Great Lakes Maritime Research Institute

A University of Wisconsin - Superior and University of Minnesota Duluth Consortium

Understanding Infrastructure Needs for LNG as a Marine Fuel

Joe Hoyt
Pivotal LNG/AGL Resources
Superior, Wisconsin
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Forward Looking Statement and Supplemental Information

Forward-Looking Statements

Certain expectations and projections regarding our future performance referenced in this presentation, in other reports or statements we file with the SEC or otherwise release to the public, and on our website, are forward-looking statements. Senior officers and other employees may also make verbal statements to analysts, investors, regulators, the media and others that are forward-looking. Forward-looking statements involve matters that are not historical facts, such as statements regarding our future operations, prospects, strategies, financial condition, economic performance (including growth and earnings), industry conditions and demand for our products and services. Because these statements involve anticipated events or conditions, forward-looking statements often include words such as "anticipate," "assume," "believe," "can," "could," "estimate," "expect," "forecast," "future," "goal," "indicate," "intend," "may," "outlook," "plan," "potential," "predict," "project," "seek," "should," "target," "would," or similar expressions. Forward-looking statements contained in this presentation include, without limitation, statements regarding future earnings per share, dividend growth and EBIT contribution, our priorities for 2011 and the proposed merger with Nicor Inc. Our expectations are not guarantees and are based on currently available competitive, financial and economic data along with our operating plans. While we believe our expectations are reasonable in view of the currently available information, our expectations are subject to future events, risks and uncertainties, and there are several factors - many beyond our control - that could cause results to differ significantly from our expectations.

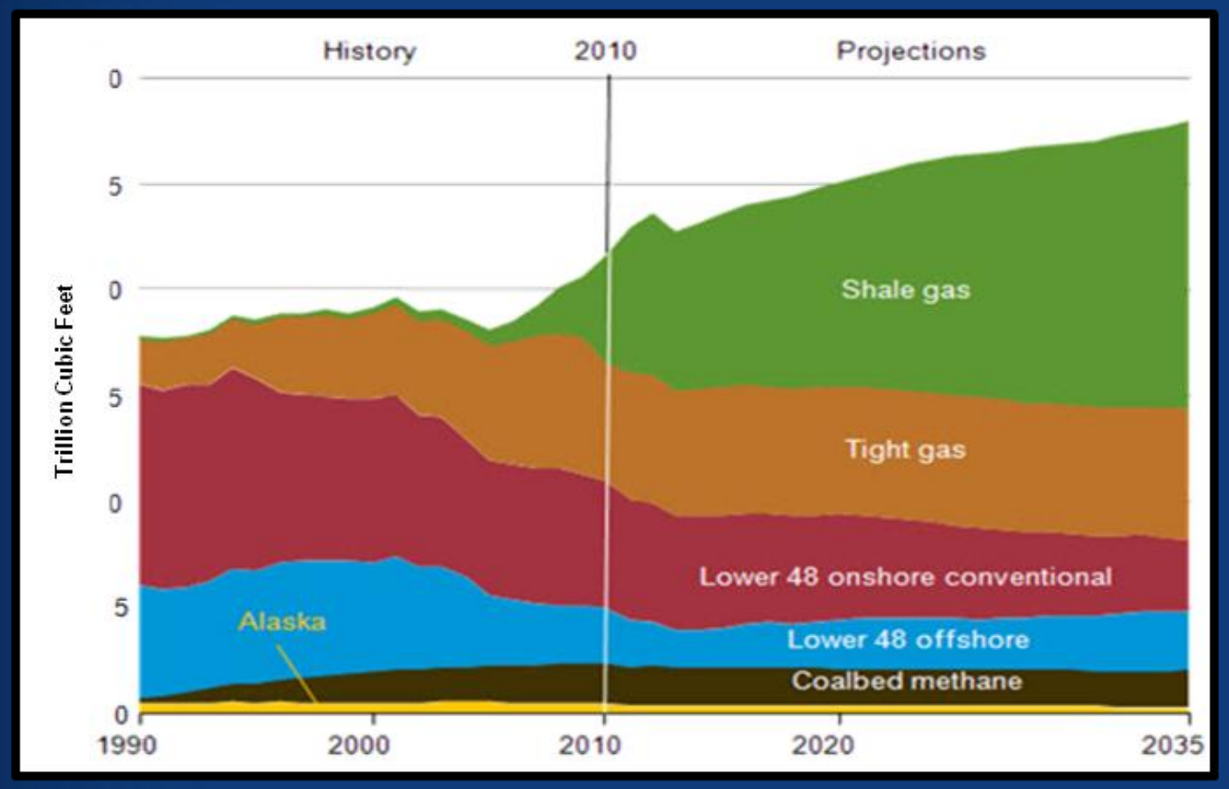
Such events, risks and uncertainties include, but are not limited to, changes in price, supply and demand for natural gas and related products; the impact of changes in state and federal legislation and regulation including changes related to climate change; actions taken by government agencies on rates and other matters; concentration of credit risk; utility and energy industry consolidation; the impact on cost and timeliness of construction projects by government and other approvals, development project delays, adequacy of supply of diversified vendors, unexpected change in project costs, including the cost of funds to finance these projects; the impact of acquisitions and divestitures including the proposed Nicor merger; limits on natural gas pipeline capacity; direct or indirect effects on our business, financial condition or liquidity resulting from a change in our credit ratings or the credit ratings of our counterparties or competitors; interest rate fluctuations; financial market conditions, including recent disruptions in the capital markets and lending environment and the current economic downturn; general economic conditions; uncertainties about environmental issues and the related impact of such issues; the impact of changes in weather, including climate change, on the temperature-sensitive portions of our business; the impact of natural disasters such as hurricanes on the supply and price of natural gas; acts of war or terrorism; and other factors which are provided in detail in our filings with the Securities and Exchange Commission. Forward-looking statements are only as of the date they are made, and we do not undertake to update these statements to reflect subsequent changes.

