WGL Holdings, Inc

2011 Analyst Meeting
January 20, 2011

Retail Energy Marketing
Harry A. Warren, Jr., President, Washington Gas Energy Services

Alignment with Corporate Vision

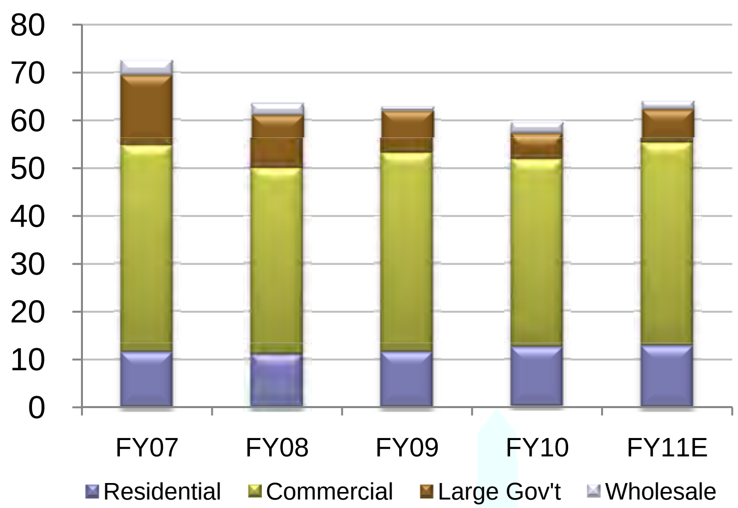
WGL Holdings is the preferred source of clean and efficient energy solutions that produce value for our customers, investors and communities.

WGES delivers value:

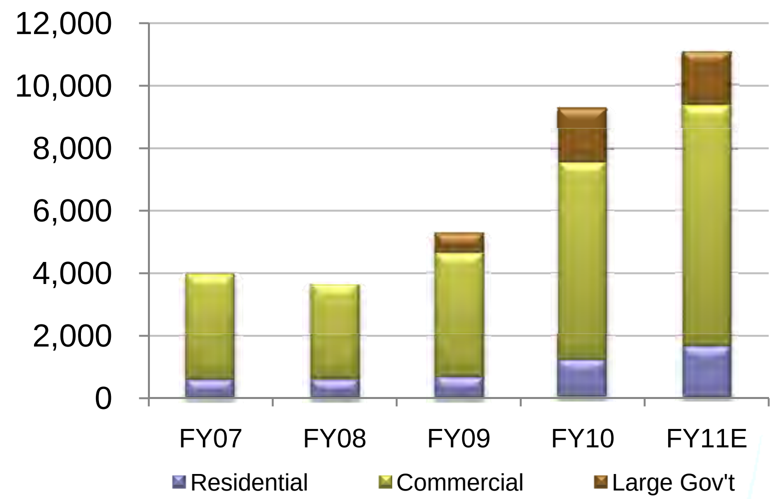
- **to customers as the preferred provider of competitive energy supply in its core service area**
- **to the community as a leader in providing clean energy solutions**
- **to investors through a growing stream of earnings**

Metrics and Trends – Sales Volumes

Natural Gas Volumes (BCF)



