area indicates recession

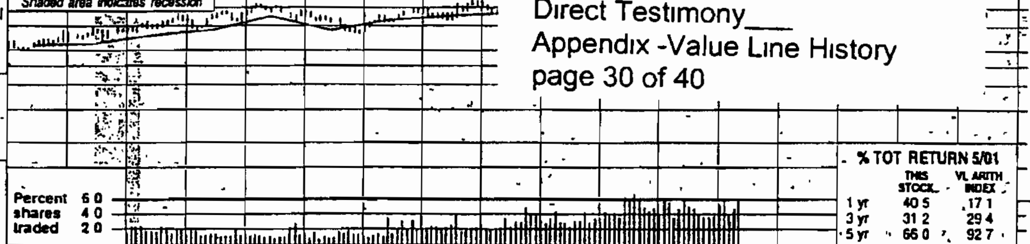

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Exhibit CAPD-SB____
Direct Testimony____
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2004-06 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+50%)	14%
Low	25	(+10%)	7%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	1	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2000	4Q2000	1Q2001
to Buy	64	64	61
to Sell	50	53	51
Hld's(000)	22115	22338	23798

Percent shares traded 6.0 4.0 2.0

% TOT. RETURN 5/01

	THIS STOCK	VL ARITH INDEX
1 yr	40.5	17.1
3 yr	31.2	29.4
5 yr	66.0	92.7

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	© VALUE LINE PUB., INC.	04-06
37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	*20.65*	*22.20*	Revenues per sh A	*24.00*
1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.86	*3.45*	*3.55*	"Cash Flow" per sh	*3.80*
.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	.91	1.29	*1.60*	*1.65*	Earnings per sh B	*1.85*
.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	*1.08*	*1.08*	Div'ds Decl'd per sh C■	*1.15*
3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.92	*2.65*	*2.50*	Cap'l Spending per sh	*2.50*
7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	*12.20*	*12.90*	Book Value per sh D	*15.35*
31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	*54.50*	*55.00*	Common Shs Outst'g E	*57.00*
8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*15.5*
.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.85	.72	1.22	.90	*estimates*		Relative P/E Ratio	*1.05*
8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%			Avg Ann'l Div'd Yield	*4.0%*

CAPITAL STRUCTURE as of 3/31/01
Total Debt $1256.3 mill. Due in 5 Yrs $815.0 mill.
LT Debt $890.0 mill. LT Interest $65.0 mill.
(total interest coverage: 2.5x)
Leases, Uncapitalized Annual rentals $18.3 mill.
Pension Liability $6.7 mill. in '00 vs. $5.3 mill. in '99

Pfd Stock $74.3 mill. Pfd Div'd $6.1 mill.
$74.3 mill. 8.17% subsidiary obligated mandatorily redeemable pfd. securities. (Div'ds are a tax-deductible fixed charge.)

Common Stock 54,400,000 shs.
MARKET CAP: $1.3 billion (Mid Cap)

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		04-06
963.9	994.6	1130.3	1199.9	1063.0	1220.2	1287.6	1338.6	1068.6	607.4	*1125*	*1220*	Revenues ($mill) A	*1375*
49.4	55.4	57.5	63.2	74.3	75.6	76.6	80.6	52.1	71.1	*88.0*	*91.0*	Net Profit ($mill)	*105*
34.6%	31.5%	32.9%	35.2%	36.9%	38.6%	37.9%	32.5%	33.1%	34.3%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	6.0%	4.9%	11.7%	*7.8%*	*7.5%*	Net Profit Margin	*7.6%*
49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	47.5%	45.3%	45.9%	*55.0%*	*54.0%*	Long-Term Debt Ratio	*53.0%*
48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	47.1%	49.2%	48.3%	*40.5%*	*35.0%*	Common Equity Ratio	*37.5%*
918.3	812.7	925.7	1131.5	1170.3	1201.3	1356.4	1388.4	1345.8	1286.2	*1640*	*2035*	Total Capital ($mill)	*2350*
1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	1534.0	1598.9	1637.5	*2050*	*2100*	Net Plant ($mill)	*2350*
7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	7.6%	5.7%	7.4%	*7.5%*	*7.0%*	Return on Total Cap'l	*7.0%*
10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	11.1%	7.1%	10.2%	*13.0%*	*13.0%*	Return on Shr. Equity	*12.0%*
10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	12.3%	7.9%	11.5%	*13.0%*	*13.0%*	Return on Com Equity	*12.0%*
2%	1.0%	4%	3.0%	4.6%	3.8%	2.4%	3.0%	NMF	1.8%	*4.0%*	*4.5%*	Retained to Com Eq	*4.4%*
98%	91%	96%	75%	66%	71%	79%	76%	119%	84%	*68%*	*65%*	All Div'ds to Net Prof	*62%*

CURRENT POSITION ($MILL.)	1999	2000	3/31/01
Cash Assets	32.9	2.0	12.2
Other	124.6	97.7	188.6
Current Assets	157.5	99.7	200.8
Accts Payable	31.3	34.0	80.8
Debt Due	51.5	161.2	366.3
Other	140.1	89.6	185.8
Current Liab.	222.9	284.8	632.9
Fix. Chg. Cov.	262%	239%	245%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '98-'00 to '04-'06
Revenues	-2.5%	-4.0%	*5.0%*
"Cash Flow"	3.0%	2.5%	*6.5%*
Earnings	1.5%	--	*7.5%*
Dividends	1.5%	1.0%	*1.0%*
Book Value	2.5%	2.5%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1998	402.3	483.9	247.0	205.4	1338.6
1999	323.9	375.1	185.9	183.7	1068.6
2000	182.3	160.1	131.8	133.2	607.4
2001	294.8	350.6	*240*	*239.6*	*1125*
2002	*325*	*375*	*260*	*260*	*1220*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1998	.45	.79	d.02	.19	1.41
1999	.28	.42	.12	.09	.91
2000	.30	.41	.26	.32	1.29
2001	.41	.83	*.20*	*.16*	*1.60*
2002	*.50*	*.70*	*.25*	*.20*	*1.65*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
1997	.27	.27	.27	.27	1.08
1998	.27	.27	.27	.27	1.08
1999	.27	.27	.27	.27	1.08
2000	.27	.27	.27	.27	1.08
2001	.27	.27			

BUSINESS: AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.4 million customers in Georgia, primarily Atlanta, and in southern Tennessee. Also engaged in nonregulated natural gas marketing and other, allied services. Also wholesales and retails propane. Nonregulated subsidiaries: Georgia Natural Gas Services markets natural gas at retail; Utilipro provides billing services for GNGS and other marketers; AGL Propane distributes propane. Has about 2890 employees, 16,760 shareholders. President & Chief Exec. Off.: Paula Rosput. Incorp.: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet address: www.aglresources.com.

AGL Resources seems to have moved into high gear. Georgia's deregulation program, set in motion in 1998, came on too fast for a good many participants in the state. It put AGL through a period of costly customer dislocation and financial flux as it tried to adjust to the restructured business arena. Earnings were undercut further by the cost of starting up new deregulated energy ventures. Lately, though, management has been steering AGL along a smoother course. It has gotten in better control of AGL's businesses, enabling the regulated utility and the nonregulated segments to achieve, overall, a much higher level of earnings. Results for the second quarter of fiscal 2001 (ends September 30th), were led upward by the utility. The company reports that newly acquired Virginia Natural Gas, a distributor, has been quickly integrated with the utility segment. Apparently, VNG added to share earnings in the March quarter on the peak sales it generated in this winter period. AGL may now be returning to a more pronounced seasonal earnings pattern, though the totals for this year and next may be its best ever, by far.

Management is giving nonutility activities close attention. Apart from its success in beginning to attain profits for its gas marketing and trading businesses, AGL is taking new directions. Georgia has awarded AGL Networks the authority to operate as a Competitive Local Exchange Carrier throughout the state. This permit enables the new subsidiary to sell equipment and services to telecom companies. To meet its business objectives, AGL Networks proposes to build and manage a fiber optics network around metro Atlanta. As a start-up effort, however, a meaningful profit may be deferred for another year or so, or perhaps a little longer, given the slowing domestic economy.

AGL remains largely an income stock. The regulated utility may contribute more than 80% of earnings through fiscal 2002, with the company leveraged heavily with senior capital. Though AGL's use of tax-deductible preferred stock provides a share-earnings advantage, management's efforts to build profits from shareholder-risk ventures may rule out a dividend increase through fiscal 2002.

Gerald Holtzman *June 22, 2001*

(A) Fiscal year ends September 30th.
(B) Diluted earnings per share. Next earnings report due late July. Excl. nonrecurring gains: '88, $0.15; '95, d$0.83; '99, $0.39; '00, $0.13.
(C) Next dividend meeting in early Aug. Goes ex in mid-Aug. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Div'd reinvest. plan available.
(D) Incl. deferred chgs. 9/30/00: $3.19/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength B++
Stock's Price Stability 100
Price Growth Persistence 5
Earnings Predictability 60

AGL RESOURCES NYSE-ATG

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
21.14	14.5 (Trailing 12.2, Median 15.0)	0.84	5.1%	463

TIMELINESS 3 Raised 2/4/00
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 8/3/01
BETA .55 (1.00 = Market)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
High	16.1	18.8	19.5	21.3	19.4	20.0	22.0	21.6	23.4	23.4	23.2	24.5
Low	13.3	14.9	15.1	17.0	14.6	14.9	17.1	17.8	17.7	15.6	15.5	19.5

Target Price Range 2004 | 2005 | 2006

LEGENDS
— 1.15 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 12/95
Options: Yes
Shaded area indicates recession

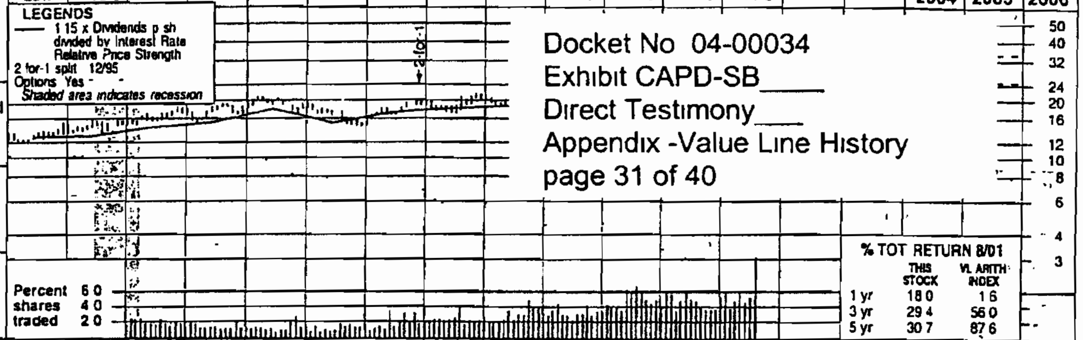

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Exhibit CAPD-SB____
Direct Testimony____
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2004-06 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+65%)	17%
Low	25	(+20%)	9%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	1	1
Options	0	0	0	0	1	0	0	1	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2000	1Q2001	2Q2001
to Buy	64	61	79
to Sell	53	51	41
Hld's(000)	22338	23798	25387

Percent shares traded 6.0 / 4.0 / 2.0

% TOT. RETURN 8/01

	THIS STOCK	VL ARITH. INDEX
1 yr	18.0	1.6
3 yr	29.4	56.0
5 yr	30.7	87.6

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	© VALUE LINE PUB., INC.	04-06
37.42	27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	*18.10*	*20.45*	Revenues per sh A	*24.55*
1.69	1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.86	*3.25*	*3.45*	"Cash Flow" per sh	*4.20*
.91	.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	.91	1.29	*1.50*	*1.65*	Earnings per sh B	*2.05*
.63	.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	*1.08*	*1.08*	Div'ds Decl'd per sh C■	*1.16*
3.01	3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.92	*2.25*	*2.25*	Cap'l Spending per sh	*3.05*
7.12	7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	*12.00*	*12.55*	Book Value per sh D	*15.45*
31.12	36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	*55.00*	*55.00*	Common Shs Outst'g E	*57.00*
8.3	11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	*Bold figures are*	*Value Line*	Avg Ann'l P/E Ratio	*15.5*
.67	.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.85	.72	1.22	.90	*estimates*		Relative P/E Ratio	*1.05*
8.4%	7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%			Avg Ann'l Div'd Yield	*3.7%*

CAPITAL STRUCTURE as of 6/30/01
Total Debt $1109.7 mill. Due in 5 Yrs $815.0 mill.
LT Debt $1064.7 mill. LT Interest $75.0 mill.
(Inc. $219.7 million in trust-preferred securities)
(Total interest coverage: 2.5x)
Leases, Uncapitalized Annual rentals $18.3 mill.
Pension Liability $6.7 mill. in '00 vs. $5.3 mill. in '99

Pfd Stock None

Common Stock 54,807,072 shs.
MARKET CAP: $1.2 billion (Mid Cap)

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	© VALUE LINE PUB., INC.	04-06
963.9	994.6	1130.3	1199.9	1063.0	1220.2	1287.6	1338.6	1068.6	607.4	*995*	*1125*	Revenues ($mill) A	*1400*
49.4	55.4	57.5	63.2	74.3	75.6	76.6	80.6	52.1	71.1	*83.5*	*91.0*	Net Profit ($mill)	*120*
34.6%	31.6%	32.9%	35.2%	36.9%	38.6%	37.9%	32.5%	33.1%	34.3%	*34.0%*	*34.0%*	Income Tax Rate	*34.0%*
5.1%	5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	6.0%	4.9%	11.7%	*8.4%*	*8.1%*	Net Profit Margin	*8.4%*
49.6%	40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	47.5%	45.3%	45.9%	*62.0%*	*59.0%*	Long-Term Debt Ratio	*50.0%*
48.8%	58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	47.1%	49.2%	48.3%	*38.0%*	*41.0%*	Common Equity Ratio	*50.0%*
918.3	812.7	925.7	1131.5	1170.3	1201.3	1356.4	1388.4	1345.8	1286.2	*1725*	*1690*	Total Capital ($mill)	*1755*
1141.6	1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	1534.0	1598.9	1637.5	*1765*	*1890*	Net Plant ($mill)	*2365*
7.6%	9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	7.6%	5.7%	7.4%	*5.0%*	*5.5%*	Return on Total Cap'l	*7.0%*
10.7%	11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	11.1%	7.1%	10.2%	*12.5%*	*13.0%*	Return on Shr. Equity	*13.5%*
10.8%	11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	12.3%	7.9%	11.5%	*12.5%*	*13.0%*	Return on Com Equity	*13.5%*
2%	1.0%	.4%	3.0%	4.6%	3.8%	2.4%	3.0%	NMF	1.8%	*3.5%*	*4.5%*	Retained to Com Eq	*6.0%*
98%	91%	96%	75%	66%	71%	79%	76%	119%	84%	*71%*	*65%*	All Div'ds to Net Prof	*56%*

CURRENT POSITION ($MILL.)	1999	2000	6/30/01
Cash Assets	32.9	2.0	4.5
Other	124.6	97.7	173.9
Current Assets	157.5	99.7	178.4
Accts Payable	31.3	34.0	64.0
Debt Due	51.5	161.2	45.0
Other	140.1	89.6	391.3
Current Liab.	222.9	284.8	500.3
Fix. Chg. Cov.	262%	239%	235%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '98-'00 to '04-'06
Revenues	-2.5%	-4.0%	*5.5%*
"Cash Flow"	3.0%	2.5%	*8.5%*
Earnings	1.5%	--	*9.5%*
Dividends	1.5%	1.0%	*1.0%*
Book Value	2.5%	2.5%	*5.0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1998	402.3	483.9	247.0	205.4	1338.6
1999	323.9	375.1	185.9	183.7	1068.6
2000	182.3	160.1	131.8	133.2	607.4
2001	294.8	350.6	175.7	*173.9*	*995*
2002	*315*	*375*	*215*	*220*	*1125*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec. 31	Mar. 31	Jun. 30	Sep. 30	Full Fiscal Year
1998	.45	.79	d.02	.19	1.41
1999	.28	.42	.12	.09	.91
2000	.30	.41	.26	.32	1.29
2001	.41	.83	.17	*.09*	*1.50*
2002	*.50*	*.70*	*.25*	*.20*	*1.65*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
1997	.27	.27	.27	.27	1.08
1998	.27	.27	.27	.27	1.08
1999	.27	.27	.27	.27	1.08
2000	.27	.27	.27	.27	1.08
2001	.27	.27	.27		

BUSINESS: AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.8 million customers in Georgia, primarily Atlanta, and in southern Tennessee. Also engaged in nonregulated natural gas marketing and other, allied services. Also wholesales and retails propane. Nonregulated subsidiaries: Georgia Natural Gas Services markets natural gas at retail. Acq. Virginia Natural Gas, 10/00. Sold Utilipro, 3/01. Has about 1,938 employees. Offs./dirs. own 1.1% of out. com. shs. American Century Inv. owns 5.7% of com. shs. (12/00 Proxy). President & CEO: Paula Rosput. Incorp.: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet: www.aglresources.com.

AGL Resources' seasonality has increased due to its acquisition of Virginia Natural Gas (VNG). VNG, a local distribution utility, generates most of its income during the winter months, when gas is in demand to heat buildings and homes. The purchase weighed down earnings in the June quarter with higher interest expense than the year-ago period, as well as goodwill amortization. Consequently, earnings per share declined 35% year over year, to $0.17. (Note: AGL will no longer amortize goodwill beyond September 30, 2001, in adherence to SFAS 142.)

The company will change its segment reporting format in fiscal 2002 (begins October 1, 2001). Presently, AGL breaks out performance into two categories: Utility and Nonutility. Sequent, a nonregulated wholesale-energy trading unit, has been included in the Utility segment, but will be disclosed separately.

The nonutility segment has been unprofitable this fiscal year, but the company has questioned the results of its retail-gas trading joint venture (JV) with Dynegy and Peidmont Natural Gas, called SouthStar Energy. AGL believes that it should have earned more money than it did from the venture over the past year, given the favorable pricing for natural gas. After making numerous attempts to obtain proper documentation of Dynegy's activities as asset manager of the JV, AGL has filed suit against Dynegy for failure to disclose an accounting of transactions, and seeks termination of the partnership.

AGL's Georgia utility, Atlanta Gas Light, has come under pressure from regulators. The Georgia Public Service Commission has launched a rate review of the utility, under the premise that it is earning above the allotted 11% return on equity (ROE). The company maintains, however, the utility's ROE is 9.9%. A verdict will be reached in March 2002.

This issue remains suitable for income-oriented investors. AGL stock displays excellent Price Stability over the long term, though with little Price Growth Persistence. The company's move into nonregulated businesses is likely to add a touch of volatility to these shares, but AGL continues to operate primarily as a regulated local distribution company.

Michael P. Maloney *September 21, 2001*

(A) Fiscal year ends September 30th.
(B) Diluted earnings per share. Next earnings report due late Oct. Excl. nonrecurring gains: '88, $0.15; '95, d$0.83; '99, $0.39; '00, $0.13; 2Q'01, $0.13.
(C) Next dividend meeting in early Nov. Goes ex in mid-Nov. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Div'd reinvest. plan available.
(D) Incl. deferred chgs. 9/30/00: $3.19/sh.
(E) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	10
Earnings Predictability	55

AGL RESOURCES NYSE-ATG

RECENT PRICE	21.45	P/E RATIO	14.7 (Trailing 13 2, Median 15 0)	RELATIVE P/E RATIO	0.79	DIV'D YLD	5.0%	VALUE LINE	462

TIMELINESS 4 Lowered 10/5/01

SAFETY 2 New 7/27/90

TECHNICAL 3 Raised 10/25/01

BETA 60 (1 00 = Market)

High	16 1	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5
Low	13 3	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0

Target Price Range 2004 | 2005 | 2006

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for 1 split 12/95
Options Yes
Shaded area indicates recession

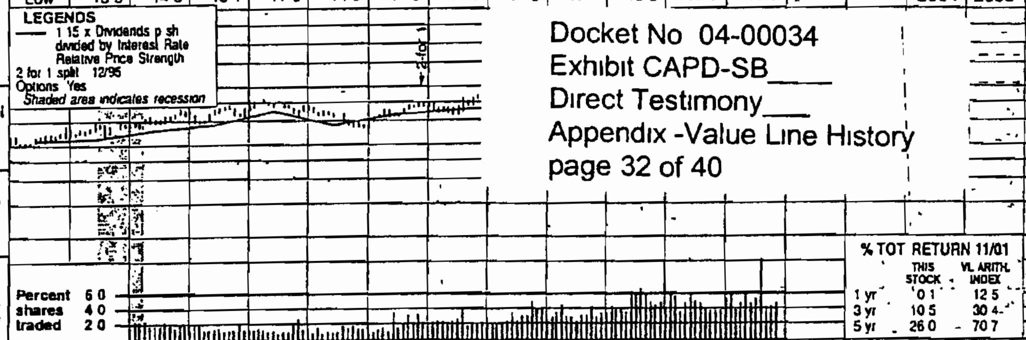

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Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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2004-06 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+65%)	17%
Low	25	(+15%)	9%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	1	1	0	0	0
Options	0	1	0	0	1	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2001	2Q2001	3Q2001
to Buy	61	79	55
to Sell	51	41	59
Hld's(000)	23798	25387	26336

Percent shares traded 6 0 / 4 0 / 2 0

% TOT RETURN 11/01

	THIS STOCK	VL ARITH. INDEX
1 yr	0 1	12 5
3 yr	10 5	30 4
5 yr	26 0	70 7

1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	© VALUE LINE PUB, INC	04-06
37 42	27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11.25	19 10	21 00	Revenues per sh A	24 55
1 69	1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3.20	3 45	"Cash Flow" per sh	4 20
91	83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	1.65	Earnings per sh B	2.05
63	70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	1 08	Div'ds Decl'd per sh C■	1 16
3 01	3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 25	2.25	Cap'l Spending per sh	3 05
7 12	7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 00	12 55	Book Value per sh D	15 45
31 12	36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	55 00	55 00	Common Shs Outst'g E	57 00
8 3	11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	14 6		Avg Ann'l P/E Ratio	15 5
67	80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	90	77		Relative P/E Ratio	1 05
8 4%	7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	5 4%		Avg Ann'l Div'd Yield	3 7%

963 9	994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	1155	Revenues ($mill) A	1400
49 4	55 4	57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	88 9	91 0	Net Profit ($mill)	120
34 6%	31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	34 3%	36 0%	34 0%	Income Tax Rate	34 0%
5 1%	5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	8 5%	7 9%	Net Profit Margin	8 4%
49 6%	40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	62 0%	59 0%	Long-Term Debt Ratio	50 0%
48 8%	58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 0%	41 0%	Common Equity Ratio	50 0%
918 3	812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1725	1690	Total Capital ($mill)	1750
1141 6	1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	1765	1890	Net Plant ($mill)	2365
7 6%	9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	5 0%	5 5%	Return on Total Cap'l	7 0%
10 7%	11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12.5%	13 0%	Return on Shr Equity	13 5%
10 8%	11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12 5%	13 0%	Return on Com Equity	13 5%
2%	1 0%	4%	3 0%	4 6%	3 8%	2 4%	3 0%	NMF	1 8%	3 5%	4 5%	Retained to Com Eq	6 0%
98%	91%	96%	75%	66%	71%	79%	76%	119%	84%	72%	65%	All Div'ds to Net Prof	56%

CAPITAL STRUCTURE as of 6/30/01
Total Debt 1109 7 mill Due in 5 Yrs 815 0 mill
LT Debt $1064 7 mill LT Interest $75 0 mill
(Inc $219 7 million in trust preferred securities)
(Total interest coverage 2 5x)
Leases, Uncapitalized Annual rentals $18 3 mill
Pension Liability $6 7 mill in '00 vs $5 3 mill in '99
Pfd Stock None

Common Stock 54,807,072 shs
MARKET CAP $1 2 billion (Mid Cap)

CURRENT POSITION ($MILL)	1999	2000	6/30/01
Cash Assets	32 9	2 0	4 5
Other	124 6	97 7	173 9
Current Assets	157 5	99 7	178 4
Accts Payable	31 3	34 0	64 0
Debt Due	51 5	161 2	45 0
Other	140 1	89 6	391 3
Current Liab	222 9	284 8	500 3
Fix Chg Cov	262%	239%	235%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '98-'00 to '04-'06
Revenues	-2 5%	-4 0%	5 5%
"Cash Flow"	3 0%	2 5%	8 5%
Earnings	1 5%	--	9 5%
Dividends	1 5%	1 0%	1 0%
Book Value	2 5%	2 5%	5 0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1998	402 3	483 9	247 0	205 4	1338 6
1999	323 9	375 1	185 9	183 7	1068 6
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	375	215	250	315	1155

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1998	45	79	d 02	19	1 41
1999	28	42	12	09	91
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	70	25	20	50	1 65

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1997	27	27	27	27	1 08
1998	27	27	27	27	1 08
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co, a regulated distributor of natural gas to more than 1 8 million customers in Georgia, primarily Atlanta, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail Acq Virginia Natural Gas, 10/00 Sold Utilipro, 3/01 Has about 1,938 employees Offs /dirs own 1.1% of out com shs American Century Inv owns 5 7% of com shs (12/00 Proxy) President & CEO Paula Rosput Incorp Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404-584-9470 Internet www aglresources com

AGL Resources generated double-digit share-net growth in fiscal 2001 (ended September 30th) Earnings from its core business, gas distribution, increased 43% from the prior year, to $215 million before interest and taxes The acquisition of Virginia Natural Gas was the key factor, but cost-cutting measures further enhanced profitability Meanwhile, the company's nonutility businesses, which will likely be the main growth drivers down the road, added moderately to the bottom line in 2001 Its Energy Investments segment, which includes the company's 50% stake in SouthStar Energy Services, and AGL Networks, earned $10 million during the year. Finally, its energy-trading arm, Sequent, generated $3 5 million in profits. Looking ahead, earnings of $1 60-$1 70 a share are for the 12 months ending September 30, 2002, though the company is switching its fiscal year to the normal calendar year starting in January, 2002

The Georgia rate dispute is still an issue for AGL, and the verdict may well impact next year's bottom line Last summer, the Georgia Public Service Commission launched a rate review of AGL's Georgia utility, asserting that its return on equity (ROE) was above the allowed 11% level But AGL maintains that the utility was only generating an ROE of 9 9%, and is seeking a rate increase A decision should be made early next year

Elsewhere, the company recently made a significant step in the development of its telecom business. In November, it agreed to buy a telecommunications' network from ACSI Network Technologies for an undisclosed price The deal, scheduled to be completed by yearend, would make AGL the largest Competitive Local Exchange Carrier in the metropolitan area The purchase would also speed up AGL's entry to market, and cost less than its previously announced plans to build its own fiber network

This issue is currently a good income stock. Its dividend yield became increasingly appealing as interest rates moved downward (making cash less attractive) Too, its Price Stability rating should continue to hold strong, given that the company's profits come largely from its regulated businesses

Michael P Maloney *December 21, 2001*

(A) Fiscal year ends September 30th Ends December 31st, beginning in January 2002
(B) Diluted earnings per share Next earnings report due late Jan Excl nonrecurring gains '88, $0 15, '95, d$0 83, '99, $0 39, '00, $0 13, '01, $0 13 (C) Next dividend meeting in early Feb Goes ex in mid-Feb Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available
(D) Incl deferred chgs 9/30/00 $3 19/sh
(E) In millions, adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	10
Earnings Predictability	55

AGL RESOURCES NYSE-ATG

RECENT PRICE 23.37 | P/E RATIO 14.6 E (Trailing 15.2 / Median 15.0) | RELATIVE P/E RATIO 0.73 | DIV'D YLD 4.6% | VALUE LINE 462

High	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5	23 5		
Low	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0	20 6		

Target Price Range 2005 | 2006 | 2007

TIMELINESS 4 Lowered 10/5/01

SAFETY 2 New 7/27/90

TECHNICAL 3 Raised 2/22/02

BETA .60 (1 00 = Market)

2005-07 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+50%)	14%
Low	25	(+5%)	7%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	1	1	0	0	0	0	1	0
Options	0	1	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2001	3Q2001	4Q2001
to Buy	79	55	62
to Sell	41	59	63
Hld's(000)	25387	26336	26413