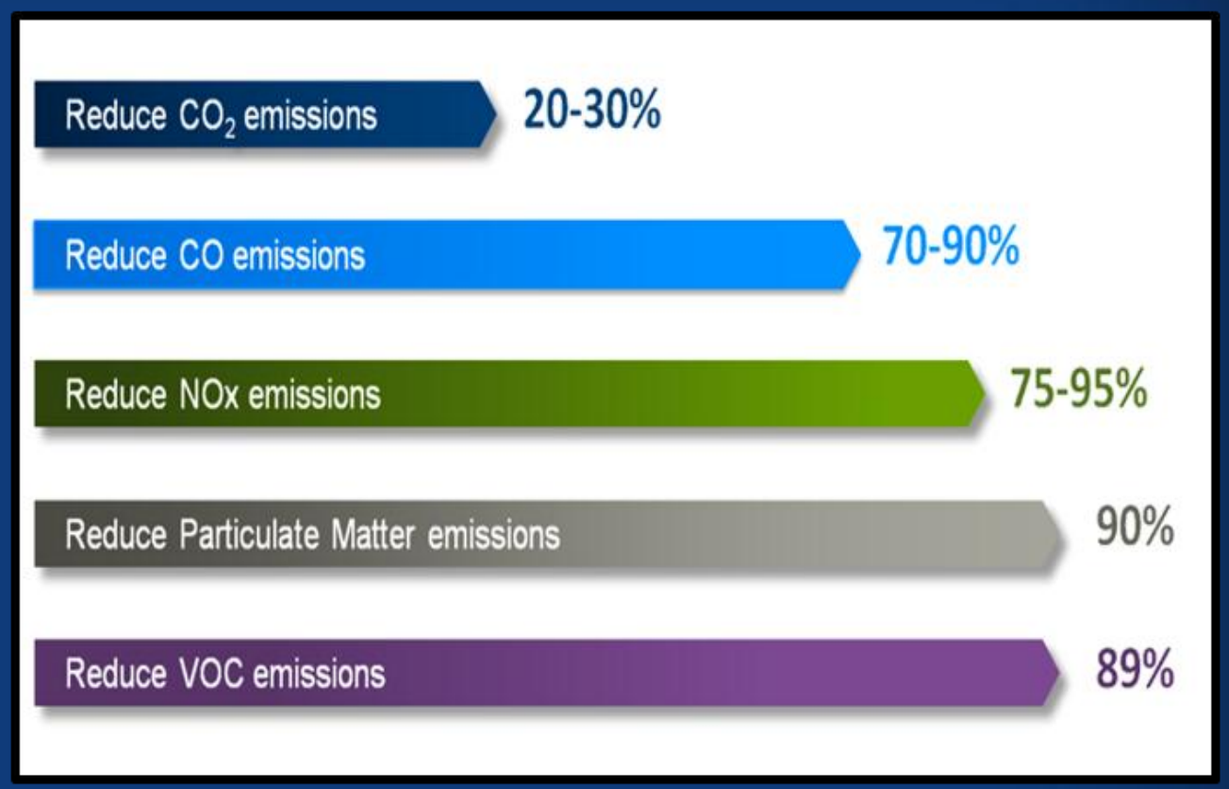
Supplemental Information

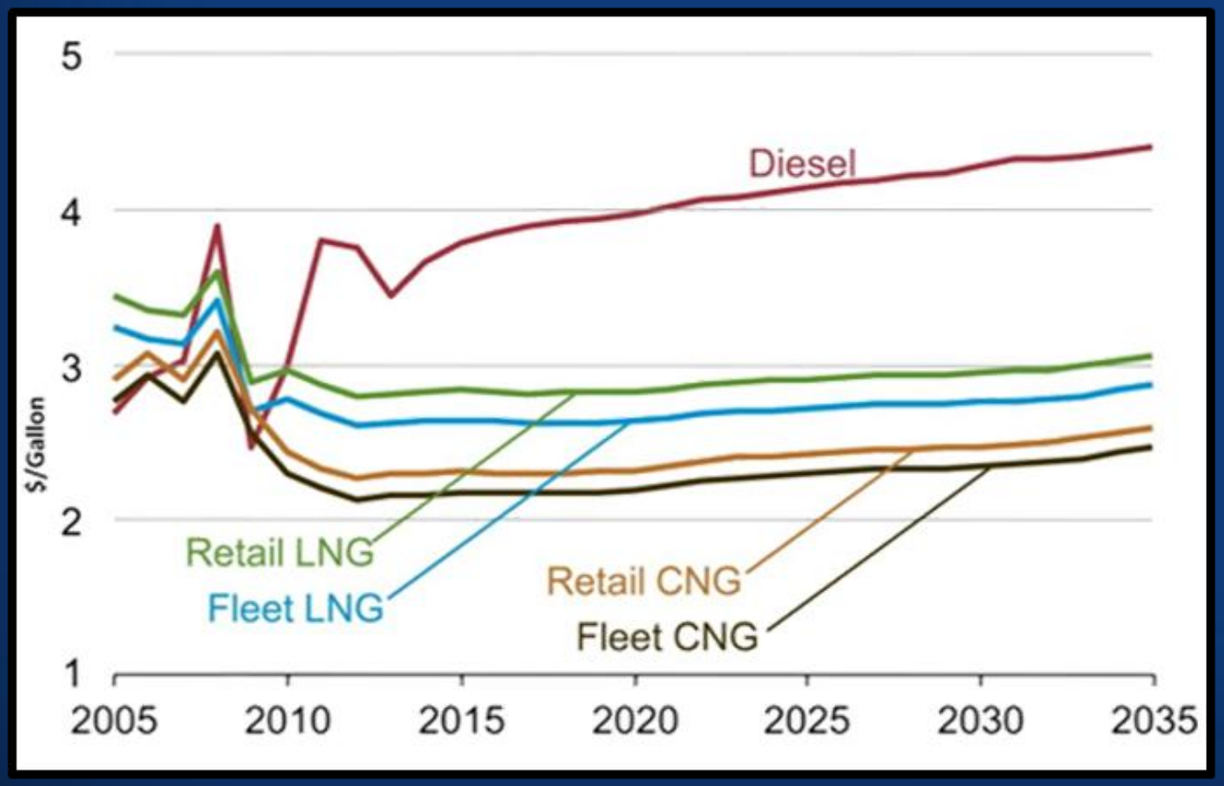
Company management evaluates segment financial performance based on earnings before interest and taxes (EBIT), which includes the effects of corporate expense allocations and on operating margin. EBIT is a non-GAAP (accounting principles generally accepted in the United States of America) financial measure that includes operating income, other income and expenses. Items that are not included in EBIT are financing costs, including debt and interest expense and income taxes. The company evaluates each of these items on a consolidated level and believes EBIT is a useful measurement of our performance because it provides information that can be used to evaluate the effectiveness of our businesses from an operational perspective, exclusive of the costs to finance those activities and exclusive of income taxes, neither of which is directly relevant to the efficiency of those operations. Operating margin is a non-GAAP measure calculated as operating revenues minus cost of gas, excluding operation and maintenance expense, depreciation and amortization, and taxes other than income taxes. These items are included in the company's calculation of operating income. The company believes operating margin is a better indicator than operating revenues of the contribution resulting from customer growth, since cost of gas is generally passed directly through to customers. In addition, in this presentation, the company has presented its earnings per share excluding expenses incurred with respect to the proposed Nicor merger. As the company does not routinely engage in transactions of the magnitude of the proposed Nicor merger, and consequently does not regularly incur transaction related expenses with correlative size, the company believes presenting EPS excluding Nicor merger expenses provides investors with an additional measure of the company's core operating performance. EBIT, operating margin and EPS excluding merger expenses should not be considered as alternatives to, or more meaningful indicators of, the company's operating performance than operating income, net income attributable to AGL Resources Inc. or EPS as determined in accordance with GAAP. In addition, the company's EBIT, operating margin and non-GAAP EPS may not be comparable to similarly titled measures of another company. We also present certain non-GAAP financial measures excluding the effects of our proposed merger with Nicor. Because we complete material mergers and acquisitions only occasionally, we believe excluding these effects from certain measures is useful because they allow investors to more easily evaluate and compare the performance of the Company's core businesses from period to period. Reconciliations of non-GAAP financial measures referenced in this presentation are available on the company's Web site at www.aglresources.com