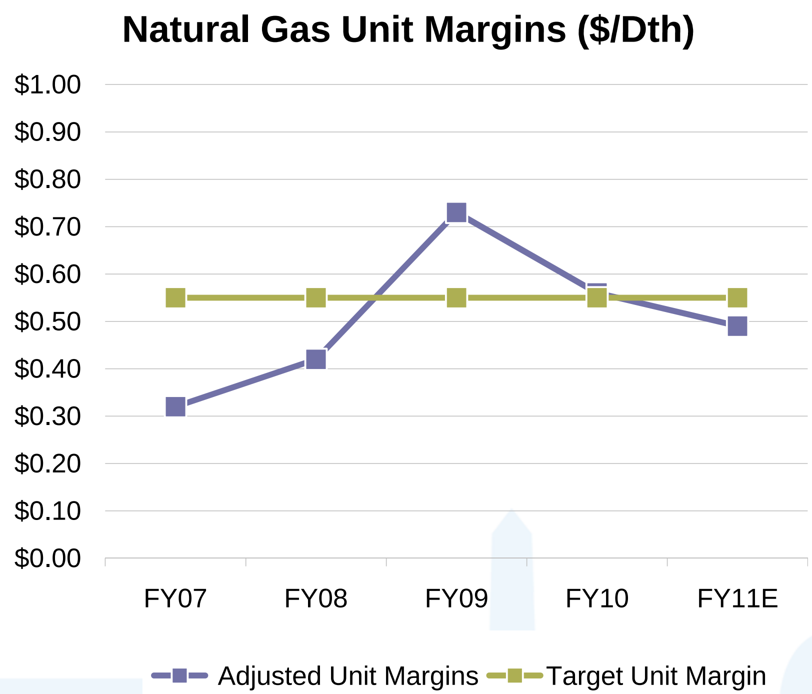
Electric Volumes (1,000's MWH)