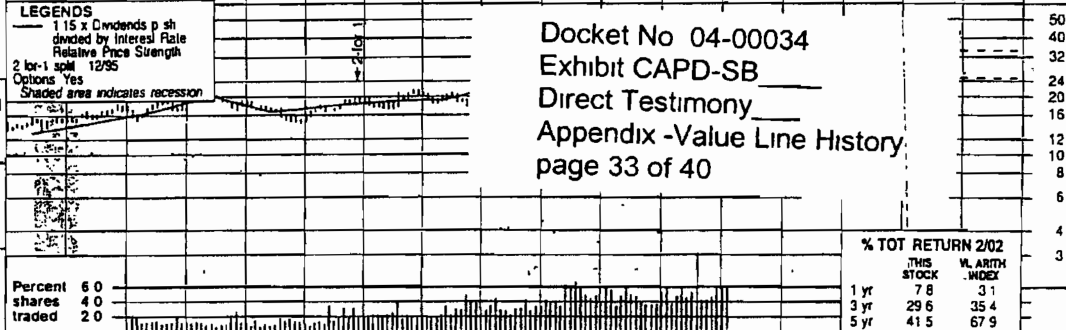

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Exhibit CAPD-SB____
Direct Testimony____
Appendix -Value Line History
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% TOT RETURN 2/02

	THIS STOCK	VL ARITH INDEX
1 yr	7 8	3 1
3 yr	29 6	35 4
5 yr	41 5	67 9

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	© VALUE LINE PUB , INC	05-07
27 58	28 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	19 04	*21 00*	*22 60*	Revenues per sh A	*27 20*
1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3 31	*3 55*	*3 75*	"Cash Flow" per sh	*4 30*
83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	*1.65*	*1 80*	Earnings per sh B	*2.10*
70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 16*
3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	*2.25*	*2 25*	Cap'l Spending per sh	*2 35*
7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 19	*12 65*	*13 70*	Book Value per sh	*16 60*
36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	55 10	*55 50*	*56 00*	Common Shs Outst'g D	*57 00*
11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	14 6	*Bold figures are*		Avg Ann'l P/E Ratio	*15 0*
80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	88	77	*Value Line*		Relative P/E Ratio	*1 00*
7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	4 9%	*estimates*		Avg Ann'l Div'd Yield	*3 7%*

CAPITAL STRUCTURE as of 12/31/01
Total Debt 1492 7 mill Due in 5 Yrs 198 5 mill
LT Debt $1015 0 mill LT Interest $75 0 mill
(Inc $218 0 million in-trust-preferred securities)
(Total interest coverage 2 3x)
Leases, Uncapitalized Annual rentals $19 4 mill
Pension Liability $6 4 mill in '01 vs $7 3 mill in '00
Pfd Stock None

Common Stock 55,568,054 shs
MARKET CAP $1 3 billion (Mid Cap)

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003		05-07
994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	*1155*	*1265*	Revenues ($mill) A	*1550*
55 4	57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	82 3	*90 5*	*100*	Net Profit ($mill)	*120*
31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	34 3%	36 0%	*34 0%*	*34 0%*	Income Tax Rate	*34 0%*
5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	7 8%	*7 9%*	*8 0%*	Net Profit Margin	*7 8%*
40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	61 3%	*60 0%*	*57 0%*	Long-Term Debt Ratio	*55 0%*
58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 7%	*40 0%*	*43 0%*	Common Equity Ratio	*45 0%*
812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1736 3	*1765*	*1805*	Total Capital ($mill)	*2100*
1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	2058 9	*2185*	*2310*	Net Plant ($mill)	*2700*
9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	6 5%	*5 5%*	*6 0%*	Return on Total Cap'l	*6 0%*
11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12 3%	*13 0%*	*13 0%*	Return on Shr Equity	*12.5%*
11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12 3%	*13 0%*	*13 0%*	Return on Com Equity	*12 5%*
1 0%	4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	3 2%	4 2%	*4 5%*	*5 0%*	Retained to Com Eq	*5 5%*
91%	96%	75%	66%	71%	74%	64%	101%	72%	65%	*65%*	*60%*	All Div'ds to Net Prof	*55%*

CURRENT POSITION ($MILL)	2000	2001	12/31/01
Cash Assets	2 0	2 8	22 3
Other	97 7	214 6	290 3
Current Assets	99 7	217 4	312 6
Accts Payable	34 0	82 4	98 0
Debt Due	161 2	348 4	477 7
Other	89 6	155 8	133 5
Current Liab	284 8	586 6	709 2
Fix Chg Cov	239%	241%	245%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '99-'01 to '05-'07
Revenues	-2 5%	-5 5%	*9 0%*
"Cash Flow"	3 5%	3 5%	*7 5%*
Earnings	2 0%	-1 0%	*9 5%*
Dividends	1 0%	0 5%	*1 0%*
Book Value	2 5%	2 5%	*6 0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1999	323 9	375 1	185 9	183 7	1068 6
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	*375*	*215*	*250*	*315*	*1155*
2003	*390*	*235*	*285*	*355*	*1265*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1999	28	42	12	09	91
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	*85*	*20*	*10*	*50*	*1 65*
2003	*85*	*25*	*15*	*55*	*1 80*

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1998	27	27	27	27	1 08
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	1 08
2002	27				

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co , a regulated distributor of natural gas to more than 1 8 million customers in Georgia, primarily Atlanta, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail Acquired Virginia Natural Gas, 10/00 Sold Utilipro, 3/01 Has about 1,938 employees Officers/directors own less than 1 0% of outstanding common shares (12/01 Proxy) President & CEO Paula Rospot Incorporated Georgia Address 303 Peachtree St , N E , Atlanta, GA 30308 Telephone 404-584-9470 Internet www aglresources com

AGL Resources appears to be making the most of a difficult environment for natural gas. Temperatures this heating season were well above normal, economic conditions have been sluggish, and storage levels remain high, all of which have pressured spot prices and weakened gas demand But, we believe that the company can still carve out year-on-year earnings growth throughout 2002. as it did in the December quarter with a share net of $0 45 (Note December 2001 Quarterly Revenues and Earnings Per Share do not appear on the page because of the fiscal year change) In the December stub period, earnings from AGL's core distribution companies were flat against 2000 despite a much weaker operating environment Warm weather hurt its Virginia Natural Gas utility, but this was mitigated by aggressive cost-efficiency measures implemented throughout 2001 Meanwhile, the company's Georgia and Tennessee utilities were protected by temperature-adjustment clauses Elsewhere, AGL got a $0 04-a-share boost from Sequent, its newly formed wholesale-services segment

The company is counting on Sequent to be a growth contributor in 2002 and 2003. The nonregulated unit generated an operating income of $3 4 million in the December period, compared to none in the prior year Also, it reported that natural-gas trading volumes grew more than 25%, to more than 2 5 billion cubic feet (Bcf), from 2 Bcf in December The Houston-based energy trading arm believes that it can continue to increase volumes as a result of the void left by the former largest energy trader, Enron

The Georgia rate dispute should be resolved during the second quarter. The Georgia Public Service Commission is reviewing AGL's Georgia utility for a potential $33 million reduction, but AGL is actually seeking a $50 million rate increase A decision date is set for April 17th, and the implementation date is scheduled for May 1st

These shares are currently a decent selection for income. AGL still has a good dividend yield, and earnings continue to come largely from regulated businesses A pickup in interest rates, however, would reduce this issue's appeal

Michael P Maloney *March 22, 2002*

(A) Fiscal year ends September 30, 2001 Ends December 31st, thereafter
(B) Diluted earnings per share Next earnings report due late Apr Excl nonrecurring gains '88, $0 15, '95, d$0 83, '99, $0 39, '00, $0 13, '01, $0 13 (C) Next dividend meeting in early May Goes ex mid May Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available (D) In millions, adjusted for stock split (E) December stub period EPS of $0 45 included in P/E calculation

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	10
Earnings Predictability	60

003369

AGL RESOURCES NYSE-ATG

RECENT PRICE 22.39 | P/E RATIO 13.6E (Trailing 14 0; Median 15 0) | RELATIVE P/E RATIO 0.74 | DIV'D YLD 4.8% | VALUE LINE 461

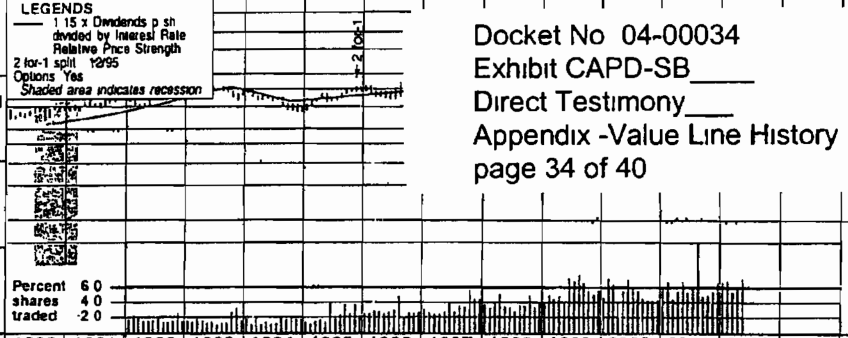
TIMELINESS	3	Raised 5/10/02
SAFETY	2	New 7/27/90
TECHNICAL	3	Raised 5/31/02

BETA 60 (1 00 = Market)

High	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5	24 3
Low	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0	20 6

Target Price Range 2005 | 2006 | 2007

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for-1 split 12/95
Options Yes
Shaded area indicates recession



Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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2005-07 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+55%)	16%
Low	25	(+10%)	8%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	0	0	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	1
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	3Q2001	4Q2001	1Q2002
to Buy	55	62	67
to Sell	59	63	49
Hld's(000)	26336	26413	27120

Percent shares traded 6 0 / 4 0 / 2 0

% TOT RETURN 5/02

	THIS STOCK	VL ARITH. INDEX
1 yr	2 1	-0 2
3 yr	34 3	22 2
5 yr	48 2	62 4

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	© VALUE LINE PUB, INC	05-07
27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	19 04	*28 15*	*31 25*	Revenues per sh A	*37 70*
1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3 31	*3 50*	*3 80*	"Cash Flow" per sh	*4 30*
83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	*1 65*	*1 80*	Earnings per sh B	*2 10*
70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 16*
3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	*3 50*	*3 50*	Cap'l Spending per sh	*2 65*
7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 19	*12 65*	*13 40*	Book Value per sh	*16 30*
36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	55 10	*56 00*	*56 00*	Common Shs Outst'g D	*57 00*
11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	14 6	*Bold figures are*		Avg Ann'l P/E Ratio	*15 0*
80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	88	77	*Value Line*		Relative P/E Ratio	*1 00*
7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	4 9%	*estimates*		Avg Ann'l Div'd Yield	*3 7%*

CAPITAL STRUCTURE as of 3/31/02
Total Debt 1374 8 mill Due in 5 Yrs 198 5 mill
LT Debt $1014 9 mill LT Interest $75 0 mill
(Inc $217 9 million in trust-preferred securities)
(Total interest coverage 2 6x)
Leases, Uncapitalized Annual rentals $19 4 mill
Pension Liability $6 4 mill in '01 vs $7 3 mill in '00
Pfd Stock None

Common Stock 55,895,597 shs
MARKET CAP $1 3 billion (Mid Cap)

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003		05-07
994 5	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	*1575*	*1750*	Revenues ($mill) A	*2150*
55 4	57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	82 3	*90 0*	*100*	Net Profit ($mill)	*120*
31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	34 3%	36 0%	*35 0%*	*35 0%*	Income Tax Rate	*35 0%*
5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	7 8%	*5 7%*	*5 8%*	Net Profit Margin	*5 6%*
40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45.9%	61 3%	*60 0%*	*58 0%*	Long-Term Debt Ratio	*55 0%*
58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 7%	*40 0%*	*42 0%*	Common Equity Ratio	*45 0%*
812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1736 3	*1775*	*1785*	Total Capital ($mill)	*2085*
1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	2058 9	*2210*	*2360*	Net Plant ($mill)	*2810*
9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	6 5%	*5 5%*	*6 0%*	Return on Total Cap'l	*6 0%*
11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12 3%	*12 5%*	*12.5%*	Return on Shr Equity	*13 0%*
11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12 3%	*12.5%*	*12 5%*	Return on Com Equity	*13 0%*
1 0%	4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	3 2%	4 2%	*4 5%*	*5 5%*	Retained to Com Eq	*6 0%*
91%	96%	75%	66%	71%	74%	64%	101%	72%	65%	*66%*	*60%*	All Div'ds to Net Prof	*55%*

CURRENT POSITION ($MILL)	2000	2001	3/31/02
Cash Assets	2 0	2 8	15 3
Other	97 7	214 6	311 6
Current Assets	99 7	217 4	326 9
Accts Payable	34 0	82 4	153 8
Debt Due	161 2	348 4	359 9
Other	89 6	155 8	271 8
Current Liab	284 8	586 6	785 5
Fix Chg Cov	239%	241%	245%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '99-'01 to '05-'07
Revenues	-2 5%	-5 5%	15 0%
"Cash Flow"	3 5%	3 5%	7 5%
Earnings	2 0%	-1 0%	9 5%
Dividends	1 0%	0 5%	1 0%
Book Value	2 5%	2 5%	5 5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1999	323 9	375 1	185 9	183 7	1068 6
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	492 9	*315*	*350*	*417 1*	*1575*
2003	*530*	*355*	*390*	*475*	*1750*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1999	28	42	12	09	91
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	89	*20*	*10*	*46*	*1 65*
2003	*90*	*25*	*15*	*50*	*1 80*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1998	27	27	27	27	1 08
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	1 08
2002	27	27			

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co, a regulated distributor of natural gas to more than 1 8 million customers in Georgia, primarily Atlanta, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail Acquired Virginia Natural Gas, 10/00 Sold Utilipro, 3/01 Has about 1,938 employees Officers/directors own less than 1 0% of outstanding common shares (12/01 Proxy) President & CEO Paula Rospot Incorporated Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404-584-9470 Internet www aglresources com

AGL Resources is performing well thus far in 2002. Despite lower year-over-year gas demand, it earned $0 89 a share in the first quarter, versus $0 83 in the prior March period In the company's distribution segment, its Virginia Natural Gas subsidiary experienced lower revenues and margin pressures due to mild weather The declines were mostly offset, however, by cost-cutting measures, such as lower headcount Too, call centers are being consolidated for greater efficiency Meanwhile, AGL's Georgia distributor, Atlanta Gas Light, is benefiting from higher fees that it's charging to marketers for gas storage Elsewhere, the company's holding in SouthStar, a nonregulated retail gas marketing venture, contributed $5 2 million to earnings in the first quarter, as its customer base grew 12%, to 60,000 customers, from March, 2001

AGL has resolved its rate dispute with the Georgia Public Service Commission (GPSC). Effective May 1, 2002, the base rates for Atlanta Gas Light's customers will be reduced by $10 million annually for the next three years In return, the utility can continue to earn a return on equity (ROE) of 11% Also, it can only file for a rate increase in the next three years if its ROE falls below 10%, and it must forfeit 75% of all returns above 12% to gas customers Finally, Atlanta Gas Light must file a rate case on May 1, 2005. The corporation indicated that the resolution will reduce share net by $0 02 in 2002 Our full-year estimate remains unchanged at $1 65 a share

The company is expanding into the telecommunications business. It received approval from the GPSC in April to build networks in Atlanta Its telecom operation is coming along more slowly than expected due to overall weakness in the sector, but AGL stated that the unit should still post a profit by yearend It is not engaging in all aspects of the business, but rather it is leveraging AGL's existing gas pipeline systems to lay fiber-optic wiring along those networks

These shares are a good selection for income-oriented investors. This issue has a healthy yield, while the company's developing businesses should help it achieve a higher return on equity

Michael P Maloney *June 21, 2002*

(A) Fiscal year ends December 31st Ended September 30th prior to 2002 (B) Diluted earnings per share Next earnings report due late Jul Excl nonrecurring gains '88,-$0 15, '95, d$0 83, '99, $0 39, '00, $0 13, '01, $0 13 (C) Next dividend meeting in early Aug Goes ex mid-Aug Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available (D) In millions, adjusted for stock split (E) December stub period EPS of $0 45 included in P/E calculation

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	10
Earnings Predictability	60

AGL RESOURCES NYSE-ATG

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
23.33	13.6 (Trailing 17.0 / Median 15.0)	0.83	4.6%	461

TIMELINESS 3 Raised 5/10/02
SAFETY 2 New 7/27/90
TECHNICAL 3 Raised 5/31/02
BETA .70 (1.00 = Market)

High	18.8	19.5	21.3	19.4	20.0	22.0	21.6	23.4	23.4	23.2	24.5	24.3
Low	14.9	15.1	17.0	14.6	14.9	17.1	17.8	17.7	15.6	15.5	19.0	17.3

LEGENDS
— 1.15 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 12/95
Options: Yes
Shaded area indicates recession

Docket No 04-00034
Exhibit CAPD-SB____
Direct Testimony___
Appendix -Value Line History
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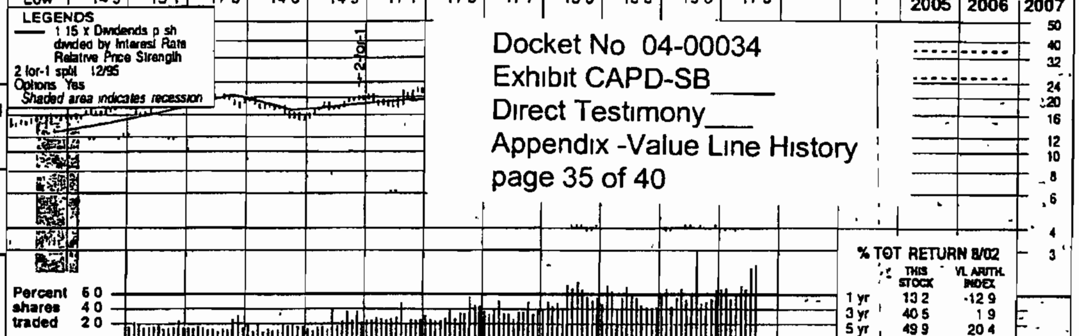


Target Price Range 2005 | 2006 | 2007
50 40 32 24 20 16 12 10 8 6 4 3

2005-07 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+50%)	14%
Low	25	(+5%)	7%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	1	0	0	0	0	0	0	1
Options	0	0	0	0	0	1	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	4Q2001	1Q2002	2Q2002
to Buy	62	67	65
to Sell	63	49	55
Hld's(000)	26413	27120	27647

% TOT RETURN 8/02

	THIS STOCK	VL ARITH. INDEX
1 yr	13.2	-12.9
3 yr	40.5	1.9
5 yr	49.9	20.4

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	© VALUE LINE PUB., INC.	05-07
27.58	26.24	22.97	21.63	22.58	20.26	20.43	22.73	23.59	19.32	21.91	22.75	23.36	18.71	11.25	19.04	40.20	41.25	Revenues per sh A	46.25
1.52	1.84	1.90	1.93	2.04	2.07	2.31	2.25	2.24	2.33	2.49	2.42	2.65	2.29	2.86	3.31	3.30	3.50	"Cash Flow" per sh	3.95
.83	1.02	1.13	.95	1.01	1.04	1.13	1.08	1.17	1.33	1.37	1.37	1.41	.91	1.29	1.50	1.70	1.80	Earnings per sh A B	2.10
.70	.80	.88	.94	.98	1.02	1.03	1.04	1.04	1.04	1.06	1.08	1.08	1.08	1.08	1.08	1.08	1.08	Div'ds Decl'd per sh C ■	1.08
3.30	3.59	2.86	2.65	2.73	2.95	2.74	2.49	2.37	2.17	2.37	2.59	2.05	2.51	2.92	2.83	3.05	3.00	Cap'l Spending per sh	2.85
7.59	7.89	8.72	8.83	8.97	9.42	9.70	9.90	10.19	10.12	10.56	10.99	11.42	11.59	11.50	12.19	12.95	13.35	Book Value per sh	17.15
36.55	37.48	42.47	43.40	44.32	47.57	48.69	49.72	50.86	55.02	55.70	56.60	57.30	57.10	54.00	55.10	56.00	57.00	Common Shs Outst'g D	60.00
11.8	11.5	11.1	13.7	14.2	15.3	15.5	17.9	15.1	12.6	13.8	14.7	13.9	21.4	13.6	14.6	*Bold figures are*	*Value Line estimates*	Avg Ann'l P/E Ratio	15.0
.80	.77	.92	1.04	1.05	.98	.94	1.06	.99	.84	.86	.85	.72	1.22	.88	.77			Relative P/E Ratio	1.00
7.1%	6.8%	7.1%	7.2%	6.8%	6.4%	5.9%	5.4%	5.9%	6.2%	5.6%	5.4%	5.5%	5.5%	6.2%	4.9%			Avg Ann'l Div'd Yield	3.4%

CAPITAL STRUCTURE as of 6/30/02
Total Debt $1065.5 mill. Due in 5 Yrs $198.5 mill.
LT Debt $1017.5 mill. LT Interest $70.0 mill.
(Inc. $220.5 million in trust-preferred securities)
(Total interest coverage: 2.6x)
Leases, Uncapitalized Annual rentals $19.4 mill.
Pension Liability $6.4 mill. in '01 vs. $7.3 mill. in '00
Pfd Stock None

Common Stock 56,134,127 shs.
MARKET CAP: $1.3 billion (Mid Cap)

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003		05-07
994.6	1130.3	1199.9	1063.0	1220.2	1287.6	1338.6	1068.6	607.4	1049.3	2240	2350	Revenues ($mill) A	2775
55.4	57.5	63.2	74.3	75.6	76.6	80.6	52.1	71.1	82.3	95.0	105	Net Profit ($mill)	125
31.6%	32.9%	35.2%	36.9%	38.6%	37.9%	32.5%	33.1%	34.3%	36.0%	34.0%	34.0%	Income Tax Rate	34.0%
5.6%	5.1%	5.3%	7.0%	6.2%	5.9%	6.0%	4.9%	11.7%	7.8%	4.2%	4.4%	Net Profit Margin	4.6%
40.2%	40.5%	49.0%	47.4%	46.2%	48.7%	47.5%	45.3%	45.9%	61.3%	60.0%	58.0%	Long-Term Debt Ratio	55.0%
58.1%	53.1%	45.8%	47.6%	48.9%	45.9%	47.1%	49.2%	48.3%	38.7%	40.0%	42.0%	Common Equity Ratio	45.0%
812.7	925.7	1131.5	1170.3	1201.3	1356.4	1388.4	1345.8	1286.2	1736.3	1815	1880	Total Capital ($mill)	2280.5
1217.9	1281.3	1297.4	1350.3	1415.4	1496.6	1534.0	1598.9	1637.5	2058.9	2230	2400	Net Plant ($mill)	2910
9.4%	8.6%	7.5%	8.2%	8.0%	7.3%	7.6%	5.7%	7.4%	6.5%	5.5%	6.0%	Return on Total Cap'l	6.0%
11.4%	10.4%	11.0%	12.1%	11.7%	11.0%	11.1%	7.1%	10.2%	12.3%	13.0%	13.0%	Return on Shr. Equity	12.5%
11.5%	10.8%	11.3%	12.5%	12.1%	11.3%	12.3%	7.9%	11.5%	12.3%	13.0%	13.0%	Return on Com Equity	12.5%
1.0%	.4%	3.0%	4.6%	3.8%	3.2%	4.4%	NMF	3.2%	4.2%	4.5%	5.5%	Retained to Com Eq	6.0%
91%	96%	75%	66%	71%	74%	64%	101%	72%	65%	65%	59%	All Div'ds to Net Prof	51%

CURRENT POSITION ($MILL.)	2000	2001	6/30/02
Cash Assets	2.0	2.8	4.3
Other	97.7	214.6	377.3
Current Assets	99.7	217.4	381.6
Accts Payable	34.0	82.4	50.7
Debt Due	161.2	348.4	48.0
Other	89.6	155.8	741.8
Current Liab.	284.8	586.6	840.5
Fix. Chg. Cov.	239%	241%	245%

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '99-'01 to '05-'07
Revenues	-2.5%	-5.5%	19.0%
"Cash Flow"	3.5%	3.5%	6.0%
Earnings	2.0%	-1.0%	9.5%
Dividends	1.0%	0.5%	Nil
Book Value	2.5%	2.5%	6.5%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill.) A Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1999	323.9	375.1	185.9	183.7	1068.6
2000	182.3	160.1	131.8	133.2	607.4
2001	294.8	350.6	175.7	228.2	1049.3
	Mar.31	Jun.30	Sep.30	Dec.31	
2002	492.9	570.1	575	602	2240
2003	545	590	600	615	2350

Fiscal Year Ends	EARNINGS PER SHARE A B Dec.31	Mar.31	Jun.30	Sep.30	Full Fiscal Year
1999	.28	.42	.12	.09	.91
2000	.30	.41	.26	.32	1.29
2001	.41	.83	.17	.09	1.50
	Mar.31	Jun.30	Sep.30	Dec.31	
2002	.89	.22	.15	.44	1.70
2003	.90	.25	.15	.50	1.80

Cal-endar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
1998	.27	.27	.27	.27	1.08
1999	.27	.27	.27	.27	1.08
2000	.27	.27	.27	.27	1.08
2001	.27	.27	.27	.27	1.08
2002	.27	.27	.27		

BUSINESS: AGL Resources, Inc. is a holding company. Its principal subsidiary is Atlanta Gas Light Co., a regulated distributor of natural gas to more than 1.8 million customers in Georgia, primarily Atlanta, and in southern Tennessee. Also engaged in nonregulated natural gas marketing and other, allied services. Also wholesales and retails propane. Nonregulated subsidiaries: Georgia Natural Gas Services markets natural gas at retail. Acquired Virginia Natural Gas, 10/00. Sold Utilipro, 3/01. Has about 1,938 employees. Officers/directors own less than 1.0% of outstanding common shares (12/01 Proxy). President & CEO: Paula Rosput. Incorporated: Georgia. Address: 303 Peachtree St., N.E., Atlanta, GA 30308. Telephone: 404-584-9470. Internet: www.aglresources.com.

Cost efficiencies in AGL Resources' utilities are driving earnings results. The company reported a profit of $0.22 a share in the second quarter, a 29% advance from the year-earlier period. This comes despite a settlement for an annual base rate decrease of $10 million from AGL's Georgia public utility, AGLC, that became effective on May 1st. Too, AGLC has experienced a decline in customer accounts over the past year. Nonetheless, AGL managed to achieve year-over-year earnings growth from its gas distribution businesses through lower operation, maintenance, and depreciation expenses. The company has reduced headcount by 230 since last year, trimmed bad debt expense at its Tennessee and Virginia gas utility subsidiaries, and cut depreciation expense as a direct result of AGLC's new performance-based rate plan. Moreover, AGL Resources intends to take additional cost-cutting measures before yearend.

The nonregulated businesses are operating at a net loss. Performance at Sequent, the company's trading and risk management unit, declined, despite increased transactions flow, because of low price volatility, as well as higher operating expenses. Meanwhile, the telecommunications unit, AGL Networks, remains unprofitable. AGL's energy marketing joint venture with Dynegy and Piedmont, SouthStar, did turn a profit, however, as a result of lower wholesale natural gas costs relative to retail prices.

AGL is taking a "contrarian" approach to its nonutility activities. It began to build AGL Networks when the telecommunications industry fell on hard times and companies in bankruptcy were forced to sell assets. Now, it is enhancing the Sequent unit at a time when energy traders have come under duress. That's because AGL believes that these businesses hold considerable, untapped profit potential.

These shares remain a good selection for income investors. The company generates over 90% of earnings from utility operations, while its nonregulated businesses hold opportunity for higher profits. Also, AGL has expressed commitment to maintaining its dividend, and the stock retains excellent price stability.