- Historic price spread between diesel and natural gas expected to continue
- Spread provides major economic driver to adopting LNG
- Price important but so are environmental benefits
- Vast shale gas resources in North America
- Natural Gas and Marine Engines - a market transforming combination

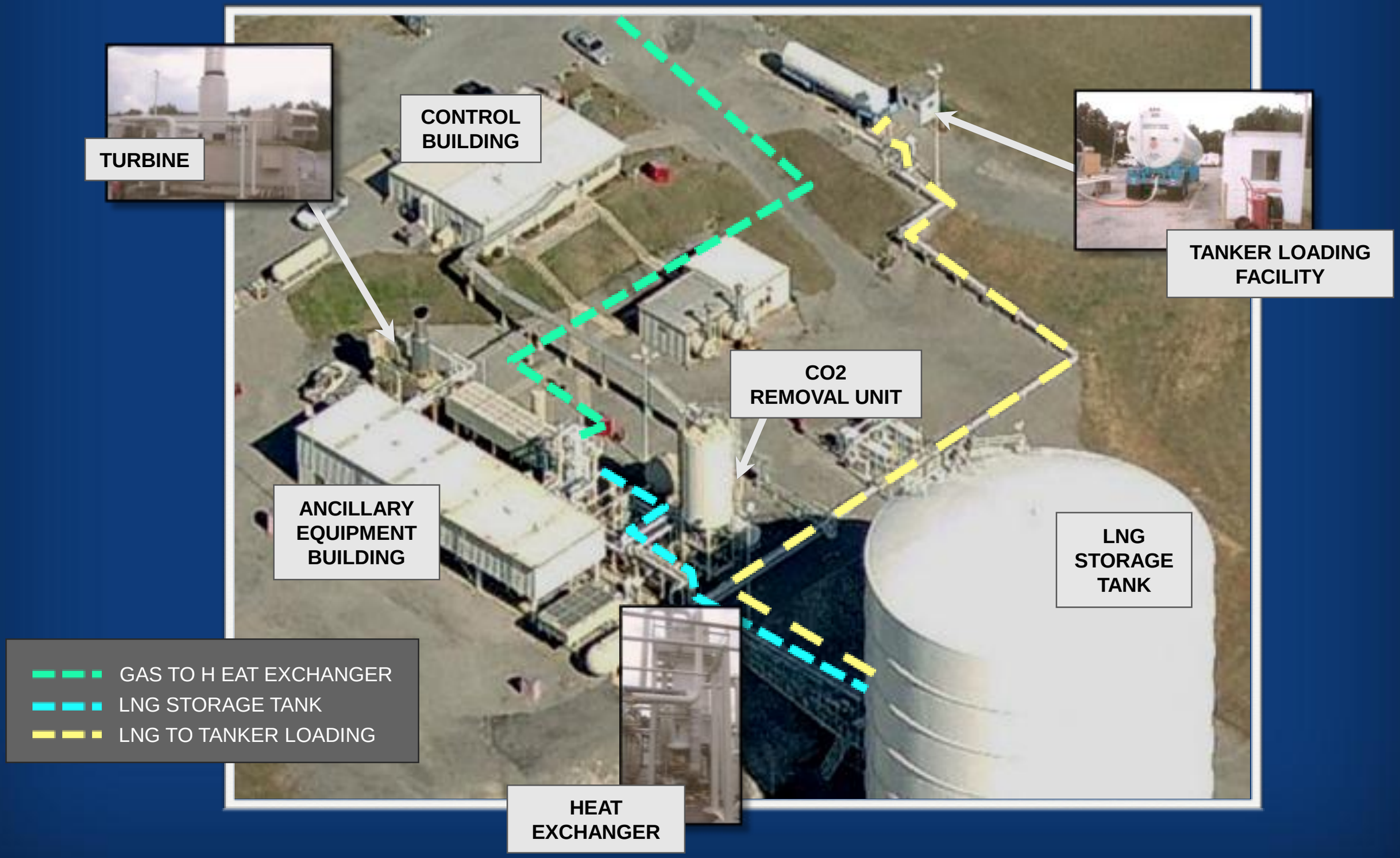
Natural Gas Advantages







Typical LNG Facility



Horsepower Truck Equivalency

1,000 - 3,000

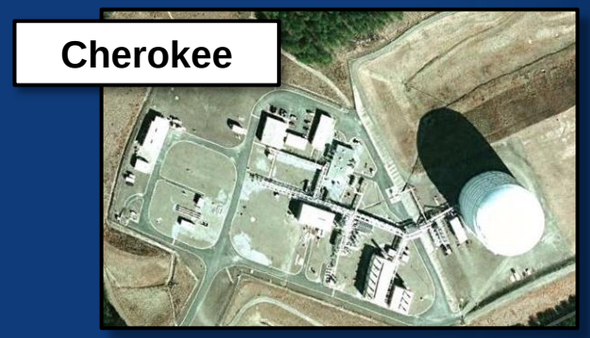
50 - 300

40 - 50

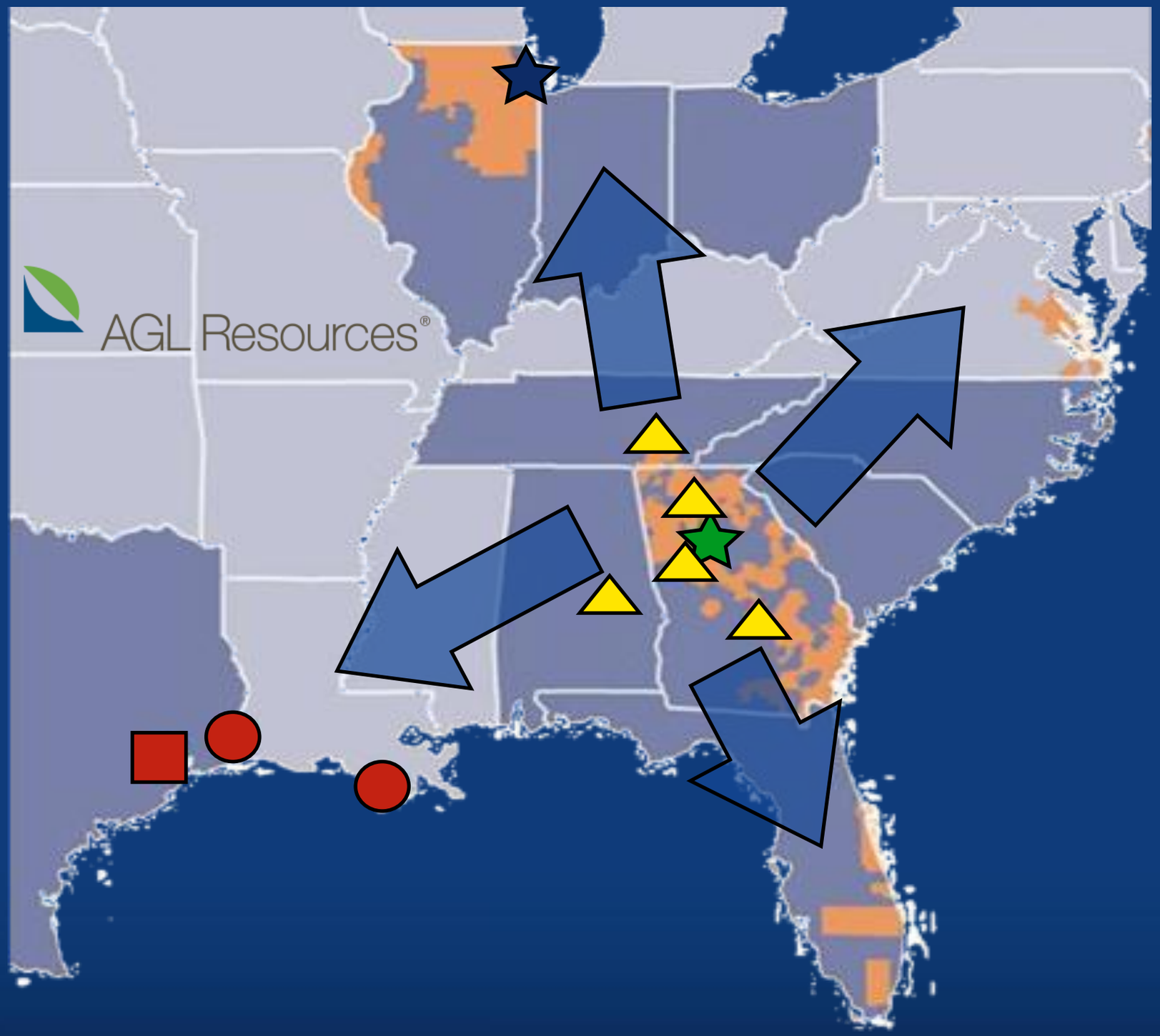
50 - 200

Pivotal LNG - Supplier

- Natural gas utility company for over 150 years
- Own and operate 5 LNG facilities for over 40 years
- AGLR is currently the largest producer of LNG in the country with the ability to convert 45 MMCf/d to 540,000 gallons of LNG per day
- The most ideal location for the production of incremental LNG supplies to serve the substitute fuel market is at an existing LNG facility
- Over the past 40 years AGLR has safely loaded over 7,000 tanker loads of LNG
- AGLR has developed siting, permitting, design, engineering, construction and operations expertise
- Expertise is directly applicable to expanding Trussville or siting new facilities



Pivotal - Current Reach



Gas Distribution Service Territory

Retail Energy Market Presence

Gas Storage (Non-Utility)

Wholesale Energy Headquarters

Gas Distribution Headquarters

Corporate Headquarters

LNG Production Facilities

US as an LNG Supplier

Marine Issue Considerations

- Industry language barriers
- Immature market and supply
  - Cost, timing, location and regulatory issues associated with vessels and production facilities
  - Long-term firm contracts
- Volume considerations
  - Special purpose built facilities
  - Growth potential in the marine segment
- Jones Act verses international fleets
- Logistics – Waterside vs. Pier Side bunkering

Vessel Bunkering Options

- **<u>Pier side via truck</u>**
  - Fueling option of choice for early adopters
  - Limited for large bunker volumes
- Dedicated bunker berth
  - Vessel must shift to bunker berth
  - Not most desirable option due to vessel delay
- Piped LNG to vessel's usual berth
  - Requires shore based tanks