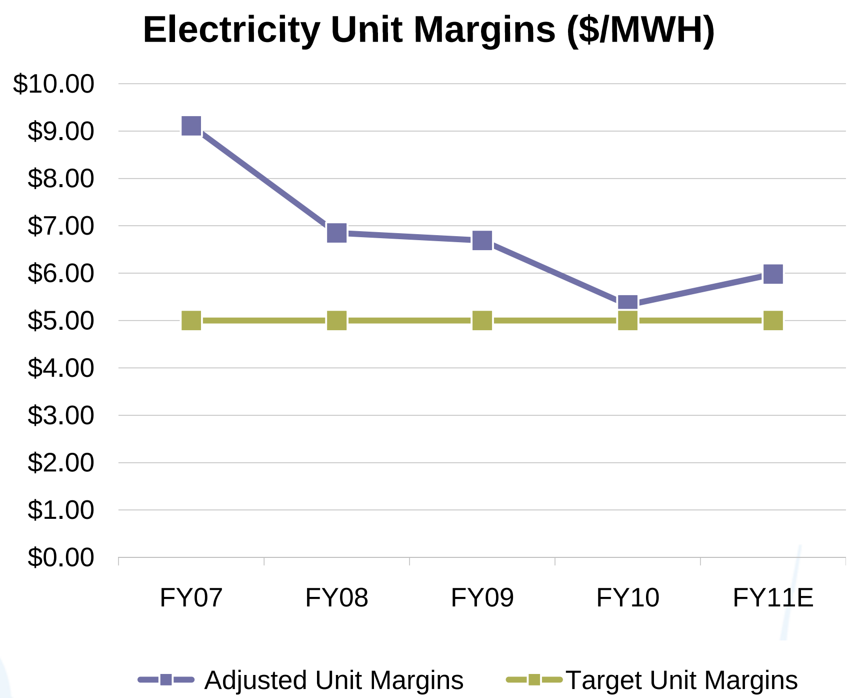


	FY07	FY08	FY09	FY10	FY11E
Gas Volumes (BCF)	72.5	63.5	62.7	59.3	63.9

	FY07	FY08	FY09	FY10	FY11E
Electric Volumes (Mwh)	3,944	3,607	5,269	9,276	11,067

Metrics and Trends – Unit Margins



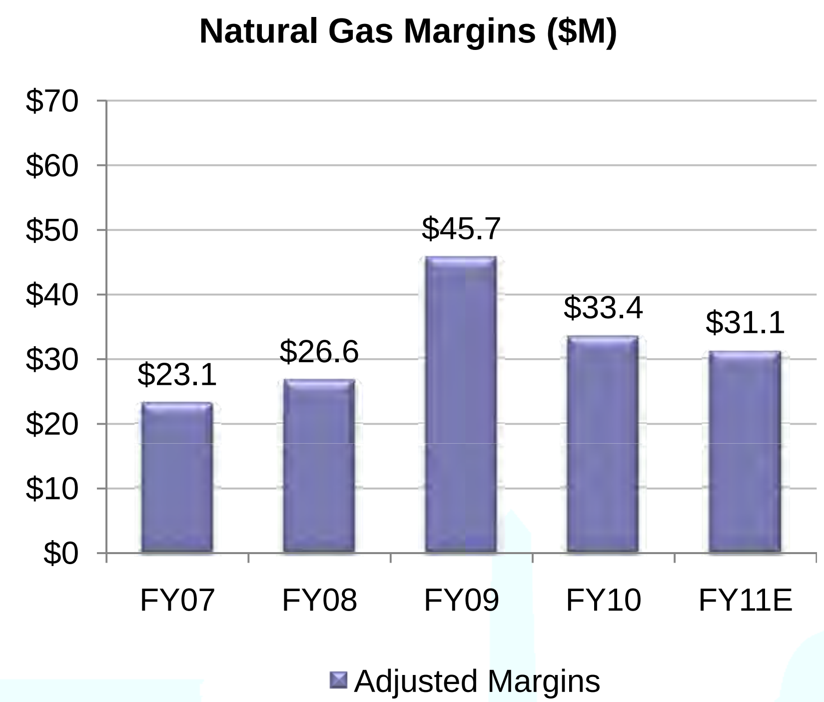


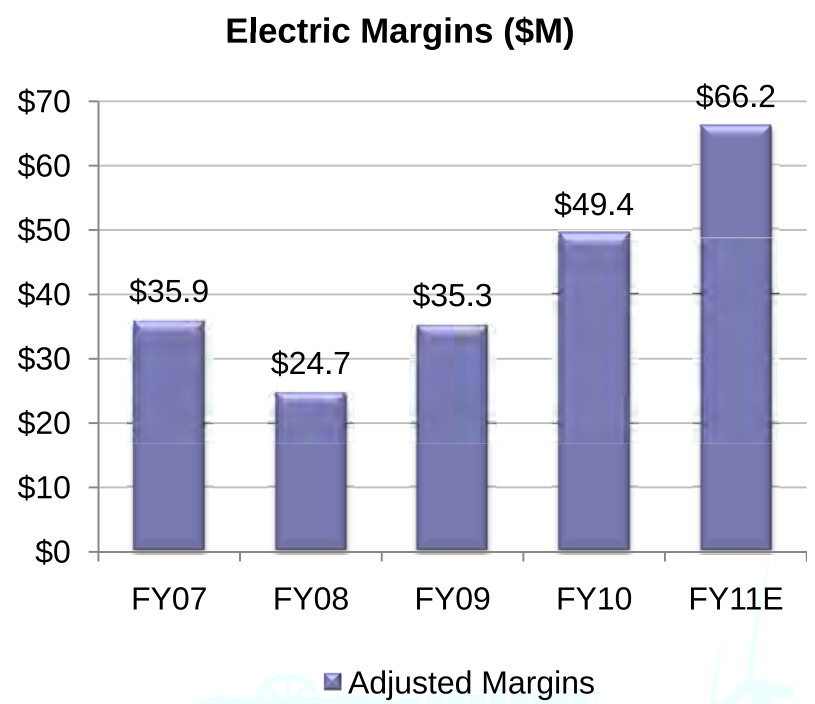
Target of $.55/Dth unit margin[1]

Target of $5.00/Mwh unit margin[1]