Michael P. Maloney *September 20, 2002*

(A) Fiscal year ends December 31st. Ended September 30th prior to 2002. (B) Diluted earnings per share. Next earnings report due late Oct. Excl. nonrecurring gains: '88, $0.15; '95, d$0.83; '99, $0.39; '00, $0.13; '01, $0.13. (C) Next dividend meeting in early Nov. Goes ex mid-Nov. Approx. div'd payment dates: March 1, June 1, Sept. 1, Dec. 1. ■ Div'd reinvest. plan available. (D) In millions, adjusted for stock split.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	20
Earnings Predictability	60

AGL RESOURCES NYSE-ATG

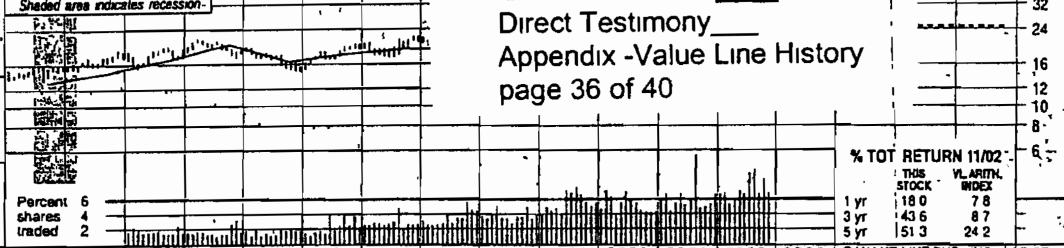
RECENT PRICE 24.30 | P/E RATIO 13.6 (Trailing 17 7 / Median 15 0) | RELATIVE P/E RATIO 0.86 | DIV'D YLD 4.4% | VALUE LINE 460

TIMELINESS 3 Raised 5/10/02
SAFETY 2 New 7/27/90
TECHNICAL 2 Raised 11/15/02
BETA 75 (1 00 = Market)

High	18 8	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5	24 5
Low	14 9	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0	17 3

Target Price Range 2005 | 2006 | 2007

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for-1 split 12/95
Options Yes
Shaded area indicates recession



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Direct Testimony___
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2005-07 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+45%)	13%
Low	25	(+5%)	5%

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	1	0	1	0
Options	0	0	1	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2002	2Q2002	3Q2002
to Buy	67	65	73
to Sell	49	55	59
Hld's(000)	27120	27647	28389

Percent shares traded 6 4 2

% TOT RETURN 11/02

	THIS STOCK	VL ARITH. INDEX
1 yr	18 0	7 8
3 yr	43 6	8 7
5 yr	51 3	24 2

1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	© VALUE LINE PUB., INC	05-07
27 58	26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	19 04	15 50	17 10	Revenues per sh A E	20 85
1 52	1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3 31	3 30	3 55	"Cash Flow" per sh	3 95
83	1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	1 75	1 85	Earnings per sh A B	2 10
70	80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	1 08	1 08	Div'ds Decl'd per sh C■	1 08
3 30	3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	3 05	3 00	Cap'l Spending per sh	2 85
7 59	7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 19	12 85	13 95	Book Value per sh	17 50
36 55	37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	55 10	56 50	57 00	Common Shs Outst'g D	60 00
11 8	11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	14 6	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	15 0
80	77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	88	77			Relative P/E Ratio	1 00
7 1%	6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	4 9%			Avg Ann'l Div'd Yield	3 4%
						994 6	1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	875	975	Revenues ($mill) A E	1250
						55 4	57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	82 3	95 0	105	Net Profit ($mill)	130
						31 6%	32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	34 3%	36 0%	34 0%	34 0%	Income Tax Rate	34 0%
						5 6%	5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	7 8%	11 0%	10 9%	Net Profit Margin	10 3%
						40 2%	40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	61 3%	60 0%	58 0%	Long-Term Debt Ratio	55 0%
						58 1%	53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 7%	40 0%	42 0%	Common Equity Ratio	45 0%
						812 7	925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1736 3	1815	1885	Total Capital ($mill)	2300
						1217 9	1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	2058 9	2230	2400	Net Plant ($mill)	2910
						9 4%	8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	6 5%	5 5%	6 0%	Return on Total Cap'l	6 0%
						11 4%	10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12 3%	13 0%	13 5%	Return on Shr Equity	12 0%
						11 5%	10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12 3%	13 0%	13 5%	Return on Com Equity	12 0%
						1 0%	4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	3 2%	4 2%	5 0%	5 5%	Retained to Com Eq	6 0%
						91%	96%	75%	66%	71%	74%	64%	101%	72%	65%	63%	58%	All Div'ds to Net Prof	51%

CAPITAL STRUCTURE as of 9/30/02
Total Debt 1390 7 mill Due in 5 Yrs 368 2 mill
LT Debt $1022 5 mill LT Interest $70 0 mill
(Inc $225 5 million in trust-preferred securities)
(Total interest coverage 2 6x)
Leases, Uncapitalized Annual rentals $19 4 mill
Pension Liability $6 4 mill in '01 vs $7 3 mill in '00
Pfd Stock None

Common Stock 56,313,165 shs
MARKET CAP $1 4 billion (Mid Cap)

CURRENT POSITION ($MILL)	2000	2001	9/30/02
Cash Assets	2 0	2 8	6 1
Other	97 7	214 6	344 8
Current Assets	99 7	217 4	350 9
Accts Payable	34 0	82 4	36 5
Debt Due	161 2	348 4	368 2
Other	89 6	155 8	342 7
Current Liab	284 8	586 6	747 4
Fix Chg Cov	239%	241%	245%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '99-'01 to '05-'07
Revenues	-2 5%	-5 5%	4 0%
"Cash Flow"	3 5%	3 5%	6 0%
Earnings	2 0%	-1 0%	9 5%
Dividends	1 0%	0 5%	Nil
Book Value	2 5%	2 5%	7 0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1999	323 9	375 1	185 9	183 7	1068 6
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	173 4	255 1	190 7E	255 8	875
2003	195	280	215	285	975

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
1999	28	42	12	09	91
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	89	22	17	47	1 75
2003	90	25	20	50	1 85

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1998	27	27	27	27	1 08
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	1 08
2002	27	27	27	27	

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co, a regulated distributor of natural gas to more than 1 8 million customers in Georgia, primarily Atlanta, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail Acquired Virginia Natural Gas, 10/00 Sold Utilipro, 3/01 Has about 1,938 employees Officers/directors own less than 1 0% of outstanding common shares (12/01 Proxy) President & CEO Paula Rospot Incorporated Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404-584-9470 Internet www aglresources com

AGL Resources' core utilities are producing good results. Earnings before interest and taxes (EBIT) from the company's distribution operations during the most recent quarter rose by $3 3 million, to $45 million, versus a year ago The segment benefited from lower corporate overhead costs, as well as reduced bad debt expense at the Chattanooga Gas subsidiary Higher revenues and lower depreciation expense at Atlanta Gas Light provided an additional boost to earnings These factors should continue to support earnings growth in AGL's Distribution segment during the quarter now ending into 2003 We also look for a positive contribution from the Virginia Natural Gas subsidiary It recently became the first gas distributor in Virginia to obtain regulatory approval for implementation of weather normalization adjustment clauses

The Wholesale Services division is also doing well. Sequent Energy Management, AGL's asset optimization and energy trading and marketing company, posted EBIT of $1 3 million during the most recent quarterly financial period, compared to a $5 5 million loss a year earlier The unit experienced higher revenues and improved operating margin due to two hurricanes, along with a stretch a warmer-than-normal weather in the Northeast Going forward, profitability will likely expand, as counterparties look toward the narrowing band of creditworthy traders, such as Sequent, in the merchant energy sector

AGL's Energy Investments group is climbing closer to breakeven. It reported an EBIT loss of $3 2 million in the third quarter, versus a $10 1 million deficit in the September, 2001 period SouthStar Energy, a joint venture that markets natural gas in the southeastern U S, has shown little improvement on a recurring basis and continues to operate in the red, but AGL's propane and telecommunications subdivisions recorded $1 2 million and $1 0 million EBIT advances, respectively

This good-quality issue is a reliable choice for income investors. AGL generates about 90% of earnings from utility operations, and it is committed to maintaining its current dividend

Michael P Maloney *December 20, 2002*

(A) Fiscal year ends December 31st Ended September 30th prior to 2002 (B) Diluted earnings per share Next earnings report due late Jan Excl nonrecurring gains (losses) '88, $0 15, '95, d$0 83, '99, $0 39, '00, $0 13, '01, $0 13 (C) Next dividend meeting in early Feb Goes ex mid-Feb Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available (D) In millions, adjusted for stock split (E) Reflects chg in revenue recognition for energy trading beginning in 3Q'02

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	15
Earnings Predictability	60

AGL RESOURCES NYSE-ATG

RECENT PRICE	22.27	P/E RATIO	11.7 (Trailing 12.2 / Median 15 0)	RELATIVE P/E RATIO	0.85	DIV'D YLD	4.8%	VALUE LINE	460

TIMELINESS 3 Raised 5/10/02
SAFETY 2 New 7/27/90
TECHNICAL 2 Raised 3/7/03
BETA 75 (1 00 = Market)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
High	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5	25 0	25 4
Low	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0	17 3	21 9

Target Price Range 2006 2007 2008

2006-08 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+55%)	16%
Low	25	(+10%)	8%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	1	0	1	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2002	3Q2002	4Q2002
to Buy	65	73	98
to Sell	55	59	45
Hld's(000)	27647	28389	28832

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for 1 split 12/95
Options Yes
Shaded area indicates recession

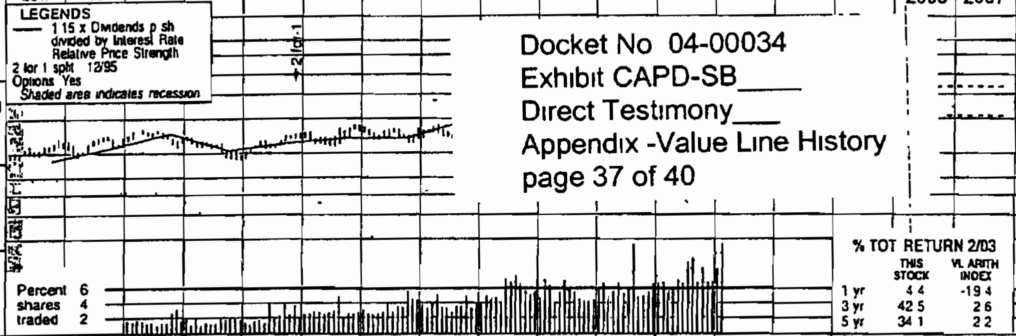

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Exhibit CAPD-SB____
Direct Testimony___
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% TOT RETURN 2/03

	THIS STOCK	VL ARITH INDEX
1 yr	4 4	-19 4
3 yr	42 5	2 6
5 yr	34 1	2 2

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB , INC	06-08
26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	19 04	*15 40*	*15 50*	*16 65*	Revenues per sh A	*20 00*
1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2.42	2 65	2 29	2 86	3 31	*3 40*	*3.25*	*3 55*	"Cash Flow" per sh	*3 90*
1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	1 82	*1 85*	*1 95*	Earnings per sh A B	*2 10*
80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	1 08	*1 08*	*1 08*	Div'ds Decl'd per sh C■	*1 08*
3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	*3 00*	*2 70*	*2 70*	Cap'l Spending per sh	*2 60*
7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 19	*13 00*	*12 65*	*13 90*	Book Value per sh	*17 60*
37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	55 10	*56 50*	*63 00*	*63 00*	Common Shs Outst'g D	*65 00*
11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	14 6	12 5	*Bold figures are*		Avg Ann'l P/E Ratio	*15 0*
77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	88	75	66	*Value Line*		Relative P/E Ratio	*1 00*
6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	4 9%	4 7%	*estimates*		Avg Ann'l Div'd Yield	*3 4%*

CAPITAL STRUCTURE as of 9/30/02
Total Debt 1390 7 mill Due in 5 Yrs 368 2 mill
LT Debt $1022 5 mill LT Interest $70 0 mill
(Inc $225 5 million in trust preferred securities)
(Total interest coverage 2 6x)
Leases, Uncapitalized Annual rentals $19 4 mill
Pension Liability $6 4 mill in '01 vs $7 3 mill in '00
Pfd Stock None

Common Stock 56,313,165 shs
MARKET CAP $1 3 billion (Mid Cap)

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		06-08
1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	868 9	*975*	*1050*	Revenues ($mill) A	*1300*
57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	82 3	102 9	*110*	*125*	Net Profit ($mill)	*135*
32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	34 3%	40 7%	36 0%	*36 0%*	*36 0%*	Income Tax Rate	*36 0%*
5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	7 8%	11 8%	*11 4%*	*11 7%*	Net Profit Margin	*10 5%*
40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	61 3%	*60 0%*	*58 0%*	*55 0%*	Long-Term Debt Ratio	*54 0%*
53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 7%	*40 0%*	*42 0%*	*45 0%*	Common Equity Ratio	*46 0%*
925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1736 3	*1825*	*1890*	*1965*	Total Capital ($mill)	*2485*
1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	2058 9	*2230*	*2400*	*2600*	Net Plant ($mill)	*2900*
8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	6 5%	*6 0%*	*6.0%*	*6 5%*	Return on Total Cap'l	*5 5%*
10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12 3%	*14 0%*	*14 0%*	*14 0%*	Return on Shr' Equity	*12 0%*
10 8%	11 3%	12 5%	12 1%	11.3%	12 3%	7 9%	11 5%	12 3%	*14 0%*	*14 0%*	*14 0%*	Return on Com Equity	*12 0%*
4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	3 2%	4 2%	*5 5%*	*5 5%*	*6 5%*	Retained to Com Eq	*6 0%*
96%	75%	66%	71%	74%	64%	101%	72%	65%	*59%*	*61%*	*55%*	All Div'ds to Net Prof	*51%*

CURRENT POSITION ($MILL)	2000	2001	9/30/02
Cash Assets	2 0	2 8	6 1
Other	97 7	214 6	344 8
Current Assets	99 7	217 4	350 9
Accts Payable	34 0	82 4	36 5
Debt Due	161 2	348 4	368 2
Other	89 6	155 8	342 7
Current Liab	284 8	586 6	747 4
Fix Chg Cov	239%	241%	*245%*

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '99-'01 to '06-'08
Revenues	-2 5%	-5 5%	*3 0%*
"Cash Flow"	3 5%	3 5%	*4 5%*
Earnings	2 0%	-1 0%	*8 0%*
Dividends	1 0%	0 5%	*Nil*
Book Value	2 5%	2 5%	*6 0%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	173 4	255 1	190 7	249 7	868 9
2003	*195*	*280*	*215* -	*285*	*975*
2004	*220*	*305*	*230*	*295*	*1050*

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	89	21	17	55	1 82
2003	*90*	*25*	*20*	*50*	*1 85*
2004	*90*	*30*	*20*	*55*	*1 95*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	1 08
2002	27	27	27	27	1 08
2003	27				

BUSINESS AGL Resources, Inc is a holding company Its principal subsidiary is Atlanta Gas Light Co , a regulated distributor of natural gas to more than 1 8 million customers in Georgia, primarily Atlanta, Virginia, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail Acquired Virginia Natural Gas, 10/00 Sold Utilipro, 3/01 Has about 1,938 employees Officers/directors own less than 1 0% of outstanding common shares (1/02 Proxy) President & CEO Paula Rosput In corporated Georgia Address 303 Peachtree St , N E , Atlanta, GA 30308 Telephone 404-584-9470 Internet www aglresources com

We look for modest earnings growth from AGL Resources this year The company is coming off a strong performance in 2002, as it earned $1 82 a share, compared to $1 50 a share in 2001 *(Note AGL changed its fiscal year to a calendar-year basis in 2002)* Its core utility businesses in Georgia, Tennessee, and Virginia fueled the advance Earnings were lifted by reduced payroll and benefit expenses, decreases in bad debt, and lower depreciation Also, operating margins improved due to AGL's successful pipeline replacement program at the Georgia utility, a beneficial weather normalization program at the Virginia distributor, as well as customer growth at the Virginia and Tennessee utilities

The company's nonutility businesses should provide a larger contribution to earnings in 2003 These operations generated about 13% of AGL's earnings before interest and taxes last year Its energy trading unit, Sequent, has capitalized on significant weather- and supply-related price volatility Meantime, the company is in the process of expanding its interest in SouthStar, a natural gas marketer in the southeastern U S It has agreed to buy Dynergy's 20% stake in the entity for around $20 million The deal, pending Georgia regulatory approval, would increase AGL's ownership to about 70%

AGL Resources recently launched an equity offering. In February, the company completed the sale of 6 44 million shares of common stock at a price of $22 per share It raised net proceeds of approximately $137 million, which will be used to repay short-term debt and for general corporate purposes The issuance also assists the company's efforts to reduce financial leverage

This issue is a good-quality income stock. It offers an adequate dividend yield and has provided a high level of share-price stability over the past decade Most of the company's profits continue to be derived from utility operations, which are less volatile than nonutility activity earnings Still, it is worth mentioning that AGL's nonregulated enterprises, though small, are boosting earnings at a time when many energy traders and marketers are recording lower profits or losses

Michael P Maloney *March 21, 2003*

(A) Fiscal year ends December 31st Ended September 30th prior to 2002 (B) Diluted earnings per share Next earnings report due late Apr Excl nonrecurring gains (losses) '88, $0 15, '95, d$0 83, '99, $0 39, '00, $0 13, '01, $0 13 (C) Next dividend meeting in early May Goes ex mid-May Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available (D) In millions, adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	20
Earnings Predictability	65

003373

AGL RESOURCES NYSE-ATG

RECENT PRICE 26.16 | P/E RATIO 13.8 (Trailing 13 7 / Median 14 0) | RELATIVE P/E RATIO 0.82 | DIV'D YLD 4.3% | VALUE LINE 459.

TIMELINESS 3 Raised 5/10/02

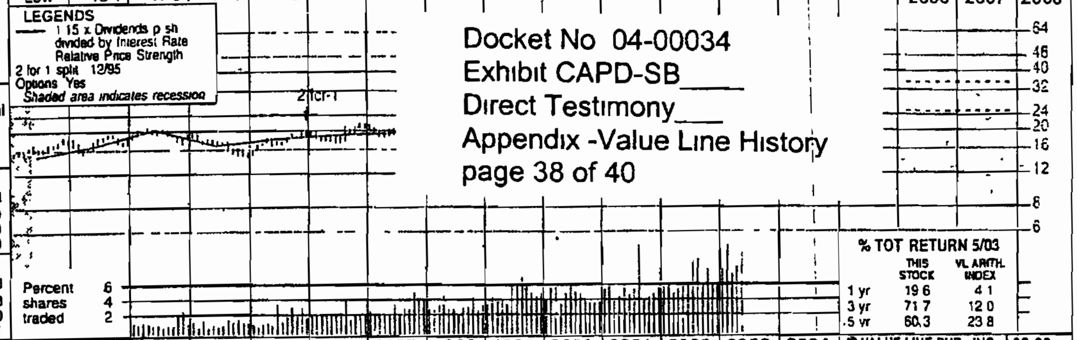
SAFETY 2 New 7/27/90

TECHNICAL 3 Lowered 4/4/03

BETA 75 (1 00 = Market)

High	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5	25 0	27 0		Target Price Range
Low	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0	17 3	21 9		2006 2007 2008

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
···· Relative Price Strength
2 for 1 split 12/95
Options Yes
Shaded area indicates recession



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2006-08 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+35%)	11%
Low	25	(-5%)	3%

Insider Decisions

	J	A	S	O	N	D	J	F	M
to Buy	0	1	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	1	0

Institutional Decisions

	3Q2002	4Q2002	1Q2003
to Buy	73	98	103
to Sell	59	45	50
Hld's(000)	28389	28832	34881

Percent shares traded 6 4 2

% TOT RETURN 5/03

	THIS STOCK	VL ARITH. INDEX
1 yr	19 6	4 1
3 yr	71 7	12 0
5 yr	60.3	23 8

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB., INC	06-08
26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	19 04	15 32	*17 70*	*18 50*	Revenues per sh A	*20 40*
1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3 31	3 39	*3 35*	*3 60*	"Cash Flow" per sh	*3 95*
1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	1 82	*1 90*	*2 00*	Earnings per sh A B	*2 15*
80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 06	1 08	1 08	*1 11*	*1 12*	Div'ds Decl'd per sh C■	*1 12*
3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	3 30	*2 70*	*2 70*	Cap'l Spending per sh	*2 60*
7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 19	12 52	*14 55*	*15 80*	Book Value per sh	*19 55*
37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	55 10	56 70	*63 50*	*63 50*	Common Shs Outst'g D	*65 00*
11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	14 6	12 5	*Bold figures are*		Avg Ann'l P/E Ratio	*15 0*
77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	88	75	68	*Value Line*		Relative P/E Ratio	*1 00*
6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	4 9%	4 7%	*estimates*		Avg Ann'l Div'd Yield	*3 7%*
						1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	868 9	*1125*	*1175*	Revenues ($mill) A	*1325*
						57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	82 3	103 0	*120*	*130*	Net Profit ($mill)	*140*
						32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33.1%	34 3%	40 7%	36 0%	*36 0%*	*36 0%*	Income Tax Rate	*36 0%*
						5 1%	5 3%	7 0%	5 2%	5 9%	6 0%	4 9%	11 7%	7 8%	11 9%	*10 5%*	*10 9%*	Net Profit Margin	*10 7%*
						40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	61 3%	58 3%	*53 0%*	*51 0%*	Long-Term Debt Ratio	*50 0%*
						53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 7%	41 7%	*47 0%*	*49 0%*	Common Equity Ratio	*50 0%*
						925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1736 3	1704 3	*1965*	*2045*	Total Capital ($mill)	*2560*
						1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	2058 9	2194 2	*2400*	*2600*	Net Plant ($mill)	*2900*
						8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	6 5%	8 1%	*6 0%*	*6 5%*	Return on Total Cap'l	*5 5%*
						10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12 3%	14 5%	*12 5%*	*12 5%*	Return on Shr Equity	*11 0%*
						10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12 3%	14 5%	*14 5%*	*12 5%*	Return on Com Equity	*11 0%*
						4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	3 2%	4 2%	7 0%	*5 0%*	*5 5%*	Retained to Com Eq	*5 5%*
						96%	75%	66%	71%	74%	64%	101%	72%	65%	52%	*58%*	*56%*	All Div'ds to Net Prof	*52%*

CAPITAL STRUCTURE as of 3/31/03
Total Debt 1159 7 mill Due in 5 Yrs 504 1 mill
LT Debt $992 9 mill LT Interest $65 0 mill
(inc $227 3 million in trust-preferred securities)
(Total interest coverage 2 9x)
Leases, Uncapitalized Annual rentals $29 1 mill
Pension Assets-12/02 $207 8 mill Oblig $290 mill
Pfd Stock None

Common Stock 63,342,854 shs
MARKET CAP $1 7 billion (Mid Cap)

CURRENT POSITION ($MILL)	2001	2002	3/31/03
Cash Assets	2 8	8 4	23 0
Other	214 6	578 0	697 5
Current Assets	217 4	586 4	720 5
Accts Payable	82 4	91 1	575 9
Debt Due	348 4	418 6	166 8
Other	155 8	506 1	257 1
Current Liab	586 6	1015 8	999 8
Fix Chg Cov	241%	242%	245%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '00-'02 to '06-'08
Revenues	-3 0%	-6 5%	3 0%
"Cash Flow"	4 0%	5 5%	4 5%
Earnings	4 0%	2 5%	8 0%
Dividends	0 5%	0 5%	Nil
Book Value	2 5%	2 5%	6 0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A				Full Fiscal Year
	Dec 31	Mar 31	Jun 30	Sep 30	
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	269 3	159 2	190 7	249 7	868 9
2003	351.4	*290*	*215*	*268 6*	*1125*
2004	*330*	*320*	*230*	*295*	*1175*

Fiscal Year Ends	EARNINGS PER SHARE A B				Full Fiscal Year
	Dec 31	Mar 31	Jun 30	Sep 30	
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	89	21	17	55	1 82
2003	98	*25*	*20*	*47*	*1 90*
2004	*95*	*30*	*20*	*55*	*2 00*

Cal-endar	QUARTERLY DIVIDENDS PAID C■				Full Year
	Mar 31	Jun 30	Sep 30	Dec 31	
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	1 08
2002	27	27	27	27	1 08
2003	27	28			

BUSINESS AGL Resources, Inc is a public utility holding company Its distribution subsidiaries is Atlanta Gas Light, Chattanooga Gas, and Virginia Natural Gas The utilities have around 2 million customers in Georgia, primarily Atlanta, Virginia, and in southern Tennessee Also engaged in nonregulated natural gas marketing and other, allied services Also wholesales and retails propane Nonregulated subsidiaries. Georgia Natural Gas Services markets natural gas at retail Acquired Virginia Natural Gas, 10/00 Sold Utilipro, 3/01 Officers/directors own 1 5% of outstanding common shares (3/03 Proxy) President & CEO Paula Rospot Incorporated Georgia Address 303 Peachtree St, N E, Atlanta, GA 30308 Telephone 404 584-9470 Internet www aglresources com

Strong first-quarter operating results have put AGL Resources well on track for moderate earnings growth in 2003. Share net was $0 98 during the March interval, or 10% ahead of the respectable $0 89 a share the company earned a year earlier In general, AGL's gas distribution operations benefited from colder temperatures this past winter, which increased demand for natural gas for heating purposes AGL's Virginia subsidiary, Virginia Natural Gas, was the primary driver for the earnings advance in the utility segment The subsidiary enjoyed higher margins largely due to a weather normalization adjustment clause that went into effect last December Meanwhile, AGL's Wholesale Services unit provided a boost to profits, lifted by an increase in gas price volatility onset by colder temperatures and reduced storage levels

We have tweaked upward our annual share-net estimates for AGL Resources, based on performance in the March period We now look for the company to earn $1 90 a share and $2 00 a share for full-year 2003 and 2004, respectively AGL continues to make improvements in its distribution businesses, and is making some headway with its nonutility activities

The company is making use of an increase in cash flow. Cash inflow rose significantly in the first quarter, following strong net profits and an equity issuance of 6 44 million common shares in February Consequently, AGL utilized a portion of the cash to pay down debt and increase the dividend In the March period, total debt fell $253 1 million, which helps to improve the balance sheet and trim interest expense Meanwhile, the company announced in April a $0 01-a-share rise in the quarterly dividend to $0 28

This issue is a good-quality income stock It offers an adequate dividend yield and has provided a high level of share-price stability over the past decade The company continues to derive more than 90% of profits from its utilities, which are less volatile than nonutility earnings Investors should note that the share price is up about 19% since our March report We believe that further share-price gains are quite limited

Michael P Maloney *June 20, 2003*

(A) Fiscal year ends December 31st Ended September 30th prior to 2002 (B) Diluted earnings per share Next earnings report due late Jul Excl nonrecurring gains (losses) '88, $0 15, '95, d$0 83, '99, $0 39, '00, $0 13, '01 $0 13 (C) Next dividend meeting in early Aug Goes ex mid-Aug Approx div'd payment dates March 1, June 1, Sept 1, Dec 1 ■ Div'd reinvest plan available (D) In millions, adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	20
Earnings Predictability	65

003374

AGL RESOURCES NYSE-ATG

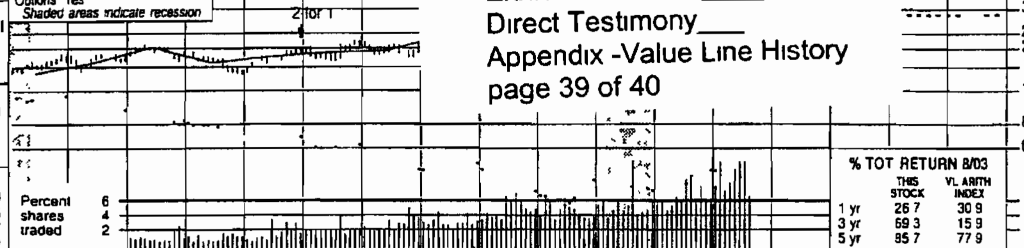
RECENT PRICE 28.08 | P/E RATIO 14.3 (Trailing 14 1 / Median 14 0) | RELATIVE P/E RATIO 0.81 | DIV'D YLD 4.0% | VALUE LINE 459

TIMELINESS 3 Raised 5/10/02
SAFETY 2 New 7/27/90
TECHNICAL 3 Lowered 4/4/03
BETA 75 (1 00 = Market)

High	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5	25 0	28 5
Low	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0	17 3	21 9

Target Price Range 2006 | 2007 | 2008

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for 1 split 12/95
Options Yes
Shaded areas indicate recession



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2006 08 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+40%)	12%
Low	30	(+5%)	6%

Insider Decisions

	O	N	D	J	F	M	A	M	J
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	2	0
to Sell	0	0	0	0	1	0	0	0	0

Institutional Decisions

	4Q2002	1Q2003	2Q2003
to Buy	98	103	95
to Sell	45	50	77
Hld's(000)	28832	34881	35689

% TOT RETURN 8/03

	THIS STOCK	VL ARITH INDEX
1 yr	26 7	30 9
3 yr	69 3	15 9
5 yr	85 7	77 9

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB, INC	06 08
26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	19 04	15 32	15 35	16 15	Revenues per sh A	18 45
1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3 31	3 39	3 45	3 70	"Cash Flow" per sh	4 05
1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	1 82	2 00	2 10	Earnings per sh A B	2 25
80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	1 08	1 11	1 12	Div'ds Decl'd per sh C■	1 12
3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	3 30	2 70	2 70	Cap'l Spending per sh	2 60
7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 19	12 52	14 55	15 90	Book Value per sh	19 50
37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 36	55 02	55 70	56 60	57 30	57 10	54 00	55 10	56 70	63 50	63 50	Common Shs Outst'g D	65 00
11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 5	13 8	14 7	13 9	21 4	13 6	14 6	12 5	Bold figures are		Avg Ann'l P/E Ratio	15 0
77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	88	75	68	Value Line		Relative P/E Ratio	1 00
6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	4 9%	4 7%	estimates		Avg Ann'l Div'd Yield	3 3%
						1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	868 9	975	1025	Revenues ($mill) A	1200
						57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	82 3	103 0	125	135	Net Profit ($mill)	150
						32 9%	35 2%	36 9%	38 5%	37 9%	32 5%	33 1%	34 3%	40 7%	36 0%	36 0%	36 0%	Income Tax Rate	36 0%
						5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	7 8%	11 9%	12 8%	13 0%	Net Profit Margin	12 3%
						40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	61 3%	58 3%	50 0%	48 0%	Long Term Debt Ratio	48 0%
						53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 7%	41 7%	50 0%	52 0%	Common Equity Ratio	52 0%
						925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1736 3	1704 3	1850	1935	Total Capital ($mill)	2440
						1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	2058 9	2194 2	2400	2600	Net Plant ($mill)	2900
						8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	6 5%	8 1%	7 0%	7 0%	Return on Total Cap'l	6 0%
						10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	7 1%	10 2%	12 3%	14 5%	13 5%	13 0%	Return on Shr Equity	11 5%
						10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12 3%	14 5%	13 5%	13 0%	Return on Com Equity	11 5%
						4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	3 2%	4 2%	7 0%	5 5%	6 0%	Retained to Com Eq	6 0%
						96%	75%	66%	71%	74%	64%	101%	72%	65%	52%	58%	53%	All Div'ds to Net Prof	49%