- **<u>Bunker vessel alongside ship at berth</u>**
  - Mirrors current oil bunkering process
  - Bunker vessel either self propelled or tug/barge
  - Least disruptive to vessel and dockside operations
  - Lowest commercial cost model
  - Required to maximize LNG fuel adoption

Evolution of LNG Bunkering

- Stage 1
  - Limited supply options and small vessel demand = Shore bunkering directly from LNG tanker trucks
- Stage 2
  - Limited supply options and larger or more vessels = Shore bunkering via dedicated LNG on-site LNG facilities (Storage tanks, Cryogenic piping, Vapor recovery, etc.)
- Stage 3
  - Supply options expand (at port or via LNG shuttle) plus larger at port storage capacity and larger or more vessels = Waterside - vessel to vessel bunkering

LNG Bunkering Procedures – Evolving

Code of Federal Regulations

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Parts 125 to 199

Revised as of July 1, 2003

Navigation and Navigable Waters

SEE: PART 127—WATERFRONT FACILITIES HANDLING LIQUEFIED NATURAL GAS AND LIQUEFIED HAZARDOUS GAS

U.S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard

2100 2nd Street, S.W. Stop 7126
Washington, DC 20593-7126
Staff Symbol: CG-521
Phone: (202) 372-1353
Fax: (202) 372-1926

16715
CG-521 Policy Letter
No. 01-12
April 19, 2012

From: J. P. Nadeau, CAPT
COMDT (CG-521)