[1] after adjustments

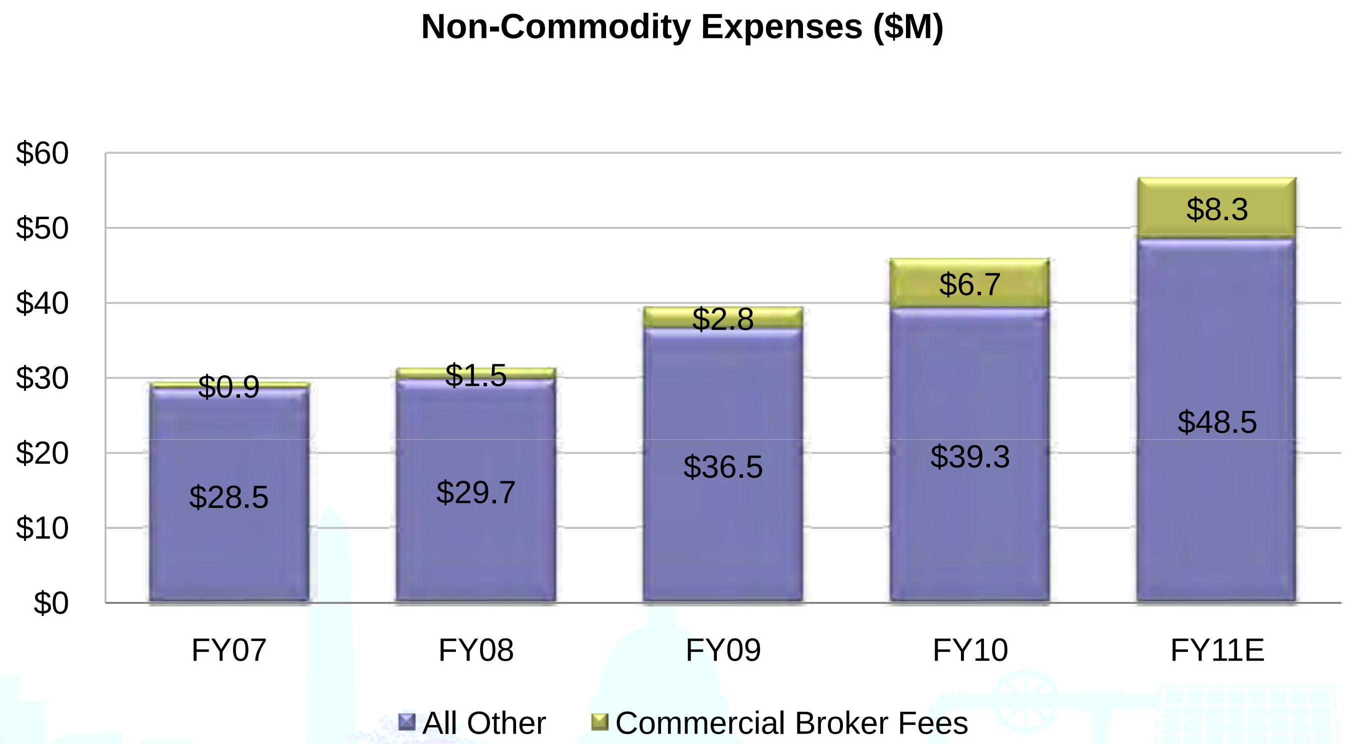
Metrics and Trends – Total Margins





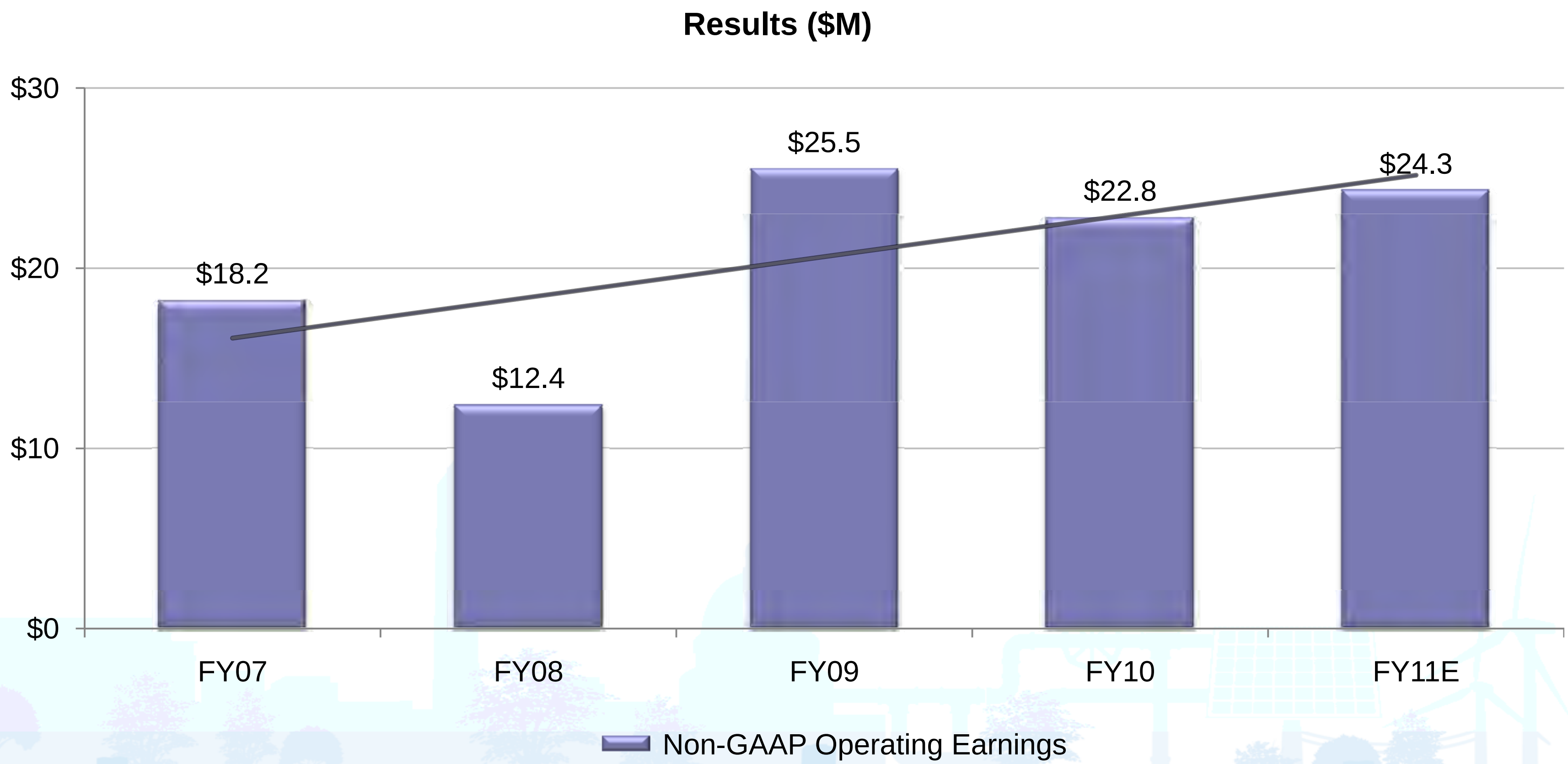
See Appendix for Calculations of Adjusted Gross Margins

Metrics and Trends – Non-Commodity Expenses



See Appendix for Calculations of Adjusted Non-Commodity Related Expenses

Metrics and Trends – Operating Earnings



See Appendix for Reconciliation of GAAP Net Income to Non-GAAP Operating Earnings

Growth and Market Position – Customer Growth

Type of Account	Year-End FY08	Year-End FY09	Year-End FY10
Commercial gas	25,000	26,000	30,000
Residential gas	108,300	125,000	131,000
Total gas	133,300	151,000	161,000
Commercial electric	18,400	37,000	47,000
Residential electric	43,400	76,000	108,000
Total electric	61,800	113,000	155,000