CAPITAL STRUCTURE as of 6/30/03
Total Debt 1167 9 mill Due in 5 Yrs 504 1 mill
LT Debt $925 1 mill LT Interest $60 0 mill
(Inc $228 3 million in trust preferred securities)
(Total interest coverage 2 9x)
Leases, Uncapitalized Annual rentals $29 1 mill
Pension Assets 12/02 $207 8 mill Oblig $290 mill
Pfd Stock None

Common Stock 63 731 156 shs
MARKET CAP $1 8 billion (Mid Cap)

CURRENT POSITION ($MILL)	2001	2002	6/30/03
Cash Assets	2 8	8 4	3 3
Other	214 6	578 0	513 4
Current Assets	217 4	586 4	516 7
Accts Payable	82 4	91 1	387 1
Debt Due	348 4	418 6	242 8
Other	155 8	506 1	262 6
Current Liab	586 6	1015 8	892 5
Fix Chg Cov	241%	242%	245%

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est'd '00-02 to 06 08
Revenues	3 0%	6 5%	3 0%
"Cash Flow"	4 0%	5 5%	4 5%
Earnings	4 0%	2 5%	8 0%
Dividends	0 5%	0 5%	Nil
Book Value	2 5%	2 5%	6 0%

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	269 3	159 2	190 7	249 7	868 9
2003	351 4	186 6	165	272	975
2004	330	220	180	295	1025

Fiscal Year Ends	EARNINGS PER SHARE A B Dec 31	Mar 31	Jun 30	Sep 30	Full Fiscal Year
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	89	21	17	55	1 82
2003	98	29	25	48	2 00
2004	95	35	25	55	2 10

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar 31	Jun 30	Sep 30	Dec 31	Full Year
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	1 08
2002	27	27	27	27	1 08
2003	27	28	28		

BUSINESS AGL Resources, Inc is a public utility holding company Its distribution subsidiaries is Atlanta Gas Light Chattanooga Gas and Virginia Natural Gas The utilities have around 2 million customers in Georgia primarily Atlanta Virginia and in southern Tennessee Also engaged in nonregulated natural gas marketing and other allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail Acquired Virginia Natural Gas 10/00 Sold Utilipro 3/01 Officers/directors own 1 5% of outstanding common shares (3/03 Proxy) President & CEO Paula Rospol Incorporated Georgia Address 303 Peachtree St N E Atlanta GA 30308 Telephone 404 584 9470 Internet www aglresources com

AGL Resources' share price is reaching new highs, on a split-adjusted basis Too, the recent price of $28 marked a 7% advance from our previous report in June The share-price advance has been driven by sound company fundamentals On top of dividend tax cuts and the low interest-rate environment, which make income stocks more attractive, AGL raised the quarterly dividend by a penny in the second quarter Meanwhile, earnings have been strong, as share net of $0 29 last quarter was ahead of our expectations and 38% ahead of the year-ago figure

We are raising both our share-net estimates for this year and next by a dime We now look for EPS to be $2 00 and $2 10 in 2003 and 2004, respectively The changes come on the heels of better-than-anticipated performance in the June quarter, particularly from nonregulated activities AGL managed to generate EBIT of $6 6 million from the Energy Investments unit, and EBIT of $0 3 million from the Wholesale Services division, compared to multimillion dollar losses in both units a year ago These positive trends should continue as a result of higher margins and greater physical volume Improvements from utility operations are likely to be less profound in the near term, however, as customer growth is offset somewhat by increased bad debt expense

AGL Resources has refinanced some of its existing debt, in order to take advantage of low interest rates It recently issued $225 million of senior notes at 4 45%, compared to the average rate on the company's debt of 7 2% Net proceeds of the offering were used to pay down approximately $110 million in short-term obligations and $65 million in higher-coupon long-term debt The remainder will be used for general corporate purposes Also, the company completed a $100 million fixed-to-floating interest-rate swap, which brings AGL near to its targeted debt mix of 70% fixed- and 30% floating-rate debt

This issue is a good-quality income stock It offers an adequate dividend yield and has provided share-price stability over the past decade Investors should note that the run-up in price this year, however, makes the stock vulnerable in the event of any operational disappointments'

Michael P Maloney *September 19, 2003*

(A) Fiscal year ends December 31st Ended September 30th prior to 2002 (B) Diluted earnings per share Next earnings report due late Oct Excl nonrecurring gains (losses) 88 $0 15 95, d$0 83, 99, $0 39 00 $0 13 01 $0 13 (C) Dividends historically paid early March June Sept and Dec ■ Div'd reinvest plan available (D) In millions adjusted for stock split

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	30
Earnings Predictability	65

003375

AGL RESOURCES NYSE-ATG

RECENT PRICE	28.80	P/E RATIO	14.2 (Trailing 13 8 / Median 14 0)	RELATIVE P/E RATIO	0.77	DIV'D YLD	3.9%	VALUE LINE	459

TIMELINESS 4 Lowered 12/19/03

SAFETY 2 New 7/27/90

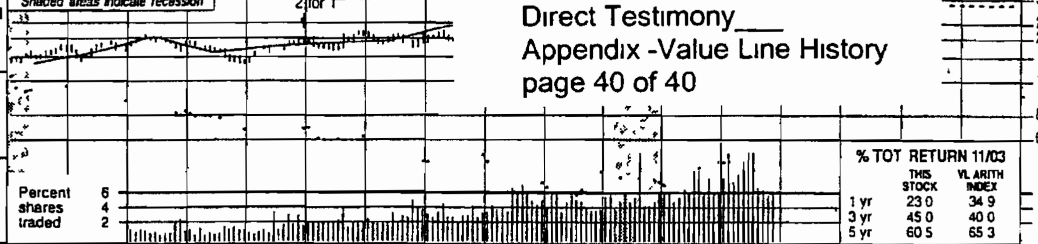
TECHNICAL 3 Lowered 4/4/03

BETA 75 (1 00 = Market)

High	19 5	21 3	19 4	20 0	22 0	21 6	23 4	23 4	23 2	24 5	25 0	29 0
Low	15 1	17 0	14 6	14 9	17 1	17 8	17 7	15 6	15 5	19 0	17 3	21 9

Target Price Range 2006 | 2007 | 2008

LEGENDS
— 1 15 x Dividends p sh divided by Interest Rate
Relative Price Strength
2 for 1 split 12/95
Options Yes
Shaded areas indicate recession



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2006 08 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	40	(+40%)	*11%*
Low	30	(+5%)	*5%*

Insider Decisions

	J	F	M	A	M	J	J	A	S
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	2	0	0	0	1
to Sell	0	1	0	0	0	0	0	0	0

Institutional Decisions

	1Q2003	2Q2003	3Q2003
to Buy	103	95	72
to Sell	50	77	97
Hld s(000)	34881	35689	34745

Percent shares traded 6 4 2

% TOT RETURN 11/03

	THIS STOCK	VL ARITH INDEX
1 yr	23 0	34 9
3 yr	45 0	40 0
5 yr	60 5	65 3

1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	© VALUE LINE PUB , INC	06-08
26 24	22 97	21 63	22 58	20 26	20 43	22 73	23 59	19 32	21 91	22 75	23 36	18 71	11 25	19 04	15 32	*15 10*	*15 90*	Revenues per sh A	*18 45*
1 84	1 90	1 93	2 04	2 07	2 31	2 25	2 24	2 33	2 49	2 42	2 65	2 29	2 86	3 31	3 39	*3 45*	*3 65*	"Cash Flow" per sh	*4 05*
1 02	1 13	95	1 01	1 04	1 13	1 08	1 17	1 33	1 37	1 37	1 41	91	1 29	1 50	1 82	*2 00*	*2 10*	Earnings per sh A B	*2 25*
80	88	94	98	1 02	1 03	1 04	1 04	1 04	1 06	1 08	1 08	1 08	1 08	1 08	1 08	*1 11*	*1 12*	Div'ds Decl'd per sh C■	*1 12*
3 59	2 86	2 65	2 73	2 95	2 74	2 49	2 37	2 17	2 37	2 59	2 05	2 51	2 92	2 83	3 30	*2 65*	*2 65*	Cap'l Spending per sh	*2 60*
7 89	8 72	8 83	8 97	9 42	9 70	9 90	10 19	10 12	10 56	10 99	11 42	11 59	11 50	12 19	12 52	*14 35*	*15 65*	Book Value per sh	*19 50*
37 48	42 47	43 40	44 32	47 57	48 69	49 72	50 86	55 02	55 70	56 60	57 30	57 10	54 00	55 10	56 70	*64 50*	*64 50*	Common Shs Outst g D	*65 00*
11 5	11 1	13 7	14 2	15 3	15 5	17 9	15 1	12 6	13 8	14 7	13 9	21 4	13 6	14 6	12 5	*Bold figures are*		Avg Ann'l P/E Ratio	*15 0*
77	92	1 04	1 05	98	94	1 06	99	84	86	85	72	1 22	88	75	68	*Value Line*		Relative P/E Ratio	*1 00*
6 8%	7 1%	7 2%	6 8%	6 4%	5 9%	5 4%	5 9%	6 2%	5 6%	5 4%	5 5%	5 5%	6 2%	4 9%	4 7%	*estimates*		Avg Ann'l Div d Yield	*3 3%*

CAPITAL STRUCTURE as of 9/30/03 ✓
Total Debt 1257 4 mill Due in 5 Yrs 504 1 mill
LT Debt $1130 2 mill LT Interest $65 0 mill
(Inc $228 3 million in trust preferred securities)
(Total interest coverage 2 9x)
Leases, Uncapitalized Annual rentals $29 1 mill
Pension Assets 12/02 $207 8 mill Oblig $290 mill
Pfd Stock None

Common Stock 64 266 376 shs
MARKET CAP $1 9 billion (Mid Cap)

1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004		06-08
1130 3	1199 9	1063 0	1220 2	1287 6	1338 6	1068 6	607 4	1049 3	868 9	*975*	*1025*	Revenues ($mill) A	*1200*
57 5	63 2	74 3	75 6	76 6	80 6	52 1	71 1	82 3	103 0	*125*	*135*	Net Profit ($mill)	*150*
32 9%	35 2%	36 9%	38 6%	37 9%	32 5%	33 1%	34 3%	40 7%	36 0%	*36 0%*	*36 0%*	Income Tax Rate	*36 0%*
5 1%	5 3%	7 0%	6 2%	5 9%	6 0%	4 9%	11 7%	7 8%	11 9%	*12 9%*	*13 1%*	Net Profit Margin	*12 3%*
40 5%	49 0%	47 4%	46 2%	48 7%	47 5%	45 3%	45 9%	61 3%	58 3%	*53 0%*	*51 0%*	Long Term Debt Ratio	*51 0%*
53 1%	45 8%	47 6%	48 9%	45 9%	47 1%	49 2%	48 3%	38 7%	41 7%	*47 0%*	*49 0%*	Common Equity Ratio	*49 0%*
925 7	1131 5	1170 3	1201 3	1356 4	1388 4	1345 8	1286 2	1736 3	1704 3	*1975*	*1960*	Total Capital ($mill)	*2265*
1281 3	1297 4	1350 3	1415 4	1496 6	1534 0	1598 9	1637 5	2058 9	2194 2	*2400*	*2600*	Net Plant ($mill)	*2900*
8 6%	7 5%	8 2%	8 0%	7 3%	7 6%	5 7%	7 4%	6 5%	8 1%	*6 5%*	*6 5%*	Return on Total Cap'l	*6 0%*
10 4%	11 0%	12 1%	11 7%	11 0%	11 1%	-7 1%	10 2%	12 3%	14 5%	*13 5%*	*13 5%*	Return on Shr Equity	*11 5%*
10 8%	11 3%	12 5%	12 1%	11 3%	12 3%	7 9%	11 5%	12 3%	14 5%	*13 5%*	*13 5%*	Return on Com Equity	*11 5%*
4%	3 0%	4 6%	3 8%	3 2%	4 4%	NMF	3 2%	4 2%	7 0%	*6 0%*	*6 0%*	Retained to Com Eq	*6 0%*
96%	75%	66%	71%	74%	64%	101%	72%	65%	52%	*57%*	*54%*	All Div'ds to Net Prof	*49%*

CURRENT POSITION ($MILL)	2001	2002	9/30/03
Cash Assets	2 8	8 4	1 0
Other	214 6	578 0	550 2
Current Assets	217 4	586 4	551 2
Accts Payable	82 4	91 1	298 5
Debt Due	348 4	418 0	127 2
Other	155 8	506 1	290 3
Current Liab	586 6	1015 8	716 0
Fix Chg Cov	241%	242%	*245%*

ANNUAL RATES of change (per sh)	Past 10 Yrs	Past 5 Yrs	Est d 00 02 to 06 08
Revenues	3 0%	6 5%	*3 5%*
Cash Flow	4 0%	5 5%	*4 0%*
Earnings	4 0%	2 5%	*6 5%*
Dividends	5%	5%	*5%*
Book Value	2 5%	2 5%	*8 5%*

Fiscal Year Ends	QUARTERLY REVENUES ($ mill) A				Full Fiscal Year
	Dec 31	Mar 31	Jun 30	Sep 30	
2000	182 3	160 1	131 8	133 2	607 4
2001	294 8	350 6	175 7	228 2	1049 3
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	269 3	159 2	190 7	249 7	868 9
2003	351 4	186 6	166 3	*270 7*	*975*
2004	*330*	*220*	*180*	*295*	*1025*

Fiscal Year Ends	EARNINGS PER SHARE A B				Full Fiscal Year
	Dec 31	Mar 31	Jun 30	Sep 30	
2000	30	41	26	32	1 29
2001	41	83	17	09	1 50
	Mar 31	Jun 30	Sep 30	Dec 31	
2002	89	21	17	55	1 82
2003	98	29	27	*46*	*2 00*
2004	*95*	*35*	*25*	*55*	*2 10*

Cal endar	QUARTERLY DIVIDENDS PAID C■				Full Year
	Mar 31	Jun 30	Sep 30	Dec 31	
1999	27	27	27	27	1 08
2000	27	27	27	27	1 08
2001	27	27	27	27	1 08
2002	27	27	27	27	1 08
2003	27	28	28	28	

BUSINESS AGL Resources Inc is a public utility holding company Its distribution subsidiaries are Atlanta Gas Light Chattanooga Gas, and Virginia Natural Gas The utilities have around 2 million customers in Georgia primarily Atlanta Virginia and in southern Tennessee Also engaged in nonregulated natural gas marketing and other allied services Also wholesales and retails propane Nonregulated subsidiaries Georgia Natural Gas Services markets natural gas at retail Acquired Virginia Natural Gas 10/00 Sold Utilipro 3/01 Officers/directors own 1 5% of outstanding common shares (3/03 Proxy) President & CEO Paula Rosput Incorporated Georgia Address 303 Peachtree St N E Atlanta GA 30308 Tel ephone 404 584 9470 Internet www aglresources com

The share price of AGL Resources continues to edge higher The stock has advanced a little over 2% since our last report in September, and is trading near record highs on a split-adjusted basis The gains have been backed by solid earnings and a favorable operating environment Share net of $1 54 for the first nine months of 2003 marked an increase of over 20% from the prior year Meantime, low interest rates and the government's move to lower dividend taxes have added to the appeal of dividend-paying stocks, thus providing added lift to AGL shares

The near-term earnings picture looks good for AGL Resources We are leaving our full-year EPS estimates unchanged at $2 00 and $2 10 for 2003 and 2004, respectively The company should reach our 2003 target with ease, given its earnings strength through the first nine months Ironically, earnings before interest and taxes (EBIT) from AGL's core gas distribution operations are down slightly this year as a result of greater overhead expenses, including higher leasing costs, and increased insurance and benefit costs Lower earnings from its gas utilities have been more than offset this year, though, by greater EBIT from nonregulated businesses EBIT from Wholesale Services rose 356% to $21 9 million, while EBIT from the Energy Investments unit rose 47% to $26 6 million In 2004, we expect earnings to continue to improve from nonregulated businesses as AGL further develops these relatively new segments for the company Also, we anticipate incremental growth from AGL's utility operations, following a full year of absorbing higher overhead costs The segment should benefit from an expanding customer base and higher gas usage per customer

AGL Resources is exiting the retail propane business It agreed to sell its interest in Heritage Propane Partners for $29 million in a transaction expected to close at yearend The move is consistent with the company's goal to shed nonstrategic operations and to build its financial position

This is a good-quality income stock It offers a decent yield with excellent share-price stability Investors should note that further share-price gains appear limited

Michael P Maloney *December 19, 2003*

(A) Fiscal year ends December 31st Ended September 30th prior to 2002 (B) Diluted earnings per share Next earnings report due late Jan Excl nonrecurring gains (losses) 88 $0 15 95 d$0 83 99 $0 39 00, $0 13, 01 $0 13 (C) Dividends historically paid early March June Sept and Dec ■ Div'd reinvest plan available (D) In millions adjusted for stock split

Company's Financial Strength	B++
Stock s Price Stability	100
Price Growth Persistence	30
Earnings Predictability	60

RECEIVED
2004 SEP 10 AM 11: 26
T.R.A. DOCKET ROOM

TENNESSEE REGULATORY AUTHORITY

STATE OF NORTH CAROLINA)
) ss.
COUNTY OF DURHAM)

BEFORE ME, the undersigned authority, duly commissioned and qualified in and for the State and County aforesaid, personally came and appeared James H. Vander Weide, being by me first duly sworn, deposed and said that:

He is appearing as a witness on behalf of Tennessee-American Water Company before the Tennessee Regulatory Authority, and if present before the Authority and duly sworn, his testimony would be set forth in the annexed transcript.

James H. Vander Weide
James H. Vander Weide

Sworn to and subscribed before me
this 7th day of ~~2004~~ September, 2004

Maureen K Nanton
Notary Public

My Commission Expires April 18, 2009

MAUREEN K. NANTON
NOTARY PUBLIC
DURHAM COUNTY, N.C.

STATE OF TENNESSEE
BEFORE THE TENNESSEE REGULATORY AUTHORITY

IN THE MATTER OF:	)	
ADJUSTMENT OF THE RATES OF TENNESSEE-AMERICAN WATER COMPANY	)	CASE NO. 2004-)

DIRECT TESTIMONY
OF
DR. JAMES H. VANDER WEIDE
ON BEHALF OF

TENNESSEE-AMERICAN WATER COMPANY

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I. WITNESS IDENTIFICATION

Q 1 What is your name and business address?

A 1 My name is James H. Vander Weide. I am Research Professor of Finance and Economics at the Fuqua School of Business of Duke University. I am also President of Financial Strategy Associates, a firm that provides strategic and financial consulting services to business clients. My business address is 3606 Stoneybrook Drive, Durham, North Carolina.

Q. 2 Would you please describe your educational background and prior academic experience?

A 2 I graduated from Cornell University in 1966 with a Bachelor's Degree in Economics. I then attended Northwestern University where I earned a Ph.D. in Finance. In January 1972, I joined the faculty of the School of Business at Duke University and was named Assistant Professor, Associate Professor, and then Professor.

Since joining the faculty I have taught courses in corporate finance, investment management, and management of financial institutions. I have taught a graduate seminar on the theory of public utility pricing and lectured in executive development seminars on the cost of capital, financial analysis, capital budgeting, mergers and acquisitions, real options, cash management, short-run financial planning, and competitive strategy. I have also served as Program Director of several executive education programs at the Fuqua School of

Business, including the Duke Advanced Management Program, the Duke Executive Program in Telecommunications, the Duke Competitive Strategies in Telecommunications Program, and the Duke Program for Manager Development for managers from the former Soviet Union.

I have conducted seminars and training sessions on financial analysis, financial strategy, cost of capital, real options analysis, cash management, depreciation policies, and short-run financial planning for a wide variety of U.S. and international companies, including ABB, Accenture, Allstate, Ameritech, AT&T, Bell Atlantic, BellSouth, Carolina Power & Light, Contel, Fisons, Glaxo Wellcome, GTE, Lafarge, MidAmerican Energy, New Century Energies, Norfolk Southern, Pacific Bell Telephone, Progress Energy, Inc, The Rank Group, Siemens, Southern New England Telephone, TRW, and Wolseley Plc.

In addition to my teaching and executive education activities, I have written research papers on such topics as portfolio management, the cost of capital, capital budgeting, the effect of regulation on the performance of public utilities, the economics of universal service requirements, and cash management My articles have been published in American Economic Review, Financial Management, International Journal of Industrial Organization, Journal of Finance, Journal of Financial and Quantitative Analysis, Journal of Bank Research, Journal of Accounting Research, Journal of Cash Management, Management Science, The Journal of Portfolio Management, Atlantic Economic

Journal, Journal of Economics and Business, and Computers and Operations Research. I have written a book titled Managing Corporate Liquidity an Introduction to Working Capital Management, and a chapter for The Handbook of Modern Finance, "Financial Management in the Short Run."

Q 3 Have you previously testified on financial or economic issues?

A 3 Yes. As an expert on financial and economic theory, I have testified on the cost of capital, competition, risk, incentive regulation, forward-looking economic cost, economic pricing guidelines, depreciation, accounting, valuation, and other financial and economic issues in some 350 cases before the U.S. Congress, the Canadian Radio-Television and Telecommunications Commission, the Federal Communications Commission, the National Telecommunications and Information Administration, the Federal Energy Regulatory Commission, the public service commissions of 40 states, the insurance commissions of five states, the Iowa State Board of Tax Review, and the National Association of Securities Dealers. In addition, I have testified as an expert witness in proceedings before the U.S. District Court, District of Nebraska; U.S. District Court, Eastern District of North Carolina; Superior Court, North Carolina; the U.S. Bankruptcy Court, Southern District of West Virginia, and the United States District Court for the Eastern District of Michigan

II. PURPOSE OF TESTIMONY

Q 4 What is the purpose of your testimony?

A 4 I have been asked by Tennessee-American Water Company (TAWC or the Company) to prepare an independent appraisal of its cost of equity capital and to recommend a rate of return on equity that is fair, that allows TAWC to attract capital on reasonable terms, and that allows TAWC to maintain its financial integrity.

Q 5 Did you estimate TAWC's cost of equity directly from its stock price?

A 5 No. Since TAWC's stock is not publicly traded, I could not estimate TAWC's cost of equity directly from its stock price. Instead, I estimated TAWC's cost of equity from stock market data for two groups of proxy companies.

Q 6 What average cost of equity do you find for your proxy companies?

A 6 On the basis of my studies, I find that the average cost of equity for my proxy companies is in the range 10.4 percent to 11.5 percent. This conclusion is based on my application of three standard cost of equity estimation techniques: (1) the discounted cash flow (DCF) model, (2) the ex ante risk premium method; and (3) the ex post risk premium method.

Q 7 What is your recommendation regarding TAWC's cost of equity?

A 7 I recommend that TAWC be allowed a rate of return on equity in the range 10.4 percent to 11.5 percent My recommended cost of equity range is conservative because TAWC has significantly higher financial leverage, and, hence, greater financial risk, than my proxy companies.

Q 8 Do you have schedules accompanying your testimony?

A 8 Yes. Six schedules and three appendices which were prepared by me or under my direction and supervision accompany my testimony.

III. ECONOMIC AND LEGAL PRINCIPLES

Q 9 How do economists define the required rate of return, or cost of capital, associated with particular investment decisions such as the decision to invest in water treatment, storage, and distribution facilities?

A 9 Economists define the cost of capital as the return investors expect to receive on alternative investments of comparable risk.

Q 10 How does the cost of capital affect a firm's investment decisions?

A 10 The goal of a firm is to maximize the value of the firm. This goal can be accomplished by accepting all investments in plant and equipment with an expected rate of return greater than or equal to the cost of capital. Thus, a firm should continue to invest in plant and equipment only so long as the return on its investment is greater than or equal to its cost of capital.

Q 11 How does the cost of capital affect investors' willingness to invest in a company?

A 11 The cost of capital measures the return investors can expect on investments of comparable risk. The cost of capital also measures the investor's required rate of return on investment because rational investors will not invest in a particular investment opportunity if the expected return on that opportunity is less than the cost of capital Thus, the cost of capital is a hurdle rate for both investors and the firm.

Q 12 Do all investors have the same position in the firm?

A 12 No. Debt investors have a fixed claim on a firm's assets and income that must be paid prior to any payment to the firm's equity investors Since the firm's equity investors have a residual claim on the firm's assets and income, equity investments are riskier than debt investments. Thus, the cost of equity exceeds the cost of debt and increases with the percentage of debt in the firm's capital structure.

Q 13 How do economists define the cost of equity?

A 13 Economists define the cost of equity as the return investors expect to receive on alternative equity investments of comparable risk. Since the return on an equity investment of comparable risk is not a contractual return, the cost of equity is more difficult to measure than the cost of debt. There is agreement, however, as I have already noted, that: (1) the cost of equity is greater than the cost of debt; (2) the cost of equity increases with the percentage of debt in the firm's capital structure, and (3) the cost of equity, like the cost of debt, is both forward looking and market based.

Q 14 Does the required rate of return on an investment vary with the risk of that investment?

A 14 Yes. Since investors are averse to risk, they require a higher rate of return on investments with greater risk.

Q 15 Are these economic principles regarding the fair return for capital recognized in any Supreme Court cases?

A 15 Yes. These economic principles, relating to the supply of and demand for capital, are recognized in two United States Supreme Court cases: (1) *Bluefield Water Works and Improvement Co. v. Public Service Comm'n* ; and (2) *Federal Power Comm'n v. Hope Natural Gas Co.* In the *Bluefield Water Works* case, the Court states:

> A public utility is entitled to such rates as will permit it to earn a return upon the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties, but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return...should be reasonably sufficient to assure confidence in the financial soundness of the utility, and should be adequate, under efficient and economical management, to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties. [*Bluefield Water Works and Improvement Co. v. Public Service Comm'n.* 262 U.S 679, 692 (1923)].

The Court clearly recognizes here that: (1) a regulated firm cannot remain financially sound unless the return it is allowed an opportunity to earn on the value of its property is at least equal to the cost of capital (the principle relating to the demand for capital); and (2) a regulated firm will not be able to attract capital if it does not offer investors an opportunity to earn a return on their investment equal to the return they expect to earn on other investments of the same risk (the principle relating to the supply of capital).

In the *Hope Natural Gas* case, the Court reiterates the financial soundness and capital attraction principles of the *Bluefield* case:

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock... By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital. [*Federal Power Comm'n v. Hope Natural Gas Co.*, 320 U.S 591, 603 (1944)]

Q 16 What practical difficulties arise when one attempts to apply the economic principles noted above to a regulated firm?

A 16 The application of these principles to the debt and preferred stock components of a regulated firm's capital structure is straightforward Several problems arise, however, when the principles are applied to common equity. These problems stem from the fact that the cash flows to the equity investors, over any period of time, are not fixed by contract, and thus are not known with certainty. To induce equity investors to part with their money, a firm must offer them an expected return that is commensurate with expected returns on equity investments of similar risk. The need to measure expected returns makes the application of the above principles difficult.

Q 17 How do you address these difficulties in your testimony?

A 17 I address these difficulties by employing the comparable company approach to estimate TAWC's cost of equity.

Q 18 What is the comparable company approach?

A 18 The comparable company approach estimates TAWC's cost of equity by identifying a group of companies of similar risk. The cost of equity is then estimated for the companies in the proxy group

IV. BUSINESS AND FINANCIAL RISKS IN THE WATER UTILITY INDUSTRY

Q 19 What are the major factors that affect business risk in the water utility industry?

