AGL Resources

AGL RESOURCES INC.
AUDIT COMMITTEE

CHARTER

The Audit Committee (the "Committee") of AGL Resources Inc., a Georgia corporation (the "Company"), is a committee of the Board of Directors of the Company. Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to (a) integrity of the Company's financial statements and periodic financial reports, and (b) compliance with legal and regulatory requirements. The Committee shall also (a) have direct responsibility for the engagement of the independent registered public accounting firm based on an assessment of its qualifications and independence, and (b) evaluate the performance of the independent registered public accounting firm and internal audit function, and (c) prepare the Audit Committee Report required by SEC rules to be included in the Company's proxy statement. In discharging its oversight and other responsibilities, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company and has the authority to retain outside legal, accounting or other advisors, at the expense of the Company, to advise the Committee. The Committee shall produce an annual report for inclusion in the Company's proxy statement for the annual meeting of shareholders, in accordance with applicable rules and regulations. The composition and responsibilities of the Committee are described in this Audit Committee Charter (the "Charter").

While the Committee has oversight responsibilities and powers as set forth in this Charter, it is not the responsibility of the Committee to prepare the Company's financial statements or to plan or conduct audits to determine if such statements are complete, accurate and in accordance with Generally Accepted Accounting Principles (GAAP). These are the responsibilities of management and the independent registered public accounting firm, respectively. Management also is responsible for compliance with applicable laws, regulations, internal controls and procedures, and with the Company's disclosure controls and procedures, internal operating and compliance policies, and codes of conduct and ethics.

I. Composition

In accordance with Article III of the Bylaws of the Company, the Board of Directors, by resolution adopted by a majority of the whole Board of Directors, may designate an Audit Committee. The Committee shall consist of four (4) or more Directors. The Committee shall be composed entirely of independent, non-employee Directors of the Company, in accordance with applicable rules and regulations. Each member of the Committee shall be financially literate, as defined by applicable rule or regulation and by the Board of Directors, or must become financially literate within a reasonable period of time after his or her appointment to the Committee. Additionally, the Board will ensure that at least one member of the Committee will have accounting or related financial management expertise and will qualify as a financial expert as defined by the Securities and Exchange Commission.

If a Committee member simultaneously serves on the audit committees of more than three companies subject to the periodic reporting requirements of the Securities Exchange Act of 1934, then the Board must make a determination that such simultaneous service would not impair the ability of such member to effectively serve on the Committee and disclose such determination in the Company's annual proxy statement.

The members of the Committee shall serve at the pleasure of the Board of Directors or until their successors shall be duly designated. Vacancies in the Committee shall be filled by the Board of Directors.

II. Responsibilities

The Audit Committee, subject to approval by the entire Board of Directors, where appropriate, shall:

1. Provide an open avenue of communication among the Board of Directors, the internal auditors, and the independent registered public accounting firm for the Company.

2. Review with the Chief Auditor of the Internal Audit department ("Chief Auditor") and the independent registered public accounting firm the coordination of the internal and independent audit efforts.

3. Review with management, the independent registered public accounting firm and the internal auditors, as appropriate, audit policies and procedures and the scope and extent of audits. In consultation with management, the independent registered public accounting firm, and the internal auditors, consider the integrity of the Company's financial reporting processes and controls.

4. Retain and terminate the Company's independent registered public accounting firm, with sole authority to pre-approve, to the extent required by applicable law, all audit engagement fees and terms, as well as all non-audit engagements with the independent registered public accounting firm. In accordance with applicable law, the Committee may delegate this authority to one or more designated members of the Committee; provided that any such decision made pursuant to the foregoing delegation of authority shall be presented to the Committee at its next regularly scheduled meeting. In connection with its consideration of the retention and termination of the Company's independent registered public accounting firm, the Audit Committee acknowledges the potential benefits to be obtained from a change in the Company's independent registered public accounting firm from time to time and will consider such a change periodically as dictated by circumstances, and in any event not less than every three years. Each year, the Audit Committee shall also recommend that the Board of Directors submit for shareholder ratification the retention of the independent registered public accounting firm.

5. Oversee the work of the independent registered public accounting firm (including

resolution of disagreements between management and the independent registered public accounting firm regarding financial reporting) for purposes of preparing or issuing an audit report or related work. Such independent registered public accounting firm shall report directly to the Committee.

6. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Auditor for the Company. Review and approve the annual budget and audit plan of Internal Audit. Confirm the functional independence of the internal auditors by assuring that the Internal Audit Charter requires the Internal Audit Department to function independently and by inquiring of the Chief Auditor regarding Internal Audit's functional independence.

7. Discuss with management, the Chief Auditor and the independent registered public accounting firm the Company's policies governing the process by which risk assessment and risk management is undertaken. Review and discuss with management, the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. Other committees of the Board of Directors will have principle responsibility for reviewing and discussing with management those risk exposures: (i) specified in their charters or (ii) identified from time to time by the committees themselves or by the Audit Committee. Review with the Finance and Risk Management Committee, at least annually, a listing of the specific risk exposures reviewed by each committee of the Board of Directors.