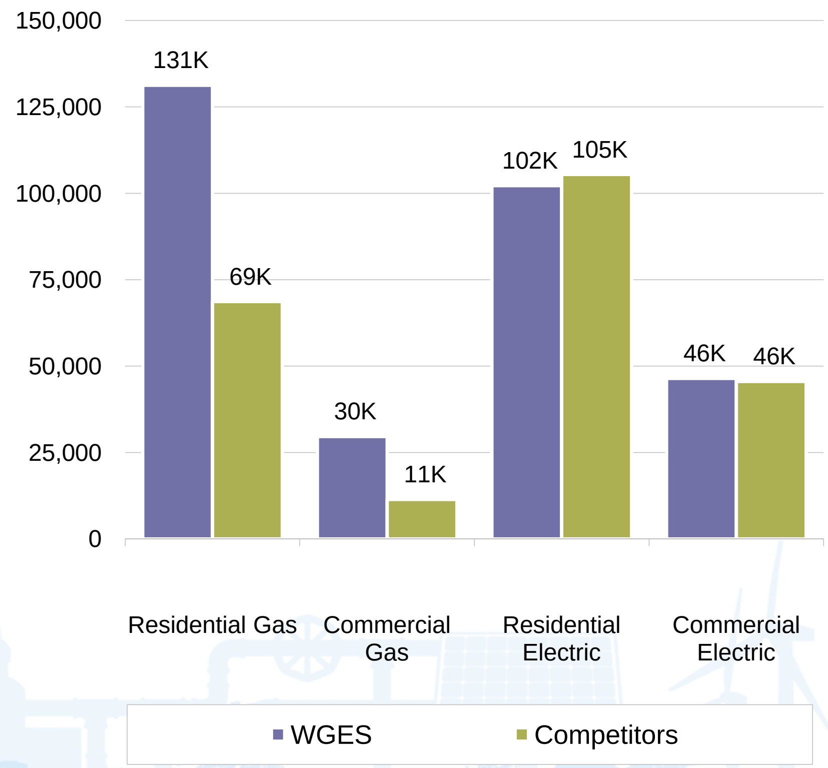
- In both FY09 and FY10 WGES grew its customer base across both commercial and residential customer classes for both gas and electricity.
- In fact, WGES added customers in each and every state and each and every utility service territory it serves for both customer classes for both energy types.

Growth and Market Position – Market Leader

WGES is a market leader:

- Serves more competitive gas and electric accounts in its core markets than all other suppliers combined
- Supplies 13% of all electricity and 14% of all natural gas flowing to end users in its core markets [1,2]
- Ranks 14th nationally in commercial electric sales and 16th in residential accounts served among competitive suppliers [3]

Number of Accounts at 9/30/10
(MD, DC, DE, VA)



[1] per Energy Information Agency annual reports on natural gas and electricity for calendar 2009

[2] WGES' estimated annual retail energy sales for fiscal year 2011

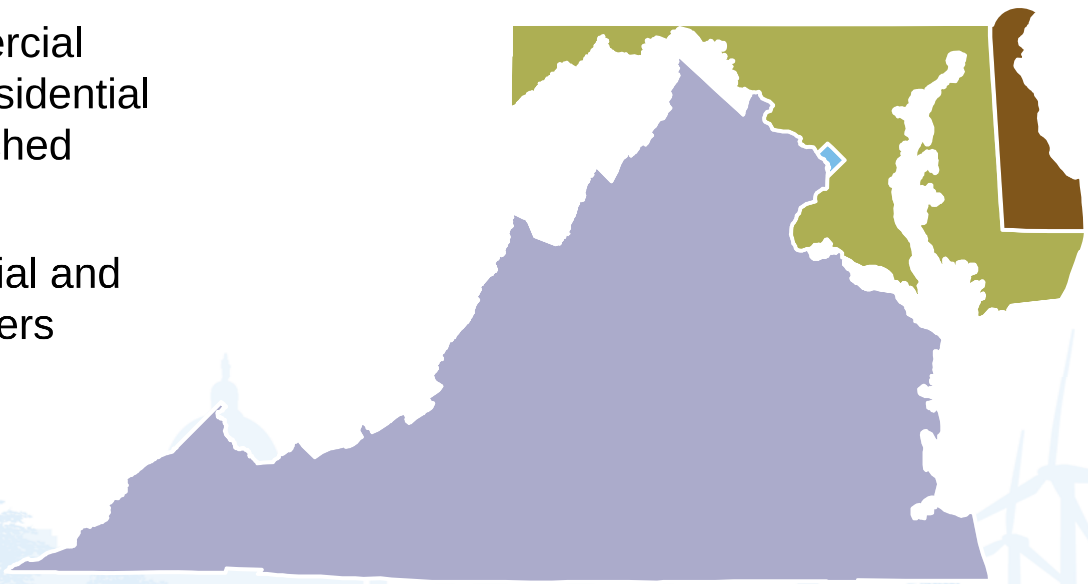
[3] The Retailer Landscape , September 2010, KEMA