A 19 Business risk in the water utility industry is affected by the following economic factors

1 <u>High Operating Leverage</u>. The water utility business requires a large commitment to fixed costs in relation to variable costs, a situation called high operating leverage. The relatively high degree of fixed costs in the water utility business arises because of the average water company's large investment in fixed, long-lived water treatment, storage, and distribution facilities. High operating leverage causes the average water company's net income to be highly sensitive to sales fluctuations.

2. <u>Demand Uncertainty</u>. The business risk of the water utility business is increased by the high degree of demand uncertainty in the industry Demand uncertainty is caused primarily by: (i) wide fluctuations in average temperature and rainfall from year to year, (ii) the state of the economy; and (iii) customer growth in the service territory

3. <u>Supply Uncertainty</u>. The risk of the water utility business is further increased by the need to assure a safe and reliable supply of water to meet customer needs on any given day of the year. The Safe Drinking Water Act Amendments of 1996 authorize the Environmental Protection Agency (EPA) to periodically test the drinking water for impurities and to issue regulations requiring water utilities to reduce drinking water contaminants to an acceptable level. The EPA has exercised its authority by requiring the water utilities to meet increasingly stringent drinking water standards over time. The rising costs and uncertainty of meeting ever more stringent drinking water standards is a major risk facing the water utilities.

Water utilities such as TAWC also face the risk of having to make major capital expenditures to replace aging facilities and expand facilities to meet the water needs of a growing population In Tennessee, the uncertain investment costs associated with building the facilities to assure reliable supplies of water is especially acute. TAWC has already spent considerable sums to explore the possibility of building a water pipeline to Louisville. Whatever alternative is selected to solve the water shortage problem in the Lexington area is likely to require a major investment by TAWC. This investment will strain the Company's financial resources

Moreover, since September 11, 2001, water companies have faced increasing expenditures to secure water plants and reservoirs from the possibility of terrorist attempts to contaminate the water supply. The uncertainty of future security requirements and the cost of meeting these requirements is an additional risk for water companies such as TAWC

V. COST OF EQUITY ESTIMATION METHODS

Q 20 What methods did you use to estimate the cost of common equity capital for TAWC?

A 20 I used three generally accepted methods for estimating TAWC's cost of common equity. These are the Discounted Cash Flow (DCF), the ex ante risk premium, and the ex post risk premium methods. The DCF method assumes that the current market price of a firm's stock is equal to the discounted value of all expected future cash flows. The ex ante risk premium method assumes that an investor's current expectations regarding the equity risk premium can be estimated from recent data on the DCF expected rate of return on equity compared to the interest rate on long-term bonds. The ex post risk premium method assumes that an investor's current expectations regarding the equity-debt return differential is equal to the historical record of earned returns on comparable stock and bond investments. The cost of equity under both risk premium methods is then equal to the interest rate on the appropriate bond investments plus the risk premium.

VI. DISCOUNTED CASH FLOW (DCF) APPROACH

Q 21 Please describe the DCF model.

A 21 The DCF model is based on the assumption that investors value an asset on the basis of the future cash flows they expect to receive from owning the asset. Thus, investors value an investment in a bond because they expect to receive a sequence of semi-annual coupon payments over the life of the bond and a terminal payment equal to the bond's face value at the time the bond matures Likewise, investors value an investment in a firm's stock because they expect to receive a sequence of dividend payments and, perhaps, expect to sell the stock at a higher price sometime in the future

A second fundamental principle of the DCF approach is that investors value a dollar received in the future less than a dollar received today. A future dollar is valued less than a current dollar because investors could invest a current dollar in an interest earning account and increase their wealth. This principle is called the time value of money.

Applying the two fundamental DCF principles noted above to an investment in a bond leads to the conclusion that investors value their investment in the bond on the basis of the present value of the bond's future cash flows. Thus, the price of the bond should reflect the timing, magnitude, and relative risk of the expected cash flows. Algebraically this can be expressed as:

EQUATION 1

$$P_B = \frac{C}{(1+i)} + \frac{C}{(1+i)^2} + \cdots + \frac{C+F}{(1+i)^n}$$

where:

P_B	=	Bond price;
C	=	Cash value of the constant coupon payment (assumed for notational convenience to occur annually rather than semi-annually),
F	=	Face value of the bond;
i	=	The rate of interest investors could earn by investing their money in an alternative bond of equal risk, and
n	=	The number of periods before the bond matures.

Applying these same principles to an investment in a firm's stock suggests that the price of the stock should be equal to:

EQUATION 2

$$P_s = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \cdots + \frac{D_n + P_n}{(1+k)^n}$$

where

P_S	=	Current price of the firm's stock;
D_1, D_2. D_n	=	Expected annual dividend per share on the firm's stock;
P_n	=	Price per share of stock at the time the investor expects to sell the stock, and
k	=	Return the investor expects to earn on alternative investments of the same risk, i.e., the investor's required rate of return.

Equation (2) is frequently called the annual discounted cash flow model of stock valuation Assuming that dividends grow at a constant annual rate, *g*, this equation can be solved for *k*, the cost of equity The resulting cost of equity equation is $k = D_1/P_s + g$, where *k* is the cost of equity, D_1 is the expected next period annual dividend, P_s is the current price of the stock, and g is the constant annual growth rate in earnings, dividends, and book value per share. The term D_1/P_s is called the dividend yield component of the annual DCF model, and the term g is called the growth component of the annual DCF model. As in the case of the price of a bond, the price of a stock is related to the timing, magnitude, and relative risk of the expected cash flows.

Q 22 Are you recommending that the annual DCF model be used to estimate TAWC's cost of equity?

A 22 No. The DCF model assumes that a company's stock price is equal to the present discounted value of all expected future dividends. The annual DCF model is only a correct expression for the present discounted value of future dividends if dividends are paid annually at the end of each year. Since the companies in my proxy group all pay dividends quarterly, the current market price that investors are willing to pay reflects the expected quarterly receipt of dividends. Therefore, a quarterly DCF model must be used to estimate the cost of equity for these firms. The quarterly DCF model differs from the annual DCF model in that it expresses a company's price as the present discounted value of a quarterly stream of dividend payments. A complete analysis of the implications of the quarterly payment of dividends on the DCF model is provided in Appendix 1. For the reasons cited there, I employed the quarterly DCF model throughout my calculations.

Q 23 Please describe the quarterly DCF model you used.

A 23 The quarterly DCF model I used is described on Schedule A and in Appendix 1. The quarterly DCF equation shows that the cost of equity is the sum of the future expected dividend yield and the growth rate, where the dividend in the dividend yield is the equivalent future value of the four quarterly dividends at the end of the year, and the growth rate is the expected growth in dividends or earnings per share

Q 24 In Appendix 1, you demonstrate that the quarterly DCF model provides the theoretically correct valuation of stocks when dividends are paid quarterly. Do investors, in practice, recognize the actual timing and magnitude of cash flows when they value stocks and other securities?

A 24 Yes In valuing long-term government or corporate bonds, investors recognize that interest is paid semi-annually. Thus, the price of a long-term government or corporate bond is simply the present value of the semi-annual interest and principal payments on these bonds. Likewise, in valuing mortgages, investors recognize that interest is paid monthly Thus, the value of a mortgage loan is simply the present value of the monthly interest and principal payments on the loan. In valuing stock investments, stock investors correctly recognize that dividends are paid quarterly. Thus, a firm's stock price is the present value of the stream of quarterly dividends expected from owning the stock.

Q 25 When valuing bonds, mortgages, or stocks, would investors assume that cash flows are received only at the end of the year, when, in fact, the cash flows are received semi-annually, quarterly, or monthly?

A 25 No. Assuming that cash flows are received at the end of the year when they are received semi-annually, quarterly, or monthly would lead investors to make serious mistakes in valuing investment opportunities No rational investor would make the mistake of assuming that dividends or other cash flows are paid annually when, in fact, they are paid more frequently.

Q 26 How did you estimate the growth component of the quarterly DCF model?

A 26 I used both the average analysts' estimates of future earnings per share (EPS) growth reported by I/B/E/S and the estimate of future earnings per share growth reported by Value Line.[1]

Q 27 What are the analysts' estimates of future EPS growth?

A 27 As part of their research, financial analysts working at Wall Street firms periodically estimate EPS growth for each firm they follow. The EPS forecasts for each firm are then published. Investors who are contemplating purchasing or selling shares in individual companies review the forecasts. These estimates represent five-year forecasts of EPS growth.

Q 28 What is I/B/E/S?

A 28 I/B/E/S is a firm that reports analysts' EPS growth forecasts for a broad group of companies. The forecasts are expressed in terms of a mean forecast and a standard deviation of forecast for each firm. Investors use the mean forecast as an estimate of future firm performance.

Q 29 Why did you use the I/B/E/S growth estimates?

A 29 The I/B/E/S growth rates: (1) are widely circulated in the financial community, (2) include the projections of reputable financial analysts who develop estimates of future EPS growth, (3) are reported on a timely basis to investors, and (4) are widely used by institutional and other investors

Q 30 Why did you rely on analysts' projections of future EPS growth in estimating the investors' expected growth rate rather than looking at historical growth rates?

A 30 I relied on analysts' projections of future EPS growth because there is considerable empirical evidence that investors use analysts' forecasts to estimate future earnings growth.

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[1] In applying the DCF model, I generally rely on the analysts' estimates reported by I/B/E/S However, as I discuss in this testimony, the water companies are so small that there are generally only one or two I/B/E/S analysts' long-term growth forecasts available To supplement the available I/B/E/S growth forecasts, I therefore have also relied on available Value Line earnings growth forecasts for three water companies, including American States, Aqua America, and California Water Value Line does not have any long-term earnings growth forecasts for other water companies

Q 31 Have you performed any studies concerning the use of analysts' forecasts as an estimate of investors' expected growth rate, g?

A 31 Yes, I prepared a study in conjunction with Willard T. Carleton, Karl Eller Professor of Finance at the University of Arizona, on why analysts' forecasts are the best estimate of investors' expectation of future long-term growth. This study is described in a paper entitled "Investor Growth Expectations and Stock Prices: the Analysts versus Historical Growth Extrapolation," published in the Spring 1988 edition of *The Journal of Portfolio Management.*

Q 32 Please summarize the results of your study.

A 32 First, we performed a correlation analysis to identify the historically oriented growth rates which best described a firm's stock price. Then we did a regression study comparing the historical growth rates with the average analysts' forecasts. In every case, the regression equations containing the average of analysts' forecasts statistically outperformed the regression equations containing the historical growth estimates These results are consistent with those found by Cragg and Malkiel, the early major research in this area (John G. Cragg and Burton G. Malkiel, *Expectations and the Structure of Share Prices*, University of Chicago Press, 1982). These results are also consistent with the hypothesis that investors use analysts' forecasts, rather than historically oriented growth calculations, in making stock buy and sell decisions. They provide overwhelming evidence that the analysts' forecasts of future growth are superior to historically oriented growth measures in predicting a firm's stock price.

Q 33 What price did you use in your DCF model?

A 33 I used a simple average of the monthly high and low stock prices for each firm for the three-month period ending January 2004. These high and low stock prices were obtained from the Standard & Poor's *Stock Guide*, a source generally available to and used by investors.

Q 34 Why did you use the three-month average stock price in applying the DCF method?

A 34 I used the three-month average stock price in applying the DCF method because stock prices fluctuate daily, while financial analysts' forecasts for a given company are generally changed less frequently, often on a quarterly basis. Thus, to match the stock price with an earnings forecast, it is appropriate to average stock prices over a three-month period.

Q 35 Did you include an allowance for flotation costs in your DCF analysis?

A 35 Yes. I have included a five percent allowance for flotation costs in my DCF calculations.

Q 36 Please explain your inclusion of flotation costs.

A 36 All firms that have sold securities in the capital markets have incurred some level of flotation costs, including underwriters' commissions, legal fees, printing expense, etc. These costs are withheld from the proceeds of the stock sale or are paid separately, and must be recovered over the life of the equity issue. Costs vary depending upon the size of the issue, the type of registration method used and other factors, but in general these costs range between three and five percent of the proceeds from the issue [see Lee, Inmoo, Scott Lochhead, Jay Ritter, and Quanshui Zhao, "The Costs of Raising Capital," *The Journal of Financial Research*, Vol. XIX No 1 (Spring 1996), 59-74, and Clifford W Smith, "Alternative Methods for Raising Capital," *Journal of Financial Economics* 5 (1977) 273-307]. In addition to these costs, for large equity issues (in relation to outstanding equity shares), there is likely to be a decline in price associated with the sale of shares to the public. On average, the decline due to market pressure has been estimated at two to three percent [see Richard H. Pettway, "The Effects of New Equity Sales Upon Utility Share Prices," *Public Utilities Fortnightly*, May 10, 1984, 35—39]. Thus, the total flotation cost, including both issuance expense and market pressure, could range anywhere from five to eight percent of the proceeds of an equity issue I believe a combined five percent allowance for flotation costs is a conservative estimate that should be used in applying the DCF model in this proceeding.

Q 37 Does TAWC issue equity in the capital markets?

A 37 No. Although TAWC does not issue equity in the capital markets, its parent, RWE, must issue equity to provide TAWC the necessary financing to make investments in its water supply operations in

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Tennessee. If the parent is not able to recover its flotation costs through TAWC's rates, it will have no incentive to invest in TAWC.

Q 38 Is a flotation cost adjustment only appropriate if a company issues stock during the test year?

A 38 No. As described in Appendix 2, a flotation cost adjustment is required whether or not a company issued new stock during the test year. Previously incurred flotation costs have not been recovered in previous rate cases; rather, they are a permanent cost associated with past issues of common stock Just as an adjustment is made to the embedded cost of debt to reflect previously incurred debt issuance costs (regardless of whether additional bond issuances were made in the test year), so should an adjustment be made to the cost of equity regardless of whether additional stock was issued during the test year

Q 39 Does an allowance for recovery of flotation costs associated with stock sales in prior years constitute retroactive rate-making?

A 39 No. An adjustment for flotation costs on equity is not meant to recover any cost that is properly assigned to prior years. In fact, the adjustment allows TAWC to recover only the current carrying costs associated with flotation expenses incurred at the time stock sales were made. The original flotation costs themselves will never be recovered, because the stock is assumed to have an infinite life.

Q 40 How did you apply the DCF approach to obtain the cost of equity capital for TAWC?

A 40 I applied the DCF approach to the publicly-traded water companies shown on Schedule A and the publicly-traded natural gas distribution companies (LDCs) shown on Schedule B

Q 41 How did you select your group of publicly-traded water companies?

A 41 I selected all the water companies included in either the Value Line Investment Survey that: (1) paid dividends during every quarter of the last five years; (2) did not decrease dividends during any quarter of the past five years, (3) have at least one analyst's long-term growth forecast; and (4) have not announced a merger. In addition, all of the companies included in my group have a Value Line Safety Rank of 2 or 3, where 3 is the average Safety Rank of the Value Line universe of companies and 2 is above average in safety The average DCF result for my proxy group of water companies is also shown on Schedule A.

Q 42 Why did you eliminate companies that have either decreased or eliminated their dividend in the past five years?

A 42 The DCF model requires the assumption that dividends will grow at a constant rate into the indefinite future. If a company has either decreased or eliminated its dividend in recent years, an assumption that the company's dividend will grow at the same rate into the indefinite future is questionable

Q 43 Why did you eliminate companies that do not have any analyst's long-term growth forecasts?

A 43 As noted above, my studies indicate that the analysts' growth forecasts best approximate the growth forecasts used by investors in making stock buy and sell decisions, and thus, the average of the analysts' growth forecast is the best available estimate of the growth term in the DCF Model. In my opinion, it is difficult to apply the DCF model to companies that do not have any analysts' long-term growth estimates.

Q 44 Are water companies widely followed by analysts in the investment community?

A 44 No. As a result of their small size and low investor turnover, the water companies are generally followed by very few analysts. The number of analysts' estimates for each of the water companies in Dr. Vander Weide's proxy group is shown below in Table 1:

Table 1

NUMBER OF LONG-TERM GROWTH FORECASTS FOR WATER COMPANIES

Company	No of I/B/E/S Analysts	No of Value Line Analysts
American States Water	1	1
Aqua America	5	1
California Water	2	1
Middlesex Water	0	0
Southwest Water	2	0
York Water Company	1	0
Connecticut Water Services	0	0
SJW Corp	0	0

Q 45 Do you normally include companies in your proxy groups that have only one or two analysts' long-term growth forecasts?

A 45 No. I normally include a company in my proxy group only if there are at least three analysts' estimates of long-term growth. On the basis of my professional judgment, I believe that cost of equity estimates based on three or more analysts' estimates are more reliable than cost of equity estimates based on just one or two forecasts.

Q 46 Recognizing the greater uncertainty associated with DCF results based on just one or two analysts' forecasts, did you supplement your DCF results for the water companies with a DCF analysis of an additional proxy group?

A 46 Yes. Given the greater uncertainty in applying the DCF model to companies with only one or two analysts' growth forecasts, as noted above, I have also applied the DCF model to an additional proxy group consisting of LDCs, and each of the companies in the LDC proxy group has at least three analysts' estimates of long-term growth

Q 47 You noted above that you also eliminate from your proxy groups companies that have announced mergers. Why do you eliminate companies that have announced mergers that are not yet completed?

A 47 A merger announcement can sometimes have a significant impact on a company's stock price because of anticipated merger-related cost savings and new market opportunities. Analysts' growth forecasts, on the other hand, are necessarily related to companies as they currently exist, and do not reflect investors' views of the potential cost savings and new market opportunities associated with mergers. The use of a stock price that includes the value of potential mergers in conjunction with growth forecasts that do not include the growth enhancing prospects of potential mergers produces DCF results that tend to distort a company's cost of equity

Q 48 What companies were eliminated from your water company proxy group by your selection criteria?

A 48 Connecticut Water Services, Middlesex, and SJW Corp. were eliminated from my proxy group because they have no analysts' forecasts of long-term growth. No water companies were eliminated because of other selection criteria.

Q 49 Please summarize the result of your application of the DCF model to your water company proxy group.

A 49 As shown in Schedule A, my application of the DCF model to the Value Line water companies produces an average DCF result of 10.9 percent.

Q 50 You noted above that you also applied your DCF method to a proxy group of LDCs. Why did you apply your DCF model to a proxy group of LDCs?

A 50 I applied my DCF model to a proxy group of LDCs because: (1) the companies in the water company group are generally followed by only one or two analysts; (2) the LDCs are similar in risk to the water companies; and (3) it is useful to examine the cost of equity results for a larger group of companies of similar risk that have a wider following in the investment community in order to test the reasonableness of the results obtained by applying cost of equity methodologies to the small group of publicly-traded water companies Financial theory does not require that companies be in exactly the same industry to be comparable in risk

Q 51 How did you select your proxy group of LDCs?

A 51 I selected all the companies in Value Line's natural gas industry groups that: (1) are primarily in the business of natural gas distribution, (2) paid dividends during every quarter of the last five years, (3) did not decrease dividends during any quarter of the past five years, (4) had at least three analysts included in the I/B/E/S consensus growth forecast, and (5) have not announced a merger. In addition, all of the LDCs included in my group have a Value Line Safety Rank of 1, 2, or 3. The LDCs in my DCF proxy group and the average DCF result are shown on Schedule B.

Q 52 Which LDCs did you eliminate according to your criteria?

A 52 I eliminated Cascade, Energen, Laclede, New Jersey Resources, NUI, South Jersey, Southwest Gas, and UGI because they have fewer than three analyst's growth forecasts. Southern Union was not included because it pays no dividends; and NUI and SEMCO were eliminated because they have reduced their dividend payments

Q 53 How are the LDCs similar to TAWC?

A 53 Like TAWC, the LDCs are regulated public utilities that: (1) invest primarily in a capital-intensive physical network that connects the customer to the source of supply; and (2) sell their products and services at regulated rates to customers whose demand is primarily dependent on weather and the state of the economy.

Q 54 Does your LDC proxy group meet the standards of the *Hope* and *Bluefield* cases you cite above?

A 54 Yes. The *Hope* and *Bluefield* standard states that a public utility should be allowed to earn a return on its investment that is commensurate with the returns investors are able to earn on investments having similar risk. The LDCs are a group of companies that meet the standards of the *Hope* and *Bluefield* cases because they are similar in risk to TAWC.

Q 55 Do you have any empirical evidence that the LDCs in your proxy group are a reasonable proxy for TAWC?

A 55 Yes. The average Value Line Safety Rank for my proxy group of LDCs is slightly less than 2, on a scale where 1 is the most safe and 5 is the least safe, whereas the water companies have an average Value Line Safety Rank of approximately 3.

Q 56 Please summarize the results of your application of the DCF method to the LDC proxy group.

A 56 My application of the DCF method to the LDC proxy group produces an average DCF result of 10.4 percent, as shown on Schedule B.

Q 57 You have presented the results of two DCF analyses. Based on your DCF studies, what is your conclusion regarding TAWC's DCF-based cost of equity?

A 57 My application of the DCF model produces an average DCF result of 10.9 percent for the water companies and 10 4 percent for the LDCs.

VII. RISK PREMIUM APPROACH

Q 58 Please describe the risk premium approach to estimating TAWC's cost of equity.

A 58 The risk premium approach is based on the principle that investors expect to earn a return on an equity investment in TAWC that reflects a "premium" over and above the return they expect to earn on an investment in a portfolio of long-term bonds. This equity risk premium compensates equity investors for the additional risk they bear in making equity investments versus bond investments.

Q 59 How did you measure the required risk premium on an equity investment in TAWC?

A 59 I used two methods to estimate the required risk premium on an equity investment in TAWC. The first is called the ex ante risk premium method and the second is called the ex post risk premium method.

A. Ex Ante Risk Premium Approach

Q 60 Please describe your ex ante risk premium approach for measuring the required risk premium on an equity investment in TAWC.

A 60 My ex ante risk premium method is based on a study of the DCF expected return on a proxy group of natural gas distribution companies compared to the interest rate on Moody's A-rated utility bonds.

Specifically, for each month in my 72-month study period, I calculated the risk premium using the equation,

$$RP_{PROXY} = DCF_{PROXY} - I_A$$

where:

RP_{PROXY}	=	the required risk premium on an equity investment in the proxy group of LDCs;
DCF_{PROXY}	=	average DCF estimated cost of equity on a portfolio of proxy LDCs; and
I_A	=	the yield to maturity on an investment in A-rated utility bonds.

I utilized a 72-month period because this was as far back as I could readily obtain data.

Q 61 Why did you apply your ex ante risk premium study to LDCs rather than to water companies?

A 61 I applied my ex ante risk premium approach to LDCs rather than to water companies because the LDCs are similar in risk to the water companies and there is sufficient data to apply the DCF method to the sample companies over a relatively long period of time. In contrast, as discussed above, the water companies, are generally followed by only one or two analysts, and there are relatively few companies with consistent data extending back for a reasonably long study period.

Q 62 What were the results of your ex ante risk premium study?

A 62 The results of my ex ante risk premium study are described in Schedule C. Over the study period, the average DCF estimated cost of equity on an investment in the portfolio of LDCs was equal to 12.09 percent, while the average yield to maturity on A-rated utility bonds was 7.38 percent. Thus, the average estimated risk premium on an investment in TAWC was 4.71 percent over the yield on A-rated utility bonds

Q 63 Does the ex ante risk premium vary with the level of interest rates?

A 63 Yes. Previous studies have shown that the ex ante risk premium tends to vary inversely with the level of interest rates, that is, the risk premium tends to increase when interest rates decline, and decrease when interest rates go up.

Q 64 Have you performed a statistical analysis to determine whether this inverse relationship holds for your ex ante risk premium data?

A 64 Yes I performed a regression analysis of the relationship between the ex ante risk premium and the yield to maturity on A-rated utility bonds, using the equation,

$$RP_{PROXY} = a + b \times I_A + e$$

where:

RP_{PROXY}	=	risk premium on portfolio of LDCs;
I_A	=	yield to maturity on A-rated utility bonds;
e	=	a random residual, and
a, b	=	coefficients estimated by the regression procedure.

Q 65 Regression analysis assumes that the statistical residuals from the regression equation are random. Did you examine whether this assumption is valid for your data?

A 65 Yes. My examination of the residuals revealed that there is a significant probability that the residuals are serially correlated (non-zero serial

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correlation indicates that the residual in one time period tends to be correlated with the residual in the previous time period).

Q 66 Did you make any adjustments in your data to correct for the possibility of serial correlation in the residuals?

A 66 Yes. The common procedure for dealing with serial correlation in the residuals is to estimate the regression coefficients in two steps. First, a multiple regression analysis is used to estimate the serial correlation coefficient, ***r***. Second, the estimated serial correlation coefficient is used to transform the original variables into new variables whose serial correlation is approximately zero. The regression coefficients are then re-estimated using the transformed variables as inputs in the regression equation. This procedure produced ***a*** and ***b*** coefficient estimates equal to 8.00 and –0.45, indicating that the risk premium increases by 45 basis points for every 100 basis point decrease in the interest rate on A-rated utility bonds.

Q 67 Using your knowledge of the statistical relationship between the yield to maturity on A-rated utility bonds and the required risk premium, what is your estimate of the ex ante risk premium on an investment in TAWC?

A 67 As noted above, my estimate of the ex ante risk premium on an investment in TAWC as compared to an investment in A-rated utility bonds is given by the equation

$$RP_{PROXY} = 8\ 00 - 0.45 \times I_A.$$

Using the 6.31 percent three-month average yield to maturity on A-rated utility bonds at March, April, and May 2004, the regression equation produces an ex ante risk premium equal to 5.16 percent (8.00 – 0 45 x 6.31 = 5.16).

Q 68 What range of risk premiums did you obtain in your ex ante risk premium study?

A 68 As shown on Vander Weide Schedule C, my study shows a range of risk premiums on a portfolio of LDC stock investments versus a portfolio of A-rated utility bonds of approximately 340 to 580 basis points.

Q 69 What cost of equity do you obtain from your ex ante risk premium approach?

A 69 To estimate the cost of equity using the ex ante risk premium approach, one may add the estimated risk premium over the yield on A-rated utility bonds to the yield to maturity on A-rated utility bonds. The average yield to maturity on A-rated utility bonds for the three-month period ending May 2004 was 6.31 percent. As noted above, my analyses produce an estimated risk premium over the yield on A-rated utility bonds equal to 5.16 percent. Adding an estimated risk premium of 5.16 percent to the 6.31 percent yield to maturity on A-rated utility bonds produces a cost of equity estimate of 11.47 percent using the ex ante risk premium approach.

B. Ex Post Risk Premium Approach

Q 70 Please describe your ex post risk premium approach for measuring the required risk premium on an equity investment in TAWC.

A 70 I first performed a study of the comparable returns received by bond and stock investors over the last 67 years. I estimated the returns on stock and bond portfolios, using stock price and dividend yield data on the S&P 500 and bond yield data on Moody's A-rated Utility Bonds. My study consisted of making an investment of one dollar in the S&P 500 and Moody's A-rated Utility Bonds at the beginning of 1937, and reinvesting the principal plus return each year to 2004 The return associated with each stock portfolio is the sum of the annual dividend yield and capital gain (or loss) which accrued to this portfolio during the year(s) in which it was held. The return associated with the bond portfolio, on the other hand, is the sum of the annual coupon yield and capital gain (or loss) which accrued to the bond portfolio during the year(s) in which it was held. The resulting annual returns on the stock and bond portfolios purchased in each year between 1937 and 2004 are shown on Schedule D. The average annual return on an investment in the S&P 500 stock portfolio was 11.67 percent, while the average annual return on an investment in the Moody's A-rated utility bond portfolio was 6.40 percent The risk premium on the S&P 500 stock portfolio is, therefore, 5.27 percent.

I also conducted a second study using stock data on the S&P Utilities rather than the S&P 500. As shown on Schedule E, the S&P Utility stock portfolio showed an average annual return of 10.57 percent per year. Thus, the return on the S&P Utility stock portfolio exceeded the return on the Moody's A-rated utility bond portfolio by 4.16 percent (apparent discrepancy due to rounding).

Q 71 Why is it appropriate to perform your ex post risk premium analysis using both the S&P 500 and the S&P Utility Stock indices?

A 71 I have performed my ex post risk premium analysis on both the S&P 500 and the S&P Utilities as upper and lower bounds for the required risk premium on an equity investment in TAWC because I believe TAWC faces risks today that are somewhere in between the average risk of the S&P Utilities and the S&P 500 over the years 1937 to 2004. Specifically, the risk premium on the S&P Utilities, 4.16 percent, represents a lower bound for the required risk premium on an equity investment in TAWC because TAWC is currently more risky than an investment in the average utility in the S&P Utilities index over the entire period 1936 to the present. On the other hand, the risk premium on the S&P 500, 5.27 percent, represents an upper bound because an investment in TAWC is less risky than an investment in the S&P 500 over the period 1937 to the present. I use the average of the two risk premiums as my estimate of the required risk premium for TAWC in my ex post risk premium approach.