To: Distribution

Subj: EQUIVALENCY DETERMINATION – DESIGN CRITERIA FOR NATURAL GAS FUEL SYSTEMS

U.S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard

2100 Second St., SW STOP 7126
Washington, DC 20593-7126
Staff Symbol: CG-522
Phone: (202) 372-1410
Fax: (202) 372-1926

COMDTPUB P16700.4
NVIC 01-2011

JAN 24 2011

NAVIGATION AND VESSEL INSPECTION CIRCULAR (NVIC) NO. 01-2011

Subj: GUIDANCE RELATED TO WATERFRONT LIQUEFIED NATURAL GAS (LNG) FACILITIES

IMO Guidelines and Reports

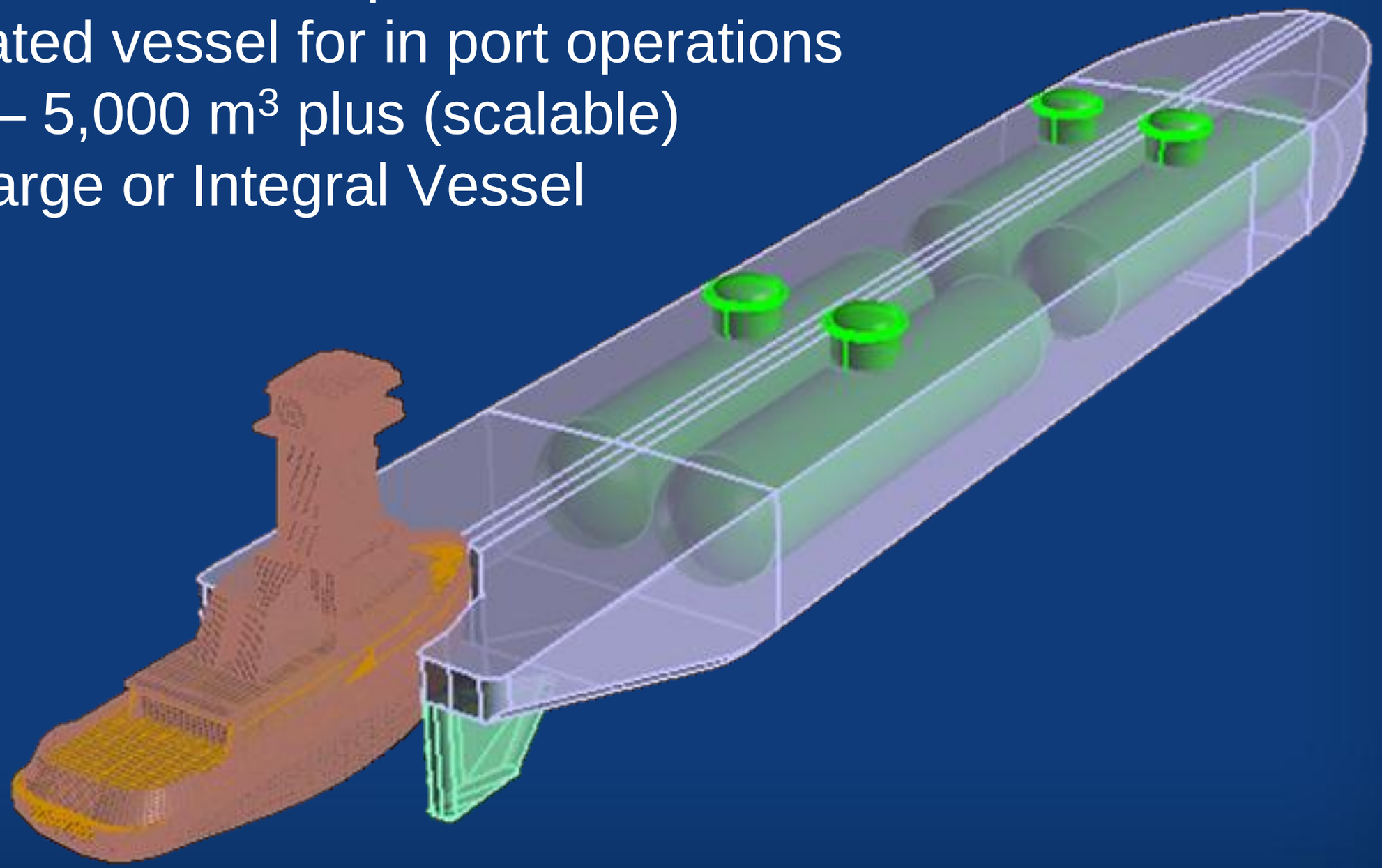
RESOLUTION MSC.285(86)
(adopted on 1 June 2009)

INTERIM GUIDELINES ON SAFETY FOR NATURAL GAS-FUELLED ENGINE INSTALLATIONS IN SHIPS

Feasibility Study on LNG Fuelled Short Sea and Coastal Shipping in the Wider Caribbean Region

Bunker Vessels

- Advanced vessel design completed
- Approved in Concept
- Dedicated vessel for in port operations
- 1,500 – 5,000 m^3 plus (scalable)
- Tug/Barge or Integral Vessel



Critical Elements for Early Success

- Long term and absolute assurance of supply
- Long term market commitment
- Infrastructure
  - Natural gas supply
  - LNG liquefaction
  - Logistics to port
  - Logistics at the Port