Growth and Market Position – Unclaimed Accounts

Significant opportunities remain in WGES' core footprint to attract utility customers, especially among small and mid-size accounts

- Natural Gas: 100,000 commercial customers, and 1.6 million residential customers remain to be switched

- Electricity: 200,000 commercial and 2.3 million residential customers remain to be switched



Pennsylvania Expansion

WGES entered the Pennsylvania electric market in January 2010 and is positioning itself to sell in most of the state's electric and gas markets

- Electric sales are currently being made in the PPL and PECO electric territories
    - Nearly 600,000 MWH per year of commercial load under contract
    - About 9,000 residential accounts under contract

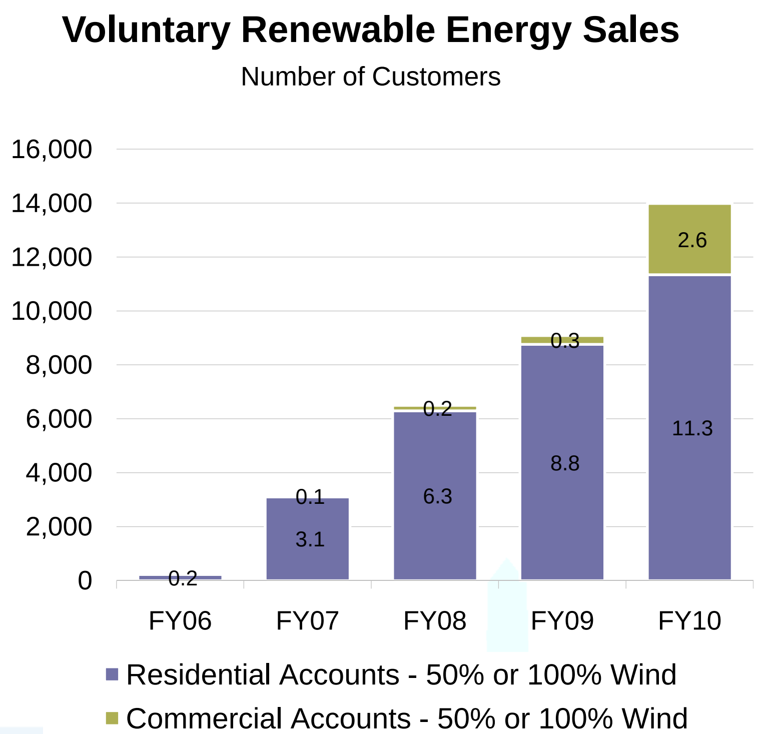
- WGES is licensed to sell electricity in 8 utility territories
- WGES is licensed to sell natural gas in 5 utility territories

Clean Energy Programs – A History of Innovation

WGES is at the forefront of clean energy innovation among competitive energy suppliers

Regional Wind Power Sales	Solar projects	Carbon offsets
2003	2008	2010

Clean Energy Programs – Wind Power



Despite the economic downturn, sales of renewable energy continue to grow through branded offers, sales to local governments and support for other green retailers

WGES supplies the District of Columbia Municipal Aggregation Program participants and the State of Delaware with over 300,000 wind RECs per contract year

Clean Currents Green Energy Solutions

Powered by wind energy.