Q 72 Why did you analyze investors' experiences over such a long time frame?

A 72 Because day-to-day stock price movements can be somewhat random, it is inappropriate to rely on short-run movements in stock prices in order to derive a reliable risk premium. Rather than buying and selling frequently in anticipation of highly volatile price movements, most investors employ a strategy of buying and holding a diversified portfolio of stocks. This buy-and-hold strategy will allow an investor to achieve a much more predictable long-run return on stock investments and at the same time will minimize transaction costs. The situation is very similar to the problem of predicting the results of coin tosses. I cannot predict with any reasonable degree of accuracy the result of a single, or even a few, flips of a balanced coin; but I can predict with a good deal of confidence that approximately 50 heads will appear in 100 tosses of this coin. Under these circumstances, it is most appropriate to estimate future experience from long-run evidence of investment performance.

Q 73 Would your study provide a different ex post risk premium if you started with a different time period?

A 73 Yes. The ex post risk premium results do vary somewhat depending on the historical time period chosen My policy was to go back as far in history as I could get reliable data. I thought it would be most meaningful to begin after the passage and implementation of the Public Utility Holding Company Act of 1935. This Act significantly changed the structure of the public utility industry. Since the Public Utility Holding Company Act of 1935 was not implemented until the beginning of 1937, I felt that numbers taken from before this date would not be comparable to those taken after.

Q 74 Why was it necessary to examine the yield from debt investments in order to determine the investors' required rate of return on equity capital?

A 74 As previously explained, investors expect to earn a return on their equity investment that exceeds currently available bond yields. This is because the return on equity, being a residual return, is less certain than the yield on bonds and investors must be compensated for this uncertainty Second, the investors' current expectations concerning the amount by which the return on equity will exceed the bond yield will be strongly influenced by historical differences in returns to bond and stock investors. For these reasons, we can estimate investors' current expected returns from an equity investment from knowledge of current bond yields and past differences between returns on stocks and bonds

Q 75 Has there been any significant trend in the ex post equity risk premium over the 1937 to 2004 time period of your study?

A 75 No. Statisticians test for trends in data series by regressing the data observations against time. I have performed such a time series regression on my two data sets of historical risk premiums. As shown below in Tables 2 and 3, there is no statistically significant trend in my risk premium data. Indeed, the coefficient on the time variable is insignificantly different from zero (if there were a trend, the coefficient on the time variable should be significantly different from zero).

TABLE 2
REGRESSION OUTPUT FOR RISK PREMIUM ON S&P 500

Line No		Intercept	Time	Adjusted R Square	F
1	Coefficient	0 015	0 001	0 002	1 124
2	T Statistic	0 354	1 060		

TABLE 3
REGRESSION OUTPUT FOR RISK PREMIUM ON S&P UTILITIES

Line No		Intercept	Time	Adjusted R Square	F
1	Coefficient	0 007	0 001	0 002	1 136
2	T Statistic	0 195	1 066		

Q 76 Do you have any other evidence that there has been no significant trend in ex post risk premium results over time?

A 76 Yes. The Ibbotson Associates' *2004 Yearbook* contains an analysis of "trends" in historical risk premium data. Ibbotson Associates uses correlation analysis to determine if there is any pattern or "trend" in risk premiums over time. They also conclude that there are no trends in risk premiums over time.

Q 77 What is the significance of the evidence that historical risk premiums have no trend or other statistical pattern over time?

A 77 The significance of this evidence is that the average historical risk premium is a good estimate of the future expected risk premium. As Ibbotson notes:

> The significance of this evidence is that the realized equity risk premium next year will not be dependent on the realized equity risk premium from this year. That is, there is no discernable pattern in the realized equity risk premium—it is virtually impossible to forecast next year's realized risk premium based on the premium of the previous year. For example, if this year's difference between the riskless rate and the return on the stock market is higher than last year's, that does not imply that next year's will be higher than this year's. It is as likely to be higher as it is lower. The best estimate of the expected value of a variable that has behaved randomly in the past is the average (or arithmetic mean) of its past values. [Ibbotson Associates' Valuation Edition 2004 Yearbook, page 75.]

Q 78 You noted that Ibbotson Associates also provides historical risk premium data. How do the Ibbotson Associates' risk premiums compare to your risk premiums?

A 78 Ibbotson Associates obtains a 7.2 percent risk premium on the S&P 500 versus long-term government bonds. Since the yield on long-term government bonds is currently approximately 115 basis points less than the yield on A-rated utility bonds, the Ibbotson Associates' data would indicate an approximate 6.05 percent risk premium on the S&P 500 over A-rated utility bonds. As shown on Schedules D and E, my studies produce a risk premium over A-rated utility bonds in the range of 4.16 percent to 5.27 percent.

Q 79 What conclusions do you draw from your ex post risk premium analyses about the required return on an equity investment in TAWC?

A 79 My own studies, combined with my analysis of other studies, provide strong evidence that investors today require an equity return of approximately 4.16 to 5.27 percentage points above the expected yield on A-rated utility bonds. The average interest rate on Moody's A-rated utility bonds for the three-month period March through May 2004 has ranged from 5.97 percent to 6 62 percent On the basis of this information and my knowledge of current market conditions, I conclude that investors would expect a long-term yield of approximately 6 3 percent on A-rated utility bonds. Adding a 4.16 to 5.27 percentage point risk premium to an expected yield of 6 3 percent on A-rated utility bonds, I obtain an expected return on equity in the range 10.4 percent to 11.6 percent, with a midpoint of 11.0 percent. Adding a 25 basis-point allowance for flotation costs,[2] I obtain an estimate of 11.3 percent as the cost of equity for TAWC using the ex post risk premium method.

VIII. FAIR RATE OF RETURN ON EQUITY

Q 80 Please summarize your findings concerning TAWC's cost of equity.

A 80 My DCF analysis suggests that TAWC's cost of equity is in the range 10 4 percent to 10.9 percent My ex ante risk premium approach produces a cost of equity estimate for TAWC of 11.5 percent. From my ex post risk premium approach, I find that the cost of equity is 11 3 percent. Based on my three recommended methodologies, I conclude that the average cost of equity for the companies in my proxy groups is in the range 10.4 percent to 11.5 percent.

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[2] I determined the flotation cost allowance by calculating the difference in my DCF results with and without a flotation cost allowance

Q 81 Does your 10.4 percent to 11.5 percent cost of equity range for your proxy groups depend on the percentages of debt and equity in your proxy companies' average capital structure?

A 81 Yes. The 10 4 percent to 11.5 percent cost of equity range for my proxy group reflects the financial risk associated with my proxy companies' average capital structure, where the capital structure weights are measured in terms of market values. Since financial leverage, that is, the use of debt financing, increases the risk of investing in the proxy companies' equity, the cost of equity would be higher for a company with a capital structure containing more leverage.

Q 82 What are the average percentages of debt and equity in your proxy companies' capital structures?

A 82 My proxy group of water companies has an average capital structure containing 4.65 percent short-term debt, 28.02 percent long-term debt, 0.09 percent preferred stock, and 67 24 percent common equity. My proxy group of LDCs has an average capital structure containing 9.46 percent short-term debt, 32.13 percent long-term debt, 0 39 percent preferred stock, and 58.02 percent common equity. These data are shown in Schedule F.

Q 83 How does the average capital structure of your proxy companies compare to TAWC's pro forma capital structure at the end of the test year?

A 83 As described in the testimony of Company Witness Miller, TAWC's pro forma capital structure at the end of the test year contains 5.34 percent short-term debt, 48 88 percent long-term debt, 1.59 percent preferred stock, and 44.19 percent common equity. Thus, TAWC's pro forma capital structure is significantly more highly leveraged than the average capital structure of my proxy companies.

Q 84 You mentioned earlier that the cost of equity depends on a company's capital structure. Is there any way to adjust the 10.4 percent to 11.5 percent cost of equity range for your proxy companies to reflect the higher leverage in TAWC's capital structure?

A 84 Yes. Since my proxy groups are comparable in risk to TAWC, TAWC should have the same weighted average cost of capital as my proxy companies. It is a simple matter to determine what cost of equity TAWC should have in order to have the same weighted average cost of capital as my proxy companies. Since TAWC's capital structure contains significantly more leverage than the average capital structure of my proxy companies, and the cost of equity increases with leverage, it is evident that such an adjustment would produce a significantly higher cost of equity range for TAWC.

Q 85 What is your recommendation as to a fair rate of return on common equity for TAWC?

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A 85 I conservatıvely recommend that TAWC be allowed a faır rate of return on common equity in the range 10.4 percent to 11 5 percent.

Q 86 Does this conclude your testimony?

A 86 Yes, it does.

LIST OF SCHEDULES AND APPENDICES

Schedule A	Summary of Discounted Cash Flow Analysis for Value Line Water Companies
Schedule B	Summary of Discounted Cash Flow Analysis for Value Line Natural Gas Distribution Companies
Schedule C	Comparison of DCF Expected Return on an Equity Investment in Natural Gas Distribution Companies to the Interest Rate on A-rated Utility Bonds
Schedule D	Comparative Returns on S&P 500 Stock Index and Moody's A-Rated Bonds 1937—2004
Schedule E	Comparative Returns on S&P Utility Stocks and Moody's A-Rated Bonds 1937—2004
Schedule F	Average Capital Structure of Proxy Company Groups
Appendix 1	Derivation of the Quarterly DCF Model
Appendix 2	Adjusting for Flotation Costs in Determining a Public Utility's Allowed Rate of Return on Equity
Appendix 3	Risk Premium Approach

TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE A
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR PROXY WATER COMPANY COMPANIES

Line No	Company	Dividend	Price	Value Line Forecasted EPS Growth	I/B/E/S Growth	Ave I/B/E/S & Value Line	Cost of Equity
1	American States Water	0 221	23 752	9 5%	3 0%	6 3%	10 6%
2	Aqua America	0 120	20 653	9 5%	9 0%	9 3%	12 0%
3	California Water	0 283	28 437	11 0%	4 0%	7.5%	12 2%
4	Southwest Water	0 048	13 545		8 0%	8 0%	9 6%
5	York Water Company	0 145	20 058		7 0%	7 0%	10 2%
6	Average[3]						10 9%

Notes

d_1, d_2, d_3, d_4	=	Next four quarterly dividends, calculated by multiplying the last four quarterly dividends per *Value Line* by the factor (1 + g)
P_0	=	Average of the monthly high and low stock prices during the three months ending May 2004 per S&P Stock Guide
FC	=	Flotation costs expressed as a percent of gross proceeds
g	=	Average of I/B/E/S and Value Line forecasts of future earnings growth May 2004
k	=	Cost of equity using the quarterly version of the DCF model shown by the formula below

$$k = \frac{d_1(1+k)^{75} + d_2(1+k)^{50} + d_3(1+k)^{25} + d_4}{P_0(1-FC)} + g$$

[3] It is generally more appropriate to refer to a market value weighted average result, as I do in reporting the average result for the proxy group of LDCs However, one company in the water company group, Aqua America, is four times as large as the next largest company and 15 times larger than the smallest company Thus, referring to a market-weighted average result would effectively cause a market-weighted average result to depend primarily on the result for a single company, Aqua America, which, in this case, has the highest DCF result I therefore conservatively report a simple average of the DCF results for all the water companies The market-weighted average DCF result for the water companies is 11 6%

TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE B
SUMMARY OF DISCOUNTED CASH FLOW ANALYSIS
FOR NATURAL GAS DISTRIBUTION COMPANIES

Line No	Company	Dividend	Price	Growth	Cost of Equity
1	AGL Resources	0 280	28.245	4 80%	9 3%
2	Atmos Energy	0.305	25 132	6 67%	12 3%
3	Equitable Resources	0 300	45 367	9 33%	12 5%
4	KeySpan Corp.	0 445	36 773	4 89%	10 4%
5	NICOR Inc	0 465	34 615	3 25%	9 3%
6	Northwest Nat Gas	0 325	30 333	4 88%	9 7%
7	Peoples Energy	0 540	42 802	4 50%	10 2%
8	Piedmont	0 430	40 993	4 80%	9 5%
9	WGL Holdings Inc	0 325	28 835	3 93%	9 0%
10	Market Weighted Average				10 4%

Notes

d_1, d_2, d_3, d_4	=	Next four quarterly dividends, calculated by multiplying the last four quarterly dividends per *Value Line* by the factor (1 + g)
P_0	=	Average of the monthly high and low stock prices during the three months ending May 2004 per S&P Stock Guide
FC	=	Flotation costs expressed as a percent of gross proceeds
g	=	I/B/E/S forecast of future earnings growth May 2004
k	=	Cost of equity using the quarterly version of the DCF model shown by the formula below

$$k = \frac{d_1(1+k)^{75} + d_2(1+k)^{50} + d_3(1+k)^{25} + d_4}{P_0(1-FC)} + g$$

TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE C
COMPARISON OF DCF EXPECTED RETURN
ON AN EQUITY INVESTMENT IN NATURAL GAS DISTRIBUTION COMPANIES
TO THE INTEREST RATE ON A-RATED UTILITY BONDS

Date	DCF	A-Bond Yield	Risk Premium
June-98	0 1105	0 0703	0 0402
July-98	0 1130	0 0703	0 0427
August-98	0 1202	0 0700	0 0502
September-98	0 1255	0 0693	0 0562
October-98	0.1256	0 0696	0 0560
November-98	0 1197	0 0703	0 0494
December-98	0 1159	0 0691	0 0468
January-99	0 1176	0 0697	0 0479
February-99	0 1219	0 0709	0 0510
March-99	0 1247	0 0726	0 0521
April-99	0 1253	0 0722	0 0531
May-99	0 1223	0 0747	0 0476
June-99	0 1214	0 0774	0 0440
July-99	0 1226	0 0771	0 0455
August-99	0 1223	0 0791	0 0432
September-99	0 1229	0 0793	0 0436
October-99	0 1243	0 0806	0 0437
November-99	0.1259	0 0794	0 0465
December-99	0 1302	0 0814	0 0488
January-00	0 1325	0 0835	0 0490
February-00	0 1371	0 0825	0 0546
March-00	0 1356	0 0828	0 0528
April-00	0 1331	0 0829	0 0502
May-00	0 1301	0 0870	0 0431
June-00	0 1300	0 0836	0 0464
July-00	0 1325	0 0825	0 0500
August-00	0 1298	0 0813	0 0485
September-00	0 1268	0 0823	0 0445
October-00	0 1272	0 0814	0 0458
November-00	0 1246	0 0811	0 0435
December-00	0 1227	0 0784	0.0443
January-01	0 1251	0 0780	0 0471
February-01	0 1260	0 0774	0 0486
March-01	0 1273	0 0768	0 0505
April-01	0 1244	0 0794	0 0450
May-01	0 1311	0 0799	0 0512
June-01	0 1316	0 0785	0 0531
July-01	0 1341	0 0778	0 0563
August-01	0 1342	0 0759	0 0583
September-01	0 1247	0 0775	0 0472

TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE C (continued)
COMPARISON OF DCF EXPECTED RETURN
ON AN EQUITY INVESTMENT IN NATURAL GAS DISTRIBUTION COMPANIES
TO THE INTEREST RATE ON A-RATED UTILITY BONDS.

Date	DCF	A-Bond Yield	Risk Premium
October-01	0 1258	0 0763	0 0495
November-01	0 1265	0 0757	0 0508
December-01	0 1247	0 0783	0 0464
January-02	0 1224	0 0766	0 0458
February-02	0 1230	0 0754	0 0476
March-02	0 1167	0 0776	0 0391
April-02	0 1132	0 0757	0 0375
May-02	0 1130	0 0752	0 0378
June-02	0 1138	0 0741	0 0397
July-02	0 1219	0 0731	0 0488
August-02	0.1207	0 0717	0 0490
September-02	0 1245	0 0708	0 0537
October-02	0 1228	0 0723	0 0505
November-02	0 1194	0 0714	0 0480
December-02	0 1190	0 0707	0 0483
January-03	0 1194	0 0706	0 0488
February-03	0 1211	0 0693	0 0518
March-03	0 1184	0 0679	0 0505
April-03	0 1157	0 0664	0 0493
May-03	0 1110	0 0636	0 0474
June-03	0 1101	0 0621	0 0480
July-03	0.1103	0 0657	0 0446
August-03	0 1112	0 0678	0 0434
September-03	0 1097	0 0656	0 0441
October-03	0 1094	0 0643	0 0451
November-03	0 1061	0 0637	0 0424
December-03	0 1040	0 0627	0 0413
January-04	0 1065	0 0615	0 0450
February-04	0 1033	0 0615	0 0418
March-04	0 1030	0 0597	0 0433
April-04	0 1033	0 0635	0 0398
May-04	0 1000	0 0662	0.0338
Average	0 1209	0 0738	0 0471

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TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE C (continued)
COMPARISON OF DCF EXPECTED RETURN
ON AN EQUITY INVESTMENT IN NATURAL GAS DISTRIBUTION COMPANIES
TO THE INTEREST RATE ON A-RATED UTILITY BONDS.

Notes A-rated utility bond yield information from the Mergent Bond Record DCF results are calculated using a quarterly DCF model as follows

D_0	=	Latest quarterly dividend per *Value Line*
P_0	=	Average of the monthly high and low stock prices for each month per S&P Stock Guide and Dow Jones
FC	=	Flotation costs expressed as a percent of gross proceeds
g	=	I/B/E/S forecast of future earnings growth for each month
k	=	Cost of equity using the quarterly version of the DCF model shown by the formula below

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0} \right]^4 - 1$$

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TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE D
COMPARATIVE RETURNS ON S&P 500 STOCK INDEX
AND MOODY'S A-RATED BONDS 1937 – 2004

Year	Stock Price	Stock Dividend Yield	Stock Return	Bond Price	Bond Return
2004	1,132 52	0 0161		70 87	
2003	895 84	0 0180	28 22%	62 26	20 27%
2002	1,140 21	0 0138	-20 05%	57 44	15 35%
2001	1,335 63	0 0116	-13 47%	56 40	8 93%
2000	1,425 59	0 0118	-5 13%	52 60	14 82%
1999	1,248 77	0 0130	15 46%	63 03	-10 20%
1998	963 35	0 0162	31 25%	62 43	7 38%
1997	766 22	0 0195	27 68%	56 62	17 32%
1996	614 42	0 0231	27 02%	60 91	-0 48%
1995	465 25	0 0287	34 93%	50 22	29.26%
1994	472 99	0 0269	1 05%	60 01	-9 65%
1993	435 23	0 0288	11 56%	53 13	20 48%
1992	416 08	0 0290	7 50%	49 56	15 27%
1991	325 49	0 0382	31 65%	44 84	19 44%
1990	339 97	0 0341	-0 85%	45 60	7 11%
1989	285 41	0 0364	22 76%	43 06	15 18%
1988	250 48	0 0366	17 61%	40 10	17 36%
1987	264 51	0 0317	-2 13%	48 92	-9 84%
1986	208 19	0 0390	30 95%	39 98	32 36%
1985	171 61	0.0451	25 83%	32 57	35 05%
1984	166 39	0 0427	7 41%	31 49	16 12%
1983	144 27	0 0479	20 12%	29 41	20 65%
1982	117 28	0 0595	28 96%	24 48	36 48%
1981	132 97	0 0480	-7 00%	29 37	-3 01%
1980	110 87	0 0541	25 34%	34 69	-3 81%
1979	99 71	0 0533	16.52%	43 91	-11 89%
1978	90 25	0 0532	15 80%	49 09	-2 40%
1977	103.80	0 0399	-9 06%	50 95	4 20%
1976	96 86	0 0380	10 96%	43 91	25 13%
1975	72 56	0 0507	38 56%	41 76	14 75%
1974	96 11	0 0364	-20 86%	52 54	-12 91%
1973	118 40	0 0269	-16 14%	58 51	-3 37%
1972	103 30	0 0296	17 58%	56 47	10 69%
1971	93 49	0.0332	13 81%	53 93	12 13%
1970	90 31	0 0356	7 08%	50 46	14 81%
1969	102 00	0 0306	-8 40%	62 43	-12 76%
1968	95 04	0 0313	10 45%	66 97	-0 81%
1967	84 45	0 0351	16 05%	78 69	-9 81%
1966	93 32	0 0302	-6 48%	86 57	-4 48%
1965	86 12	0 0299	11.35%	91 40	-0 91%
1964	76 45	0 0305	15 70%	92 01	3 68%
1963	65 06	0 0331	20 82%	93 56	2 61%
1962	69 07	0 0297	-2 84%	89 60	8 89%
1961	59 72	0 0328	18 94%	89 74	4 29%
1960	58 03	0 0327	6 18%	84 36	11 13%

TAWC ENERGY COMPANY
SCHEDULE D (CONTINUED)
COMPARATIVE RETURNS ON S&P 500 STOCK INDEX
AND MOODY'S A-RATED BONDS 1937—2004

Year	Stock Pnce	Stock Dıvidend Yıeld	Stock Return	Bond Pnce	Bond Return
1959	55 62	0 0324	7 57%	91 55	-3 49%
1958	41 12	0 0448	39 74%	101 22	-5 60%
1957	45 43	0 0431	-5 18%	100 70	4 49%
1956	44 15	0 0424	7 14%	113 00	-7 35%
1955	35 60	0 0438	28 40%	116 77	0 20%
1954	25 46	0 0569	45.52%	112 79	7 07%
1953	26 18	0 0545	2 70%	114 24	2 24%
1952	24 19	0 0582	14 05%	113 41	4 26%
1951	21 21	0 0634	20 39%	123 44	-4 89%
1950	16 88	0 0665	32 30%	125 08	1 89%
1949	15 36	0 0620	16 10%	119 82	7 72%
1948	14 83	0 0571	9 28%	118 50	4 49%
1947	15 21	0 0449	1 99%	126 02	-2 79%
1946	18 02	0 0356	-12 03%	126 74	2 59%
1945	13 49	0 0460	38 18%	119 82	9.11%
1944	11 85	0 0495	18 79%	119 82	3 34%
1943	10 09	0 0554	22.98%	118 50	4 49%
1942	8 93	0 0788	20.87%	117 63	4 14%
1941	10 55	0 0638	-8 98%	116 34	4 55%
1940	12 30	0 0458	-9 65%	112.39	7 08%
1939	12 50	0 0349	1 89%	105 75	10 05%
1938	11 31	0 0784	18 36%	99 83	9 94%
1937	17 59	0 0434	-31 36%	103 18	0 63%
Return			11 67%		6 40%
Rısk Premıum			5 27%		

Note See Appendıx 3 for an explanatıon of how stock and bond returns are denved and the source of the data presented

TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE E
COMPARATIVE RETURNS ON S&P UTILITIES STOCK INDEX
AND MOODY'S A-RATED BONDS 1937—2004

Year	Stock Price	Stock Dividend Yield	Stock Return	Bond Price	Bond Return
2004	139 79			70 87	
2003	114.11	0 0508	27 58%	62 26	20 27%
2002	142 14	0 0454	-15 18	57 44	15.35
2002	243 79	0 0362		57 44	
2001	307 70	0 0287	-17 90%	56 40	8 92%
2000	239 17	0 0413	32 78%	52 60	14 82%
1999	253 52	0 0394	-1 72%	63 03	-10 20%
1998	228 61	0 0457	15 47%	62 43	7 38%
1997	201 14	0 0492	18 58%	56 62	17 32%
1996	202 57	0 0454	3 83%	60 91	-0 48%
1995	153.87	0 0584	37 49%	50 22	29 26%
1994	168 70	0 0496	-3 83%	60 01	-9 65%
1993	159 79	0 0537	10 95%	53 13	20 48%
1992	149 70	0 0572	12 46%	49 56	15 27%
1991	138 38	0 0607	14 25%	44.84	19 44%
1990	146 04	0 0558	0 33%	45 60	7 11%
1989	114 37	0 0699	34 68%	43 06	15 18%
1988	106 13	0 0704	14 80%	40 10	17 36%
1987	120 09	0 0588	-5 74%	48 92	-9 84%
1986	92 06	0 0742	37 87%	39 98	32 36%
1985	75 83	0 086	30.00%	32 57	35 05%
1984	68 50	0 0925	19 95%	31 49	16 12%
1983	61 89	0 0948	20 16%	29 41	20 65%
1982	51 81	0.1074	30 20%	24 48	36 48%
1981	52 01	0 0978	9 40%	29 37	-3 01%
1980	50 26	0 0953	13 01%	34 69	-3 81%
1979	50 33	0 0893	8 79%	43 91	-11 89%
1978	52 40	0 0791	3 96%	49 09	-2 40%
1977	54 01	0 0714	4 16%	50 95	4 20%
1976	46 99	0 0776	22 70%	43 91	25 13%
1975	38 19	0 092	32 24%	41 76	14 75%
1974	48 60	0 0713	-14 29%	52 54	-12 91%
1973	60 01	0 0556	-13 45%	58 51	-3 37%
1972	60 19	0 0542	5 12%	56 47	10 69%
1971	63 43	0 0504	-0 07%	53 93	12 13%
1970	55 72	0 0561	19 45%	50 46	14 81%
1969	68 65	0 0445	-14 38%	62 43	-12 76%
1968	68 02	0 0435	5 28%	66 97	-0 81%
1967	70 63	0 0392	0 22%	78 69	-9 81%
1966	74 50	0 0347	-1 72%	86 57	-4 48%
1965	75 87	0 0315	1 34%	91 40	-0 91%
1964	67 26	0 0331	16 11%	92 01	3 68%
1963	63 35	0 033	9.47%	93 56	2 61%
1962	62 69	0 032	4 25%	89 60	8 89%
1961	52 73	0 0358	22 47%	89 74	4 29%
1960	44 50	0 0403	22 52%	84 36	11 13%
1959	43 96	0 0377	5 00%	91 55	-3 49%

TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE E (CONTINUED)
COMPARATIVE RETURNS ON S&P UTILITIES STOCK INDEX
AND MOODY'S A-RATED BONDS 1937—2004

Year	Stock Price	Stock Dividend Yield	Stock Return	Bond Price	Bond Return
1958	33 30	0 0487	36 88%	101 22	-5 60%
1957	32 32	0 0487	7 90%	100 70	4 49%
1956	31 55	0 0472	7 16%	113 00	-7 35%
1955	29.89	0 0461	10 16%	116 77	0 20%
1954	25 51	0 052	22 37%	112 79	7 07%
1953	24 41	0 0511	9 62%	114 24	2 24%
1952	22 22	0 055	15 36%	113 41	4 26%
1951	20 01	0.0606	17 10%	123 44	-4 89%
1950	20 20	0 0554	4 60%	125 08	1 89%
1949	16 54	0 057	27 83%	119 82	7 72%
1948	16 53	0 0535	5 41%	118 50	4 49%
1947	19 21	0 0354	-10 41%	126 02	-2 79%
1946	21 34	0 0298	-7 00%	126 74	2 59%
1945	13 91	0 0448	57 89%	119 82	9 11%
1944	12 10	0 0569	20 65%	119 82	3 34%
1943	9 22	0 0621	37 45%	118 50	4 49%
1942	8 54	0 094	17 36%	117 63	4 14%
1941	13 25	0 0717	-28 38%	116 34	4 55%
1940	16 97	0 054	-16 52%	112 39	7 08%
1939	16 05	0 0553	11 26%	105 75	10 05%
1938	14 30	0 073	19 54%	99 83	9 94%
1937	24 34	0 0432	-36 93%	103 18	0 63%
Return			10 57%		6 40%
Risk Premium			4 16%		

Note See Appendix 3 for an explanation of how stock and bond returns are derived and the source of the data presented In 2002, S&P discontinued its S&P Utilities stock index, and S&P no longer reports dividend yields for electric utilities Thus, for this study, the utility stock returns beginning in 2002 are computed based on the companies contained in the S&P electric company index, as listed in the *S&P Security Price Record.* The dividend yields for these stocks are the stock dividend yields based on closing stock prices at January 31

TENNESSEE-AMERICAN WATER COMPANY
SCHEDULE F

AVERAGE CAPITAL STRUCTURE OF PROXY WATER COMPANY GROUP

Line No	Company Name	Short-Term Debt	Long-Term Debt	Preferred Equity	Market Cap $ (Mil)	Total Capital	% Short-Term Debt	% Long-Term Debt	% Preferred	% Equity
1	Amer States Water	56 8	229 8	0 0	362 0	648 6	8 76%	35 43%	0 00%	55 81%
2	Aqua America	135 8	696 7	0 0	1,904 3	2,736 8	4 96%	25.46%	0 00%	69 58%
3	California Water	7 4	250 4	3 5	478 3	739 6	1 00%	33 86%	0 47%	64 67%
4	Southwest Water	2 7	73 1	0 5	198 7	275 0	0 98%	26 59%	0 18%	72 25%
5	York Water Company	9 9	29 9	0 0	128 8	168 6	5 87%	17 74%	0 00%	76 39%
6	Composite	212 6	1,279 9	4 0	3,072 0	4,568 5	4 65%	28 02%	0 09%	67 24%

AVERAGE CAPITAL STRUCTURE OF PROXY LDC GROUP

Line No	Company Name	Short-Term Debt	Long-Term Debt	Preferred Equity	Market Cap $ (Mil)	Total Capital	% Short-term Debt	% Long-term Debt	% Preferred	% Equity
1	AGL Resources	383 4	956 1	0 0	1,850 6	3,190 1	12 02%	29 97%	0 00%	58 01%
2	Atmos Energy	127 9	863 9	0 0	1,297 5	2,289 3	5 59%	37.74%	0 00%	56 68%
3	Equitable Resources	146 3	572 0	0 0	2,923 0	3,641 3	4 02%	15 71%	0 00%	80 27%
4	KeySpan Corp	927 1	5,224 1	83 8	5,799.3	12,034 3	7 70%	43 41%	0 70%	48 19%
5	NICOR Inc	415 0	396 2	4 3	1,508 2	2,323 7	17 86%	17 05%	0 19%	64 91%
6	Northwest Nat Gas	89 8	445 9	8 3	755 6	1,299 6	6 91%	34 31%	0 64%	58 14%
7	Peoples Energy	207.9	744 3	0 0	1,537 1	2,489 3	8 35%	29 90%	0 00%	61 75%
8	Piedmont Natural Gas	557 1	460 0	0 0	1,538 8	2,555 9	21 80%	18 00%	0 00%	60 21%
9	WGL Holdings Inc	178.9	636 7	28 2	1,389 7	2,233 5	8 01%	28 51%	1 26%	62 22%
10	Composite	3,033.4	10,299 2	124 6	18,599 8	32,057 0	9 46%	32 13%	0 39%	58 02%

Source of data The Value Line Investment Survey May 2004

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THE QUARTERLY DCF MODEL

The simple DCF Model assumes that a firm pays dividends only at the end of each year. Since firms in fact pay dividends quarterly and investors appreciate the time value of money, the annual version of the DCF Model generally underestimates the value investors are willing to place on the firm's expected future dividend stream. In this appendix, we review two alternative formulations of the DCF Model that allow for the quarterly payment of dividends.