  - Bunkering infrastructure and operations
- Collaboration and cooperation of all stakeholders
- Establish well understood and rigidly followed regulatory and safety procedures

Selected Links

- **USCG – Navigation and Vessel Inspection Circular (NVIC) No. 01-2011 – Guidance related to waterfront LNG facilities**
  - **www.uscg.mil/hq/cg5/nvic/pdf/2011/NVIC%2001-2011%20Final.pdf**
- **Marine Environment Protection Committee, 65th Session, Agenda Item 4 – Feasibility study on LNG fueled short sea and coastal shipping in the wider Caribbean region**
  - **www.imo.org/OurWork/Environment/PollutionPrevention/AirPollution/Documents/Air%20pollution/Feasibility%20Study%20on%20LNG.pdf**
- **Title 33 Code of Federal Regulations (CFR) Part 127**
  - **www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title33/33cfr127_main_02.tpl**
- **Title 18 Code of Federal Regulations (CFR) Part 157**
  - **www.ecfr.gov/cgi-bin/text-idx?c=ecfr&tpl=/ecfrbrowse/Title18/18cfr157_main_02.tpl**
- **USCG - Navigation and Vessel Inspection Circular No. 10-04 – Guidelines for handling of sensitive security information , COMDTPUB P16700.4**
  - **www.uscg.mil/hq/cg5/nvic/pdf/2004/NVIC%2010-04%20Part%201.pdf**