8. Review with the Chief Corporate Compliance Officer the status of the Company's compliance program and any compliance-related issues arising within the Company. Review and approve procedures established by management for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Review with the Chief Auditor and the Chief Corporate Compliance Officer the results of any evaluation of the effectiveness of the Company's compliance and ethics program.

9. Periodically consider and review with management and with the Chief Auditor:

    a. Assessments of risk management processes and internal control system.

    b. Significant findings during the year and management's responses thereto.

    c. Any difficulties encountered in the course of Internal Audit's reviews, including any restrictions on the scope of their work or in access to required information.

    d. Any significant changes to the audit plan of Internal Audit.

    e. Any significant issues related to the budget and staffing of Internal Audit.

f. Any changes to the Charter of Internal Audit.

10. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of such matters by the internal auditors or by the independent registered public accounting firm.

11. Perform such other duties and responsibilities as required by law or as authorized or required by the Bylaws of the Company or by the Board of Directors.

12. Periodically meet with the Chief Auditor, the Chief Corporate Compliance Officer, the Chief Financial Officer, the independent registered public accounting firm, and any members of management with whom it would like to meet in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Audit Committee.

13. Meet quarterly with management and the independent registered public accounting firm, to review and discuss: (i) in the case of the first quarter of each fiscal year, the annual audited financial statements for the prior fiscal year, including footnotes; (ii) in the case of all other quarters, the unaudited quarterly financial results prior to the release of earnings and the quarterly financial statements prior to filing or distribution; including, in each case, a discussion of the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations". Discuss earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies.

14. Review, at least annually, with financial management and/or the independent registered public accounting firm the adequacy of internal accounting procedures and controls, including a review of the evaluation of the Company's internal controls and discuss significant items with management. Review quarterly any significant deficiencies in the design or operation of internal controls or any material weaknesses in internal controls that are reported to the Committee by financial management, the Chief Auditor or the independent registered public accounting firm.

15. Review with management the report by the independent registered public accounting firm required under §204 of the Sarbanes-Oxley Act of 2002 addressing: (i) critical accounting policies and practices to be used, (ii) alternative treatments of financial information within generally accepted accounting principles and ramifications of the use of such alternative treatments and the treatment preferred by the independent registered public accounting firm and (iii) other material written communications between the independent registered public accounting firm and management.

16. Annually review the qualifications, independence and performance of the independent registered public accounting firm and present its conclusions to the Board of

Directors. As part of such annual review, obtain and review a written report by the independent registered public accounting firm describing: all relationships between the independent registered public accounting firm and the Company; the independent registered public accounting firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the independent registered public accounting firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the independent registered public accounting firm; and any steps taken to deal with any such issues. Discuss with the independent registered public accounting firm all significant relationships it has with the Company that could impair the registered public accounting firm's independence. Discuss with the independent registered public accounting firm any legally required audit partner rotation. Discuss with management the qualifications, independence and performance of the independent registered public accounting firm, including specifically the lead audit partner.

17. Review with management and the independent registered public accounting firm at the completion of the examination of the annual financial statements:

    a. The independent registered public accounting firm's audit of the financial statements and their report thereon.

    b. Passed audit adjustments.

    c. Any significant changes required in the independent registered public accounting firm's audit plan.

    d. Any serious difficulties or disputes with management encountered during the course of the independent registered public accounting firm's audit and management's response thereto.

    e. Any "management" or "internal control" letter issued by the independent registered public accounting firm.

    f. Other matters related to the conduct of the independent registered public accounting firm's audit which are to be communicated to the Audit Committee under auditing standards generally accepted in the United States of America.

    g. The responsibilities, budget and staffing of the Company's internal audit function.

18. Establish and review, at least annually, policies dealing with the Company's ability to hire current or former employees of the independent registered public accounting firm.

19. Review with the Board of Directors any issues that arise with respect to the quality or

integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the qualification and independence of the independent registered public accounting firm, the performance of the internal audit function, or whatever it deems appropriate concerning the activities of the Committee.

20. At least annually, review with management the adequacy of the Information Services and Technology systems and processes that relate to or affect the Company's internal controls.

21. Report annually to the shareholders, describing the Audit Committee's composition and responsibilities, and any other information required by applicable rule or regulation to be communicated.

22. At least annually, review the Audit Committee's Charter, evaluate the performance of the Committee, and confirm that all responsibilities outlined in this Charter have been carried out.

The Committee shall meet at least quarterly. The Committee may ask members of management or others to attend its meetings and to provide pertinent information as necessary.

III. Reporting

The Committee shall keep written minutes of each meeting, which shall set forth the Committee's actions as required by the Committee Charter, and shall be duly filed in the Company's records. Reports of meetings of the Committee, including a report of all actions taken, shall be made to the Board of Directors at its next regularly scheduled meeting following the Committee meeting, accompanied by any recommendations to the Board of Directors approved by the Committee.

IV. Compensation

Director's fees are the only compensation an Audit Committee member may receive from the Company.