When dividends are assumed to be paid annually, the DCF Model suggests that the current price of the firm's stock is given by the expression:

$$P_0 = \frac{D_1}{(1+k)} + \frac{D_2}{(1+k)^2} + \ldots + \frac{D_n + P_n}{(1+k)^n} \quad (1)$$

where

P_0	=	current price per share of the firm's stock,
$D_1, D_2, \ldots, D_n$	=	expected annual dividends per share on the firm's stock,
P_n	=	price per share of stock at the time investors expect to sell the stock, and
k	=	return investors expect to earn on alternative investments of the same risk, i.e., the investors' required rate of return.

Unfortunately, expression (1) is rather difficult to analyze, especially for the purpose of estimating k. Thus, most analysts make a number of simplifying assumptions. First, they assume that dividends are expected to grow at the constant rate g into the indefinite future. Second, they assume that the stock price at time n is simply the present value of all dividends expected in periods subsequent to n. Third, they assume that the investors' required rate of return, k, exceeds the expected dividend growth rate g Under the above simplifying assumptions, a firm's stock price may be written as the following sum:

$$P_0 = \frac{D_0(1+g)}{(1+k)} + \frac{D_0(1+g)^2}{(1+k)^2} + \frac{D_0(1+g)^3}{(1+k)^3} + \ldots , \qquad \textbf{(2)}$$

where the three dots indicate that the sum continues indefinitely.

As we shall demonstrate shortly, this sum may be simplified to:

$$P_0 = \frac{D_0(1+g)}{(k-g)} \quad .$$

First, however, we need to review the very useful concept of a geometric progression

Geometric Progression

Consider the sequence of numbers 3, 6, 12, 24,..., where each number after the first is obtained by multiplying the preceding number by the factor 2. Obviously, this sequence of numbers may also be expressed as the sequence 3, 3 x 2, 3 x 2^2, 3 x 2^3, etc. This sequence is an example of a geometric progression.

Definition: A geometric progression is a sequence in which each term after the first is obtained by multiplying some fixed number, called the common ratio, by the preceding term.

A general notation for geometric progressions is: a, the first term, r, the common ratio, and n, the number of terms. Using this notation, any geometric progression may be represented by the sequence:

$$a, ar, ar^2, ar^3, \ldots, ar^{n-1}.$$

In studying the DCF Model, we will find it useful to have an expression for the sum of n terms of a geometric progression. Call this sum S_n Then

$$S_n = a + ar + \ldots + ar^{n-1} . \qquad \textbf{(3)}$$

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However, this expression can be simplified by multiplying both sides of equation (3) by r and then subtracting the new equation from the old. Thus,

$$rS_n = ar + ar^2 + ar^3 + . \quad + ar^n$$

and

$$S_n - rS_n = a - ar^n \quad ,$$

or

$$(1 - r)\, S_n = a\,(1 - r^n) \quad .$$

Solving for S_n, we obtain:

$$S_n = \frac{a(1 - r^n)}{(1 - r)} \qquad \textbf{(4)}$$

as a simple expression for the sum of n terms of a geometric progression Furthermore, if $|r| < 1$, then S_n is finite, and as n approaches infinity, S_n approaches a – (1-r). Thus, for a geometric progression with an infinite number of terms and $|r| < 1$, equation (4) becomes:

$$S = \frac{a}{1 - r} \qquad \textbf{(5)}$$

<u>Application to DCF Model</u>

Comparing equation (2) with equation (3), we see that the firm's stock price (under the DCF assumption) is the sum of an infinite geometric progression with the first term

$$a = \frac{D_0(1 + g)}{(1 + k)}$$

and common factor

$$r = \frac{(1+g)}{(1+k)}$$

Applying equation (5) for the sum of such a geometric progression, we obtain

$$S = a \bullet \frac{1}{(1-r)} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1}{1-\frac{1+g}{1+k}} = \frac{D_0(1+g)}{(1+k)} \bullet \frac{1+k}{k-g} = \frac{D_0(1+g)}{k-g}$$

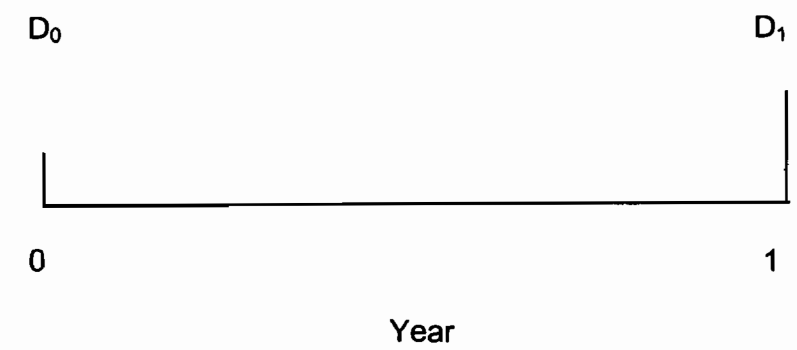
as we suggested earlier.

Quarterly DCF Model

The Annual DCF Model assumes that dividends grow at an annual rate of g% per year (see Figure 1).

Figure 1

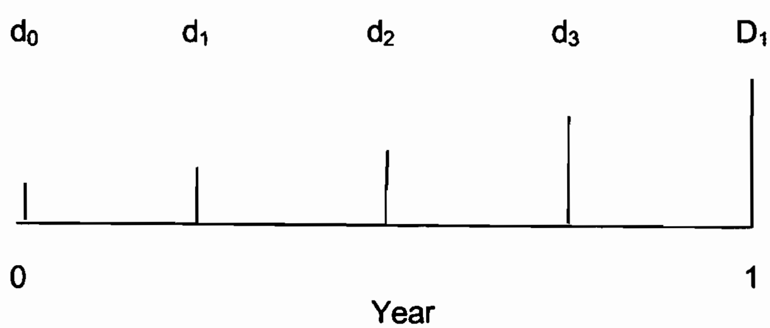
Annual DCF Model



$D_0 = 4d_0$ $\qquad\qquad$ $D_1 = D_0(1 + g)$

Figure 2

Quarterly DCF Model (Constant Growth Version)



$d_1 = d_0(1+g)^{25}$ $\qquad\qquad$ $d_2 = d_0(1+g)^{50}$

$d_3 = d_0(1+g)^{75}$ $\qquad\qquad$ $d_4 = d_0(1+g)$

In the Quarterly DCF Model, it is natural to assume that quarterly dividend payments differ from the preceding quarterly dividend by the factor $(1 + g)^{25}$, where g is expressed in terms of percent per year and the decimal 25 indicates that the growth has only occurred for one quarter of the year. (See Figure 2.) Using this assumption, along with the assumption of constant growth and ***k*** > ***g***, we obtain a new expression for the firm's stock price, which takes account of the quarterly payment of dividends. This expression is:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}}} + \frac{d_0(1+g)^{\frac{2}{4}}}{(1+k)^{\frac{2}{4}}} + \frac{d_0(1+g)^{\frac{3}{4}}}{(1+k)^{\frac{3}{4}}} + \ldots \quad \textbf{(6)}$$

where d_0 is the last quarterly dividend payment, rather than the last annual dividend payment. (We use a lower case d to remind the reader that this is not the annual dividend.)

Although equation (6) looks formidable at first glance, it too can be greatly simplified using the formula [equation (4)] for the sum of an infinite geometric progression. As the reader can easily verify, equation (6) can be simplified to:

$$P_0 = \frac{d_0(1+g)^{\frac{1}{4}}}{(1+k)^{\frac{1}{4}} - (1+g)^{\frac{1}{4}}} \quad \textbf{(7)}$$

Solving equation (7) for *k*, we obtain a DCF formula for estimating the cost of equity under the quarterly dividend assumption:

$$k = \left[\frac{d_0(1+g)^{\frac{1}{4}}}{P_0} + (1+g)^{\frac{1}{4}} \right]^4 - 1 \quad \textbf{(8)}$$

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An Alternative Quarterly DCF Model

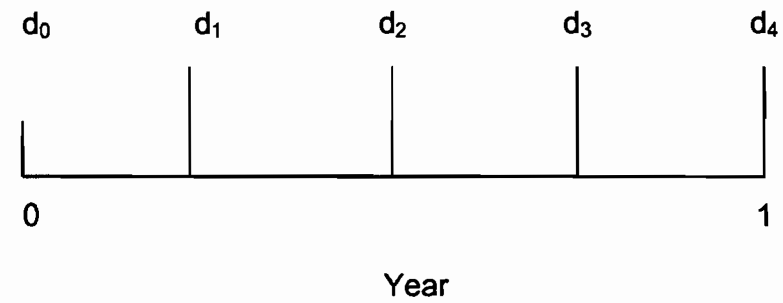
Although the constant growth Quarterly DCF Model [equation (8)] allows for the quarterly timing of dividend payments, it does require the assumption that the firm increases its dividend payments each quarter. Since this assumption is difficult for some analysts to accept, we now discuss a second Quarterly DCF Model that allows for constant quarterly dividend payments within each dividend year

Assume then that the firm pays dividends quarterly and that each dividend payment is constant for four consecutive quarters. There are four cases to consider, with each case distinguished by varying assumptions about where we are evaluating the firm in relation to the time of its next dividend increase. (See Figure 3.)

Figure 3

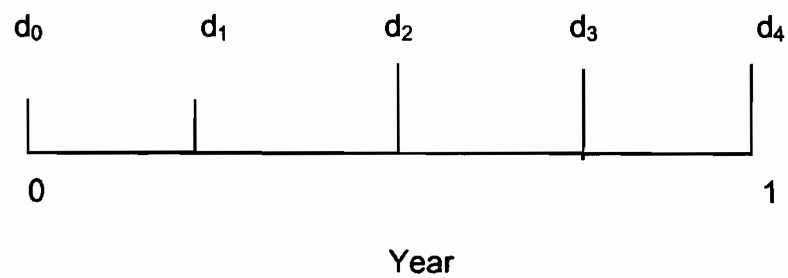
Quarterly DCF Model (Constant Dividend Version)

Case 1



$$d_1 = d_2 = d_3 = d_4 = d_0(1+g)$$

Case 2

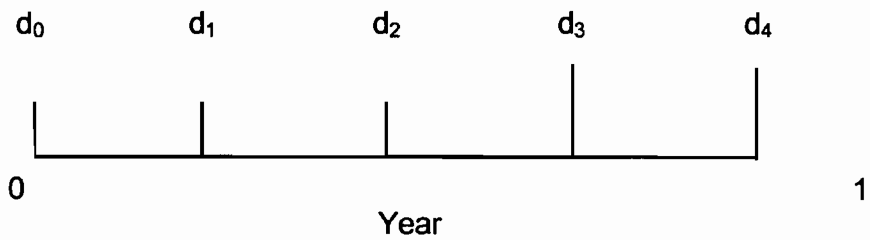


$$d_1 = d_0$$

$$d_2 = d_3 = d_4 = d_0(1+g)$$

Figure 3 (continued)

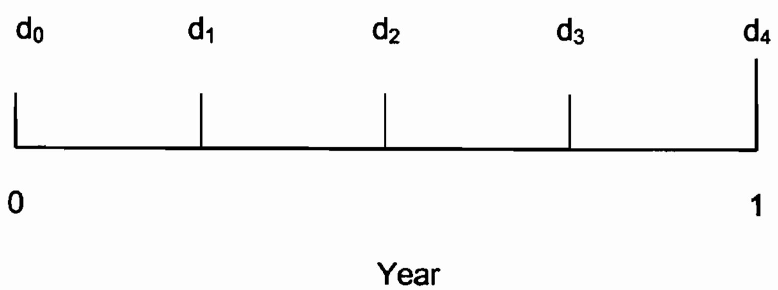
Case 3



$d_1 = d_2 = d_0$

$d_3 = d_4 = d_0(1+g)$

Case 4



$d_1 = d_2 = d_3 = d_0$

$d_4 = d_0(1+g)$

If we assume that the investor invests the quarterly dividend in an alternative investment of the same risk, then the amount accumulated by the end of the year will in all cases be given by

$$D_1^* = d_1\,(1+k)^{3/4} + d_2\,(1+k)^{1/2} + d_3\,(1+k)^{1/4} + d_4$$

where d_1, d_2, d_3 and d_4 are the four quarterly dividends. Under these new assumptions, the firm's stock price may be expressed by an Annual DCF Model of the form (2), with the exception that

$$D_1^* = d_1\,(1+k)^{3/4} + d_2\,(1+k)^{1/2} + d_3\,(1+k)^{1/4} + d_4 \qquad \textbf{(9)}$$

is used in place of $D_0(1+g)$ But, we already know that the Annual DCF Model may be reduced to

$$P_0 = \frac{D_0(1+g)}{k-g}$$

Thus, under the assumptions of the second Quarterly DCF Model, the firm's cost of equity is given by

$$k = \frac{D_1^*}{P_0} + g \quad \textbf{(10)}$$

with D_1^* given by (9).

Although equation (10) looks like the Annual DCF Model, there are at least two very important practical differences First, since D_1^* is always greater than $D_0(1+g)$, the estimates of the cost of equity are always larger (and more accurate) in the Quarterly Model (10) than in the Annual Model Second, since D_1^* depends on k through equation (9), the unknown "k" appears on both sides of (10), and an iterative procedure is required to solve for k.

ADJUSTING FOR FLOTATION COSTS IN DETERMINING A PUBLIC UTILITY'S ALLOWED RATE OF RETURN ON EQUITY

I. INTRODUCTION

Regulation of public utilities is guided by the principle that utility revenues should be sufficient to allow recovery of all prudently incurred expenses, including the cost of capital As set forth in the 1944 *Hope Natural Gas* Case [*Federal Power Comm'n v. Hope Natural Gas Co* 320 U. S. 591 (1944) at 603], the U. S. Supreme Court states:

> From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock ...By that standard the return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks.

Since the flotation costs arising from the issuance of debt and equity securities are an integral component of capital costs, this standard requires that the company's revenues be sufficient to fully recover flotation costs.

Despite the widespread agreement that flotation costs should be recovered in the regulatory process, several issues still need to be resolved. These include:

1. How is the term "flotation costs" defined? Does it include only the out-of-pocket costs associated with issuing securities (e. g., legal fees, printing costs, selling and underwriting expenses), or does it also include the reduction in a security's price that frequently accompanies flotation (i. e., market pressure)?
2. What should be the time pattern of cost recovery? Should a company be allowed to recover flotation costs immediately, or should flotation costs be recovered over the life of the issue?
3. For the purposes of regulatory accounting, should flotation costs be included as an expense? As an addition to rate base? Or as an additional element of a firm's allowed rate of return?
4. Do existing regulatory methods for flotation cost recovery allow a firm ***full*** recovery of flotation costs?

In this paper, I review the literature pertaining to the above issues and discuss my own views regarding how this literature applies to the cost of equity for a regulated firm.

II. DEFINITION OF FLOTATION COST

The value of a firm is related to the future stream of net cash flows (revenues minus expenses measured on a cash basis) that can be derived from its assets. In the process of acquiring assets, a firm incurs certain expenses which reduce its value. Some of these expenses or costs are directly associated with revenue production in one period (e. g , wages, cost of goods sold), others are more properly associated with revenue production in many periods (e. g., the acquisition cost of plant and equipment). In either case, the word "cost" refers to any item that reduces the value of a firm

If this concept is applied to the act of issuing new securities to finance asset purchases, many items are properly included in issuance or flotation costs. These include: (1) compensation received by investment bankers for underwriting services, (2) legal fees, (3) accounting fees, (4) engineering fees, (5) trustee's fees, (6) listing fees, (7) printing and engraving expenses, (8) SEC registration fees, (9) Federal Revenue Stamps, (10) state taxes, (11) warrants granted to underwriters as extra compensation, (12) postage expenses, (13) employees' time, (14) market pressure, and (15) the offer discount. The finance literature generally divides these flotation cost items into three categories, namely, underwriting expenses, issuer expenses, and price effects.

III. MAGNITUDE OF FLOTATION COSTS

The finance literature contains several studies of the magnitude of the flotation costs associated with new debt and equity issues. These studies differ primarily with regard to the time period studied, the sample of companies included, and the source of data. The flotation cost studies generally agree, however, that for large issues, underwriting expenses represent approximately one and one-half percent of the proceeds of debt issues and three to five percent of the proceeds of seasoned equity issues. They also agree that issuer expenses represent approximately 0.5 percent of both debt and equity issues, and that the announcement of an equity issue reduces the company's stock price by at least two to three percent of the proceeds from the stock issue. Thus, total flotation costs represent approximately two percent[4] of the proceeds from debt issues, and five and one-half to eight and one-half percent of the proceeds of equity issues.

Lee *et. al.* [14] is an excellent example of the type of flotation cost studies found in the finance literature. The Lee study is a comprehensive recent study of the underwriting and issuer costs associated with debt and equity issues for both utilities and non-utilities. The results of the Lee *et. al.* study are reproduced in Tables 1 and 2. Table 1 demonstrates that the total underwriting and issuer expenses for the 1,092 debt issues in their study averaged 2 24 percent of the proceeds of the issues, while the total underwriting and issuer costs for the 1,593 seasoned equity issues in their study averaged 7.11 percent of the proceeds of the new issue. Table 1 also demonstrates that the total underwriting and issuer costs of seasoned equity

[4] The two percent flotation cost on debt only recognizes the cost of newly-issued debt When interest rates decline, many companies exercise the call provisions on higher cost debt and reissue debt at lower rates This process involves reacquisition costs that are not included in the academic studies If reacquisition costs were included in the academic studies, debt flotation costs could increase significantly

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offerings, as a percent of proceeds, decline with the size of the issue. For issues above $60 million, total underwriting and issuer costs amount to from three to five percent of the amount of the proceeds.

Table 2 reports the total underwriting and issuer expenses for 135 utility debt issues and 136 seasoned utility equity issues Total underwriting and issuer expenses for utility bond offerings averaged 1.47 percent of the amount of the proceeds and for seasoned utility equity offerings averaged 4.92 percent of the amount of the proceeds. Again, there are some economies of scale associated with larger equity offerings. Total underwriting and issuer expenses for equity offerings in excess of 40 million dollars generally range from three to four percent of the proceeds.

The results of the Lee study for large equity issues are consistent with results of earlier studies by Bhagat and Frost [4], Mikkelson and Partch [17], and Smith [24]. Bhagat and Frost found that total underwriting and issuer expenses average approximately four and one-half percent of the amount of proceeds from negotiated utility offerings during the period 1973 to 1980, and approximately three and one-half percent of the amount of the proceeds from competitive utility offerings over the same period Mikkelson and Partch found that total underwriting and issuer expenses average five and one-half percent of the proceeds from seasoned equity offerings over the 1972 to 1982 period. Smith found that total underwriting and issuer expenses for larger equity issues generally amount to four to five percent of the proceeds of the new issue

The finance literature also contains numerous studies of the decline in price associated with sales of large blocks of stock to the public. These articles relate to the price impact of (1) initial public offerings; (2) the sale of large blocks of stock from one investor to another; and (3) the issuance of seasoned equity issues to the general public. All of these studies generally support the notion that the announcement of the sale of large blocks of stock produces a decline in a company's share price. The decline in share price for initial public offerings is significantly larger than the decline in share price for seasoned equity offerings, and the decline in share price for public utilities is less than the decline in share price for non-public utilities. A comprehensive study of the magnitude of the decline in share price associated specifically with the sale of new equity by public utilities is reported in Pettway [19], who found the market pressure effect for a sample of 368 public utility equity sales to be in the range of two to three percent. This decline in price is a real cost to the utility, because the proceeds to the utility depend on the stock price on the day of issue.

In addition to the price decline associated with the announcement of a new equity issue, the finance literature recognizes that there is also a price decline associated with the actual issuance of equity securities. In particular, underwriters typically sell seasoned new equity securities to investors at a price lower than the closing market price on the day preceding the issue. The Rules of Fair Practice of the National Association of Securities Dealers require that underwriters not sell shares at a price above the offer price. Since the offer price represents a binding constraint to the underwriter, the underwriter tends to set the offer price slightly below the market price on the day of issue to compensate for the risk that the price received by the underwriter may go down, but can not increase. Smith provides evidence that the offer discount tends to be between 0.5 and 0.8 percent of the proceeds of an equity issue. I am not aware of any similar studies for debt issues.

In summary, the finance literature provides strong support for the conclusion that total underwriting and issuer expenses for public utility debt offerings represent approximately two percent of the amount of the proceeds, while total underwriting and issuer expenses for public utility equity offerings represent at least four to five percent of the amount of the proceeds. In addition, the finance literature supports the conclusion that the cost associated with the decline in stock price at the announcement date represents approximately two to three percent as a result of a large public utility equity issue.

IV. TIME PATTERN OF FLOTATION COST RECOVERY

Although flotation costs are incurred only at the time a firm issues new securities, there is no reason why an issuing firm ought to recognize the expense only in the current period. In fact, if assets purchased with the proceeds of a security issue produce revenues over many years, a sound argument can be made in favor of recognizing flotation expenses over a reasonably lengthy period of time. Such recognition is certainly consistent with the generally accepted accounting principle that the time pattern of expenses match the time pattern of revenues, and it is also consistent with the normal treatment of debt flotation expenses in both regulated and unregulated industries.

In the context of a regulated firm, it should be noted that there are many possible time patterns for the recovery of flotation expenses. However, if it is felt that flotation expenses are most appropriately recovered over a period of years, then it should be recognized that investors must also be compensated for the passage of time. That is to say, the value of an investor's capital will be reduced if the expenses are merely distributed over time, without any allowance for the time value of money.

V. ACCOUNTING FOR FLOTATION COST IN A REGULATORY SETTING

In a regulatory setting, a firm's revenue requirements are determined by the equation:

Revenue Requirement = Total Expenses + Allowed Rate of Return x Rate Base

Thus, there are three ways in which an issuing firm can account for and recover its flotation expenses: (1) treat flotation expenses as a current expense and recover them immediately; (2) include flotation expenses in rate base and recover them over time; and (3) adjust the allowed rate of return upward and again recover flotation expenses over time. Before considering methods currently being used to recover flotation expenses in a regulatory setting, I shall briefly consider the advantages and disadvantages of these three basic recovery methods

Expenses. Treating flotation costs as a current expense has several advantages. Because it allows for recovery at the time the expense occurs, it is not necessary to compute amortized balances over time and to debate which interest rate should be applied to these balances. A firm's stockholders are treated fairly, and so are the firm's customers, because they pay neither more nor less than the actual flotation expense. Since flotation costs are relatively small compared to the total revenue requirement, treatment as a current expense does not cause unusual rate hikes in the year of flotation, as would the introduction of a large generating plant in a state that does not allow Construction Work in Progress in rate base.

On the other hand, there are two major disadvantages of treating flotation costs as a current expense. First, since the asset purchased with the acquired funds will likely generate revenues for many years into the future, it seems unfair that current ratepayers should bear the full cost of issuing new securities, when future ratepayers share in the benefits. Second, this method requires an estimate of the underpricing effect on each security issue. Given the difficulties involved in measuring the extent of underpricing, it may be more accurate to estimate the average underpricing allowance for many securities than to estimate the exact figure for one security.

Rate Base. In an article in *Public Utilities Fortnightly*, Bierman and Hass [5] recommend that flotation costs be treated as an intangible asset that is included in a firm's rate base along with the assets acquired with the stock proceeds. This approach has many advantages. For ratepayers, it provides a better match between benefits and expenses: the future ratepayers who benefit from the financing costs contribute the revenues to recover these costs. For investors, if the allowed rate of return is equal to the investors' required rate of return, it is also theoretically fair since they are compensated for the opportunity cost of their investment (including both the time value of money and the investment risk).

Despite the compelling advantages of this method of cost recovery, there are several disadvantages that probably explain why it has not been used in practice. First, a firm will only recover the proper amount for flotation expenses if the rate base is multiplied by the appropriate cost of capital. To the extent that a commission under or over estimates the cost of capital, a firm will under or over recover its flotation expenses. Second, it is may be both legally and psychologically difficult for commissioners to include an intangible asset in a firm's rate base According to established legal doctrine, assets are to be included in rate base only if they are "used and useful" in the public service. It is unclear whether intangible assets such as flotation expenses meet this criterion

Rate of Return The prevailing practice among state regulators is to treat flotation expenses as an additional element of a firm's cost of capital or allowed rate of return. This method is similar to the second method above (treatment in rate base) in that some part of the initial flotation cost is amortized over time. However, it has a disadvantage not shared by the rate base method. If flotation cost is included in rate base, it is fairly easy to keep track of the flotation cost on each new equity issue and see how it is recovered over time. Using the rate of return method, it is not possible to track the flotation cost for specific issues because the flotation cost for a specific issue is never recorded. Thus, it is not clear to participants whether a current allowance is meant to recover (1) flotation costs actually incurred in a test period, (2) expected future flotation costs, or (3) past flotation costs. This confusion never arises in the treatment of debt flotation costs. Because the exact costs are recorded and explicitly amortized over time, participants recognize that current allowances for debt flotation costs are meant to recover some fraction of the flotation costs on all past debt issues.

VI. EXISTING REGULATORY METHODS

Although most state commissions prefer to let a regulated firm recover flotation expenses through an adjustment to the allowed rate of return, there is considerable controversy about the magnitude of the required adjustment The following are some of the most frequently asked questions: (1) Should an adjustment to the allowed return be made every year, or should the adjustment be made only in those years in which new equity is raised? (2) Should an adjusted rate of return be applied to the entire rate base, or should it be applied only to that portion of the rate base financed with paid-in capital (as opposed to retained earnings)? (3) What is the appropriate formula for adjusting the rate of return?

This section reviews several methods of allowing for flotation cost recovery. Since the regulatory methods of allowing for recovery of debt flotation costs is well known and widely accepted, I will begin my discussion of flotation cost recovery procedures by describing the widely accepted procedure of allowing for debt flotation cost recovery.

Debt Flotation Costs

Regulators uniformly recognize that companies incur flotation costs when they issue debt securities. They typically allow recovery of debt flotation costs by making an adjustment to both the cost of debt and the rate base (see Brigham [6]). Assume that: (1) a regulated company issues $100 million in bonds that mature in 10 years, (2) the interest rate on these bonds is seven percent; and (3) flotation costs represent four percent of the amount of the proceeds. Then the cost of debt for regulatory purposes will generally be calculated as follows:

$$\begin{aligned}\text{Cost of Debt} &= \frac{\text{Interest expense} + \text{Amortization of flotation costs}}{\text{Principal value} - \text{Unamortized flotation costs}}\\ &= \frac{\$7{,}000{,}000 + \$400{,}000}{\$100{,}000{,}000 - \$4{,}000{,}000}\\ &= 7.71\%\end{aligned}$$

Thus, current regulatory practice requires that the cost of debt be adjusted upward by approximately 71 basis points, in this example, to allow for the recovery of debt flotation costs. This example does not include losses on reacquisition of debt. The

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flotation cost allowance would increase if losses on reacquisition of debt were included.

The logic behind the traditional method of allowing for recovery of debt flotation costs is simple Although the company has issued $100 million in bonds, it can only invest $96 million in rate base because flotation costs have reduced the amount of funds received by $4 million. If the company is not allowed to earn a 71 basis point higher rate of return on the $96 million invested in rate base, it will not generate sufficient cash flow to pay the seven percent interest on the $100 million in bonds it has issued. Thus, proper regulatory treatment is to increase the required rate of return on debt by 71 basis points.

Equity Flotation Costs

The finance literature discusses several methods of recovering equity flotation costs. Since each method stems from a specific model, (i. e., set of assumptions) of a firm and its cash flows, I will highlight the assumptions that distinguish one method from another.

Arzac and Marcus. Arzac and Marcus [2] study the proper flotation cost adjustment formula for a firm that makes continuous use of retained earnings and external equity financing and maintains a constant capital structure (debt/equity ratio). They assume at the outset that underwriting expenses and underpricing apply only to new equity obtained from external sources. They also assume that a firm has previously recovered all underwriting expenses, issuer expenses, and underpricing associated with previous issues of new equity.

To discuss and compare various equity flotation cost adjustment formulas, Arzac and Marcus make use of the following notation

k	=	an investors' required return on equity
r	=	a utility's allowed return on equity base
S	=	value of equity in the absence of flotation costs
S_f	=	value of equity net of flotation costs
K_t	=	equity base at time t
E_t	=	total earnings in year t
D_t	=	total cash dividends at time t
b	=	$(E_t\text{-}D_t) \div E_t$ = retention rate, expressed as a fraction of earnings
h	=	new equity issues, expressed as a fraction of earnings
m	=	equity investment rate, expressed as a fraction of earnings, $m = b + h < 1$
f	=	flotation costs, expressed as a fraction of the value of an issue.

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Because of flotation costs, Arzac and Marcus assume that a firm must issue a greater amount of external equity each year than it actually needs. In terms of the above notation, a firm issues $hE_t \div (1\text{-}f)$ to obtain hE_t in external equity funding. Thus, each year a firm loses.

Equation 3

$$L = \frac{hE_t}{1-f} - hE_t = \frac{f}{1-f} \times hE_t$$

due to flotation expenses. The present value, V, of all future flotation expenses is:

Equation 4

$$V = \sum_{t=1}^{\infty} \frac{fhE_t}{(1-f)(1+k)^t} = \frac{fh}{1-f} \times \frac{rK_0}{k-mr}$$

To avoid diluting the value of the initial stockholder's equity, a regulatory authority needs to find the value of r, a firm's allowed return on equity base, that equates the value of equity net of flotation costs to the initial equity base ($S_f = K_0$). Since the value of equity net of flotation costs equals the value of equity in the absence of flotation costs minus the present value of flotation costs, a regulatory authority needs to find that value of *r* that solves the following equation:

$$S_f = S - L.$$

This value is:

Equation 5

$$r = \frac{k}{1 - \frac{fh}{1-f}}$$

To illustrate the Arzac-Marcus approach to adjusting the allowed return on equity for the effect of flotation costs, suppose that the cost of equity in the absence of flotation costs is 12 percent. Furthermore, assume that a firm obtains external equity financing each year equal to 10 percent of its earnings and that flotation expenses equal 5 percent of the value of each issue Then, according to Arzac and Marcus, the allowed return on equity should be:

$$r = \frac{.12}{1 - \frac{(.05).(.1)}{.95}} = .1206 = 12\ 06\%$$

Summary With respect to the three questions raised at the beginning of this section, it is evident that Arzac and Marcus believe the flotation cost adjustment should be applied each year, since continuous external equity financing is a

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fundamental assumption of their model. They also believe that the adjusted rate of return should be applied to the entire equity-financed portion of the rate base because their model is based on the assumption that the flotation cost adjustment mechanism will be applied to the entire equity financed portion of the rate base. Finally, Arzac and Marcus recommend a flotation cost adjustment formula, Equation (3), that implicitly excludes recovery of financing costs associated with financing in previous periods and includes only an allowance for the fraction of equity financing obtained from external sources.

Patterson. The Arzac-Marcus flotation cost adjustment formula is significantly different from the conventional approach (found in many introductory textbooks) which recommends the adjustment equation:

Equation 6

$$r = \frac{D_t}{P_{t-1}(1-f)} + g$$

where P_{t-1} is the stock price in the previous period and g is the expected dividend growth rate. Patterson [18] compares the Arzac-Marcus adjustment formula to the conventional approach and reaches the conclusion that the Arzac-Marcus formula effectively expenses issuance costs as they are incurred, while the conventional approach effectively amortizes them over an assumed infinite life of the equity issue. Thus, the conventional formula is similar to the formula for the recovery of debt flotation costs: it is not meant to compensate investors for the flotation costs of future issues, but instead is meant to compensate investors for the flotation costs of previous issues. Patterson argues that the conventional approach is more appropriate for rate making purposes because the plant purchased with external equity funds will yield benefits over many future periods.

Illustration. To illustrate the Patterson approach to flotation cost recovery, assume that a newly organized utility sells an initial issue of stock for $100 per share, and that the utility plans to finance all new investments with retained earnings. Assume also that: (1) the initial dividend per share is six dollars; (2) the expected long-run dividend growth rate is six percent; (3) the flotation cost is five percent of the amount of the proceeds, and (4) the payout ratio is 51.28 percent. Then, the investor's required rate of return on equity is [k = (D/P) + g = 6 percent + 6 percent = 12 percent]; and the flotation-cost-adjusted cost of equity is [6 percent (1/.95) + 6 percent = 12.316 percent].

The effects of the Patterson adjustment formula on the utility's rate base, dividends, earnings, and stock price are shown in Table 3. We see that the Patterson formula allows earnings and dividends to grow at the expected six percent rate. We also see that the present value of expected future dividends, $100, is just sufficient to induce investors to part with their money. If the present value of expected future dividends were less than $100, investors would not have been willing to invest $100 in the firm. Furthermore, the present value of future dividends will only equal $100 if the firm is allowed to earn the 12.316 percent flotation-cost-adjusted cost of equity on its entire rate base.

Summary. Patterson's opinions on the three issues raised in this section are in stark contrast to those of Arzac and Marcus He believes that: (1) a flotation cost adjustment should be applied in every year, regardless of whether a firm issues any new equity in each year; (2) a flotation cost adjustment should be applied to the entire equity-financed portion of the rate base, including that portion financed by retained earnings; and (3) the rate of return adjustment formula should allow a firm to recover an appropriate fraction of all previous flotation expenses.

VII. CONCLUSION

Having reviewed the literature and analyzed flotation cost issues, I conclude that

Definition of Flotation Cost: A regulated firm should be allowed to recover both the total underwriting and issuance expenses associated with issuing securities and the cost of market pressure.

Time Pattern of Flotation Cost Recovery. Shareholders are indifferent between the alternatives of immediate recovery of flotation costs and recovery over time, as long as they are fairly compensated for the opportunity cost of their money. This opportunity cost must include both the time value of money and a risk premium for equity investments of this nature.

Regulatory Recovery of Flotation Costs. The Patterson approach to recovering flotation costs is the only rate-of-return-adjustment approach that meets the *Hope* case criterion that a regulated company's revenues must be sufficient to allow the company an opportunity to recover all prudently incurred expenses, including the cost of capital. The Patterson approach is also the only rate-of-return-adjustment approach that provides an incentive for investors to invest in the regulated company

Implementation of a Flotation Cost Adjustment. As noted earlier, prevailing regulatory practice seems to be to allow the recovery of flotation costs through an adjustment to the required rate of return. My review of the literature on this subject indicates that there are at least two recommended methods of making this adjustment: the Patterson approach and the Arzac-Marcus approach. The Patterson approach assumes that a firm's flotation expenses on new equity issues are treated in the same manner as flotation expenses on new bond issues, i. e., they are amortized over future time periods. If this assumption is true (and I believe it is), then the flotation cost adjustment should be applied to a firm's entire equity base, including retained earnings. In practical terms, the Patterson approach produces an increase in a firm's cost of equity of approximately thirty basis points The Arzac-Marcus approach assumes that flotation costs on new equity issues are recovered entirely in the year in which the securities are sold. Under the Arzac-Marcus assumption, a firm should not be allowed any adjustments for flotation costs associated with previous flotations. Instead, a firm should be allowed only an adjustment on future security sales as they occur. Under reasonable assumptions about the rate of new equity sales, this method produces an increase in the cost of equity of approximately six basis points. Since the Arzac-Marcus approach does not allow the company to recover the entire amount of its flotation cost, I recommend that this approach be rejected and the Patterson approach be accepted.

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Table 4

Direct Costs as a Percentage of Gross Proceeds
for Equity (IPOs and SEOs) and Straight and Convertible Bonds
Offered by Domestic Operating Companies 1990—1994[5]

Equities

	IPOs				SEOs			
Proceeds ($ in millions)	No of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs	No of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs
2-9 99	337	9 05%	7 91%	16 96%	167	7 72%	5 56%	13 28%
10-19 99	389	7 24%	4 39%	11 63%	310	6 23%	2 49%	8 72%
20-39 99	533	7 01%	2 69%	9 70%	425	5 60%	1 33%	6 93%
40-59 99	215	6 96%	1 76%	8 72%	261	5 05%	0 82%	5 87%
60-79 99	79	6 74%	1 46%	8 20%	143	4 57%	0 61%	5 18%
80-99 99	51	6 47%	1 44%	7 91%	71	4 25%	0 48%	4 73%
100-199.99	106	6 03%	1.03%	7 06%	152	3 85%	0.37%	4.22%
200-499 99	47	5 67%	0 86%	6 53%	55	3 26%	0 21%	3 47%
500 and up	10	5 21%	0 51%	5 72%	9	3 03%	0 12%	3 15%
Total/Average	**1,767**	**7.31%**	**3.69%**	**11.00%**	**1,593**	**5.44%**	**1.67%**	**7.11%**

Bonds

	Convertible Bonds				Straight Bonds			
Proceeds ($ in millions)	No of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs	No of Issues	Gross Spreads	Other Direct Expenses	Total Direct Costs
2-9 99	4	6 07%	2 68%	8 75%	32	2 07%	2 32%	4 39%
10-19 99	14	5 48%	3 18%	8 66%	78	1 36%	1 40%	2 76%
20-39 99	18	4 16%	1 95%	6 11%	89	1 54%	0 88%	2 42%
40-59 99	28	3 26%	1 04%	4 30%	90	0 72%	0 60%	1 32%
60-79 99	47	2 64%	0.59%	3 23%	92	1 76%	0 58%	2 34%
80-99 99	13	2 43%	0 61%	3 04%	112	1.55%	0 61%	2 16%
100-199 99	57	2 34%	0 42%	2 76%	409	1 77%	0 54%	2 31%
200-499 99	27	1 99%	0.19%	2 18%	170	1.79%	0 40%	2 19%
500 and up	3	2 00%	0 09%	2 09%	20	1 39%	0 25%	1 64%
Total/Average	**211**	**2.92%**	**0.87%**	**3.79%**	**1,092**	**1.62%**	**0.62%**	**2.24%**

Notes

Closed-end funds and unit offerings are excluded from the sample Rights offerings for SEOs are also excluded Bond offerings do not include securities backed by mortgages and issues by Federal agencies Only firm commitment offerings and non-shelf-registered offerings are included
Gross Spreads as a percentage of total proceeds, including management fee, underwriting fee, and selling concession
Other Direct Expenses as a percentage of total proceeds, including management fee, underwriting fee, and selling concession
Total Direct Costs as a percentage of total proceeds (total direct costs are the sum of gross spreads and other direct expenses)

[5] Inmoo Lee, Scott Lochhead, Jay Ritter, and Quanshui Zhao, "The Costs of Raising Capital," *Journal of Financial Research* Vol 19 No 1 (Spring 1996) pp 59—74

Table 5

Direct Costs of Raising Capital 1990—1994
Utility versus Non-Utility Companies[6]

Equities

Non-Utilities	IPOs			SEOs		
Proceeds ($ in millions)	No. of Issues	Gross Spreads	Total Direct Costs	No Of Issues	Gross Spreads	Total Direct Costs
2-9 99	332	9 04%	16 97%	154	7.91%	13 76%
10-19 99	388	7.24%	11 64%	278	6 42%	9 01%
20-39 99	528	7 01%	9 70%	399	5 70%	7 07%
40-59 99	214	6 96%	8 71%	240	5 17%	6 02%
60-79 99	78	6 74%	8 21%	131	4 68%	5 31%
80-99 99	47	6 46%	7 88%	60	4 35%	4 84%
100-199 99	101	6 01%	7 01%	137	3 97%	4 36%
200-499 99	44	5 65%	6 49%	50	3 27%	3 48%
500 and up	10	5 21%	5 72%	8	3 12%	3 25%
Total/Average	1,742	7 31%	11 01%	1,457	5 57%	7 32%
Utilities Only						
2-9 99	5	9 40%	16 54%	13	5 41%	7 68%
10-19.99	1	7 00%	8 77%	32	4 59%	6 21%
20-39 99	5	7 00%	9 86%	26	4 17%	4 96%
40-59 99	1	6 98%	11 55%	21	3 69%	4 12%
60-79 99	1	6 50%	7 55%	12	3 39%	3 72%
80-99 99	4	6 57%	8 24%	11	3.68%	4 11%
100-199 99	5	6 45%	7 96%	15	2 83%	2 98%
200-499 99	3	5.88%	7 00%	5	3 19%	3 48%
500 and up	0			1	2 25%	2 31%
Total/Average	25	7.15%	10 14%	136	4 01%	4 92%

[6] Lee *et al*, *op cit*

Table 2 (continued)
Direct Costs of Raising Capital 1990—1994
Utility versus Non-Utility Companies[7]

Bonds

Non- Utilities	Convertible Bonds			Straight Bonds		
Proceeds ($ in millions)	No of Issues	Gross Spreads	Total Direct Costs	No of Issues	Gross Spreads	Total Direct Costs
2-9 99	4	6 07%	8 75%	29	2 07%	4 53%
10-19 99	12	5 54%	8 65%	47	1 70%	3 28%
20-39 99	16	4 20%	6 23%	63	1 59%	2 52%
40-59 99	28	3 26%	4 30%	76	0 73%	1 37%
60-79 99	47	2 64%	3 23%	84	1 84%	2 44%
80-99 99	12	2 54%	3 19%	104	1 61%	2 25%
100-199 99	55	2 34%	2 77%	381	1 83%	2 38%
200-499 99	26	1 97%	2 16%	154	1 87%	2 27%
500 and up	3	2 00%	2 09%	19	1 28%	1 53%
Total/Average	203	2 90%	3 75%	957	1 70%	2 34%
Utilities Only						
2-9 99	0			3	2 00%	3 28%
10-19 99	2	5 13%	8 72%	31	0 86%	1 35%
20-39 99	2	3 88%	5 18%	26	1 40%	2 06%
40-59 99	0			14	0 63%	1 10%
60-79 99	0			8	0 87%	1 13%
80-99 99	1	1 13%	1 34%	8	0 71%	0 98%
100-199 99	2	2 50%	2 74%	28	1 06%	1 42%
200-499 99	1	2 50%	2 65%	16	1 00%	1 40%
500 and up	0			1	3 50%	na[8]
Total/Average	8	3 33%	4 66%	135	1 04%	1 47%

Notes
Total proceeds raised in the United States, excluding proceeds from the exercise of over allotment options
Gross spreads as a percentage of total proceeds (including management fee, underwriting fee, and selling concession)
Other direct expenses as a percentage of total proceeds (including registration fee and printing, legal, and auditing costs)

[7] Lee *et al*, *op cit*

[8] Not available because of missing data on other direct expenses

Table 6
Illustration of Patterson Approach to Flotation Cost Recovery

Time Period	Rate Base	Earnings @ 12 32%	Earnings @ 12 00%	Dividends	Amortization Initial FC
0	95.00				
1	100.70	11.70	11 40	6 00	0 3000
2	106 74	12 40	12 08	6 36	0 3180
3	113 15	13 15	12 81	6 74	0 3371
4	119.94	13 93	13 58	7.15	0 3573
5	127 13	14 77	14 39	7.57	0 3787
6	134.76	15 66	15 26	8 03	0.4015
7	142 84	16 60	16 17	8 51	0.4256
8	151 42	17.59	17 14	9 02	0.4511
9	160 50	18.65	18 17	9.56	0 4782
10	170 13	19 77	19 26	10 14	0 5068
11	180 34	20 95	20 42	10 75	0 5373
12	191 16	22 21	21.64	11.39	0 5695
13	202 63	23.54	22 94	12 07	0.6037
14	214 79	24.96	24 32	12 80	0 6399
15	227 67	26.45	25 77	13 57	0 6783
16	241.33	28 04	27.32	14.38	0 7190
17	255 81	29 72	28 96	15.24	0 7621
18	271 16	31 51	30 70	16.16	0 8078
19	287 43	33 40	32.54	17.13	0 8563
20	304 68	35 40	34.49	18 15	0 9077
21	322 96	37 52	36 56	19 24	0 9621
22	342 34	39 77	38 76	20 40	1 0199
23	362 88	42 16	41 08	21 62	1 0811
24	384.65	44.69	43.55	22 92	1 1459
25	407 73	47 37	46.16	24 29	1 2147
26	432 19	50 21	48 93	25 75	1 2876
27	458.12	53.23	51.86	27 30	1 3648
28	485 61	56 42	54 97	28 93	1 4467
29	514.75	59 81	58 27	30.67	1 5335
30	545.63	63 40	61.77	32.51	1.6255
Present Value@12%		195 00	190 00	100 00	5 00

Risk Premium Approach

Source

Stock price and yield information is obtained from Standard & Poor's Security Price publication Standard & Poor's derives the stock dividend yield by dividing the aggregate cash dividends (based on the latest known annual rate) by the aggregate market value of the stocks in the group The bond price information is obtained by calculating the present value of a bond due in 30 years with a $4 00 coupon and a yield to maturity of a particular year's indicated Moody's A-rated Utility bond yield The values shown on Schedules D and E are the January values of the respective indices.

Calculation of Stock and Bond Returns

Sample calculation of "Stock Return" column

$$\text{Stock Return (2002)} = \left[\frac{\text{Stock Price (2003) - Stock Price (2002) + Dividend (2002)}}{\text{Stock Price (2002)}}\right]$$

where Dividend (2002) = Stock Price (2002) x Stock Div. Yield (2002)

Sample calculation of "Bond Return" column:

$$\text{Bond Return (2002)} = \left[\frac{\text{Bond Price (2003) - Bond Price (2002) + Interest (2002)}}{\text{Bond Price (2002)}}\right]$$

where Interest = $4 00

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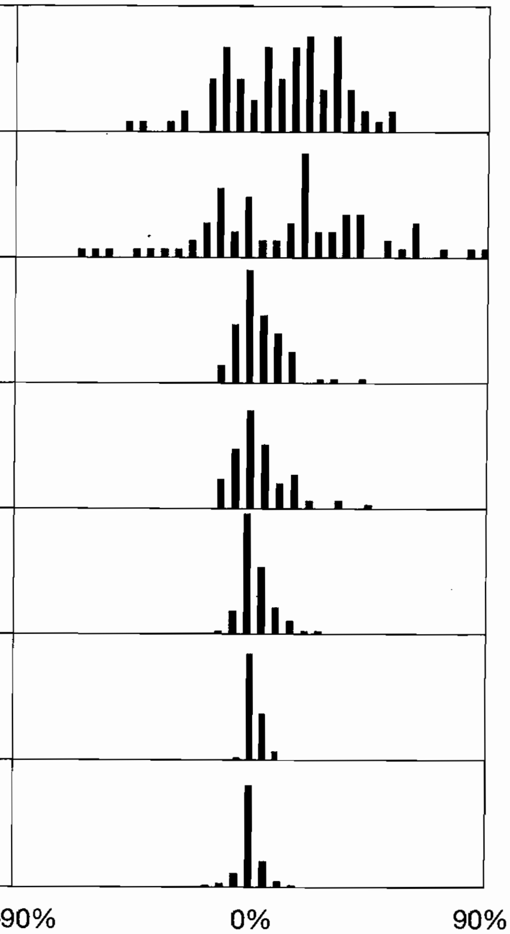
stics of Annual Total Returns

		rithmetic Mean	Standard Deviation	Distribution
Stocks	10.4%	12.4%	20.4%	
Small Company Stocks	12.7	17.5	33.3	*
Long-Term Corporate Bonds	5.9	6.2	8.6	
Long-Term Government	5.4	5.8	9.4	
Intermediate-Term Government	5.4	5.5	5.7	
U.S. Treasury Bills	3.7	3.8	3.1	
Inflation	3.0	3.1	4.3	



*The 1933 Small Company Stocks Total Return was 142.9 percent.

Table 2-11

Basic Series

Compound Annual Returns for 20-Year Holding Periods (percent per annum)

from 1926 to 1970

Period	Large Company Stocks	Small Company Stocks	Long-Term Corporate Bonds	Long-Term Government Bonds	Intermediate Government Bonds	U.S. Treasury Bills	Inflation
1926–1945	7.13	9.36	5.52	4.72	3.73	1.07	0.07
1927–1946	6.10	8.67	5.24	4.32	3.51	0.93	0.99
1928–1947	4.71	7.64	4.74	3.74	3.33	0.80	1.53
1929–1948	3.11	5.74	4.80	3.91	3.38	0.66	1.72
1930–1949	4.46	10.61	4.80	4.06	3.20	0.48	1.61
1931–1950	7.43	15.17	4.51	3.82	2.90	0.42	2.22
1932–1951	11.72	19.65	4.47	3.90	3.04	0.44	3.02
1933–1952	13.15	20.16	4.11	3.15	2.69	0.48	3.63
1934–1953	10.68	14.56	3.77	3.34	2.76	0.55	3.64
1935–1954	13.13	16.04	3.37	3.20	2.45	0.59	3.51
1936–1955	12.48	15.17	2.92	2.89	2.07	0.66	3.37
1937–1956	11.20	12.56	2.23	2.22	1.90	0.77	3.46
1938–1957	12.98	16.63	2.52	2.58	2.20	0.91	3.45
1939–1958	13.48	17.90	2.10	1.98	1.83	0.99	3.69
1940–1959	14.15	18.78	1.85	1.57	1.58	1.14	3.79
1941–1960	14.76	18.89	2.12	1.93	2.00	1.27	3.82
1942–1961	16.86	21.13	2.22	1.93	2.07	1.37	3.37
1943–1962	15.25	18.17	2.48	2.11	2.25	1.50	2.98
1944–1963	15.11	15.70	2.45	2.06	2.19	1.63	2.90
1945–1964	14.95	14.44	2.45	2.10	2.30	1.79	2.86
1946–1965	13.84	13.29	2.23	1.61	2.24	1.97	2.84
1947–1966	13.72	13.58	2.15	1.80	2.42	2.19	2.15
1948–1967	14.63	17.03	2.01	1.45	2.43	2.38	1.87
1949–1968	14.92	18.97	1.93	1.26	2.56	2.60	1.96
1950–1969	13.43	16.21	1.34	0.69	2.41	2.87	2.36
1951–1970	12.10	13.23	2.09	1.26	3.17	3.13	2.35
1952–1971	11.65	13.67	2.77	2.10	3.58	3.28	2.22
1953–1972	11.67	13.75	2.95	2.32	3.76	3.39	2.35
1954–1973	10.85	12.04	2.83	2.08	3.83	3.64	2.75
1955–1974	6.87	8.21	2.41	1.94	3.98	4.00	3.37
1956–1975	7.10	9.51	3.08	2.46	4.41	4.21	3.70
1957–1976	7.91	11.78	4.34	3.55	5.06	4.34	3.80
1958–1977	8.12	13.95	3.99	3.15	4.74	4.44	3.98
1959–1978	6.53	12.31	4.10	3.41	4.99	4.72	4.34
1960–1979	6.83	13.49	3.93	3.46	5.22	5.09	4.92
1961–1980	8.31	15.61	3.34	2.59	4.84	5.51	5.46
1962–1981	6.76	14.75	3.03	2.64	5.21	6.12	5.87
1963–1982	8.30	16.92	4.47	4.04	6.28	6.51	6.01
1964–1983	8.28	17.63	4.68	4.01	6.57	6.80	6.12
1965–1984	7.79	16.00	5.25	4.58	7.06	7.12	6.26
1966–1985	8.66	15.25	6.67	5.97	8.00	7.31	6.36
1967–1986	10.17	16.06	7.63	6.94	8.52	7.38	6.24
1968–1987	9.27	12.04	7.88	7.31	8.62	7.44	6.31
1969–1988	9.54	11.47	8.30	7.82	8.70	7.50	6.30
1970–1989	11.55	13.64	9.58	9.01	9.42	7.59	6.22

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Table 2-11 (continued)

Basic Series

Compound Annual Returns for 20-Year Holding Periods (percent per annum)

from 1971 to 2003

Period	Large Company Stocks	Small Company Stocks	Long-Term Corporate Bonds	Long-Term Government Bonds	Intermediate Government Bonds	U.S. Treasury Bills	Inflation
1971–1990	11.15	13.35	9.01	8.71	9.08	7.66	6.26
1972–1991	11.89	14.58	9.43	9.00	9.40	7.72	6.24
1973–1992	11.33	15.54	9.54	9.12	9.51	7.70	6.21
1974–1993	12.76	18.82	10.16	10.10	9.85	7.49	5.91
1975–1994	14.58	20.33	10.00	9.42	9.25	7.29	5.44
1976–1995	14.59	19.57	10.58	10.45	9.69	7.28	5.22
1977–1996	14.55	17.84	9.71	9.54	9.14	7.28	5.14
1978–1997	16.65	17.71	10.29	10.39	9.51	7.29	4.89
1979–1998	17.75	16.04	10.86	11.14	9.85	7.17	4.52
1980–1999	17.87	15.46	10.66	10.69	9.53	6.89	4.00
1981–2000	15.68	13.33	11.49	11.99	9.97	6.62	3.57
1982–2001	15.24	13.76	12.13	12.09	9.88	6.09	3.21
1983–2002	12.71	11.57	10.99	11.12	9.15	5.65	3.13
1984–2003	12.99	12.35	10.94	11.16	8.89	5.26	3.04

Portfolio Performance

A portfolio is a group of assets, such as stocks and bonds, that are held by an investor. Because stocks, bonds, and cash generally do not react identically to the same economic or market stimulus, combining these assets can often produce a more appealing risk-and-return tradeoff.

By looking at Table 2-6, one notices that there are plenty of years in which stock returns were up at times when bond returns were down, and vice versa. These offsetting movements can assist in reducing portfolio volatility. Some recent examples include the years 2000 through 2002. Large company stocks posted negative returns of –9.11, –11.88, and –22.10 percent, while long-term government bonds posted positive returns of 21.48, 3.70, and 17.84 percent. This illustrates the low correlation of stocks and bonds; that is, they tend to move independently of each other. (See Chapter 6 for a more detailed discussion on correlation).

While bond prices tend to fluctuate less than stock prices, they are still subject to price movement. By investing in a mix of asset classes such as stocks, bonds, and Treasury bills (cash), an investor may protect their portfolio from major downswings in a single asset class. One of the main advantages of diversification is that it makes investors less dependent on the performance of any single asset class.

Rolling Period Portfolio Returns

While Table 2-7 displays the performance of single asset classes over various rolling periods, Table 2-12 shows the performance of different portfolio allocations over various rolling periods. Once again, the table outlines the number of times that each portfolio has a positive return, and the number of times that each portfolio's return was the highest among all those studied. Maximum and minimum returns are also shown. The portfolios presented throughout the analysis are rebalanced so that the allocations remain the same. The data assumes reinvestment of all income and does not account for taxes or transaction costs. The exception to this is Table 2-14, which contains portfolios that never rebalance for comparison purposes.

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2004 year book

1926 - 2000

	Geo	Arithmetic
large company	10.4%	12.4%
small company	12.7%	17.5%
T-Bill	3.7%	3.8%

large company

S+P 500 composite + reinv

Small

fifth quintile of NYSE historic ~~small~~ Microcap fund

15 year hold ~~89~~ 1989 - 2003

large 12.2

small 14.29

T-bill 4.65

12.4
12.2
13
37.6

20 year hold 1984 - 2003

Large 12.99

Small 12.35

T bill 5.26

Stocks Bond bills and Inflation

2004 Yearbook