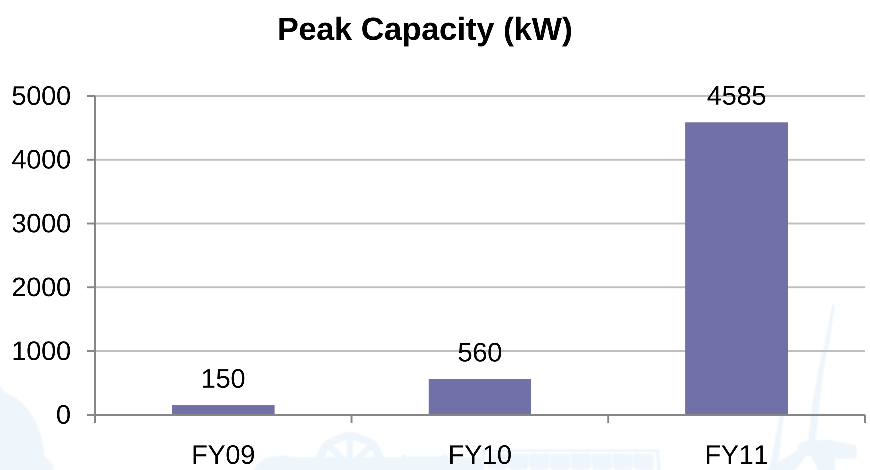
CleanSteps

Washington Gas Energy Services

Clean Energy Programs – Solar Power

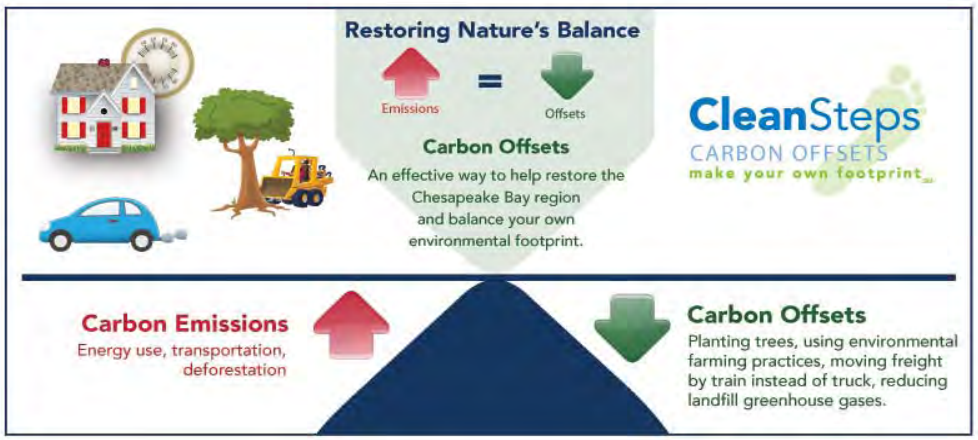
WGES owns a growing fleet of solar projects located in its energy sales territories

- Sells electric power to host customers
- Retains ownership of solar renewable energy credits (SRECs) to satisfy Renewable Portfolio Standard (RPS) requirements
- Benefits from federal tax incentives



Clean Energy Programs – Carbon Offsets

WGES launched a carbon offset program for natural gas customers that reduces greenhouse gases and provides other environmental benefits



The business plan for carbon offsets will follow the successful wind energy model:

- All residential and small commercial gas customers will receive a percentage of carbon offsets
- Customers may choose to offset a larger portion of their use
- Large commercial customers can receive customized supplies and pricing

WGES – An innovative market leader

- A growing stream of operating income
- Leading competitive retail natural gas and electricity supplier in MD, VA, DC and DE – now expanding into PA
- Continuing track record of introducing new clean energy offers

WGL Holdings, Inc

2011 Analyst Meeting
January 20, 2011

Financial Objectives
Vincent L. Ammann, Jr., VP and Chief Financial Officer

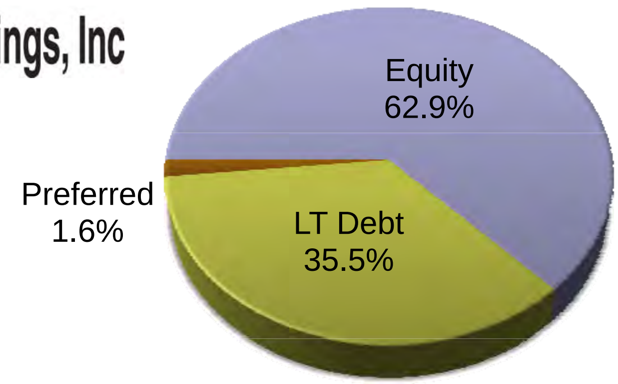
Solid Financial Profile

Strong Balance Sheet and Top-Tier Credit Ratings

Total Capitalization
(Four Quarter Average Ending Sep 30, 2010)
Includes current maturities

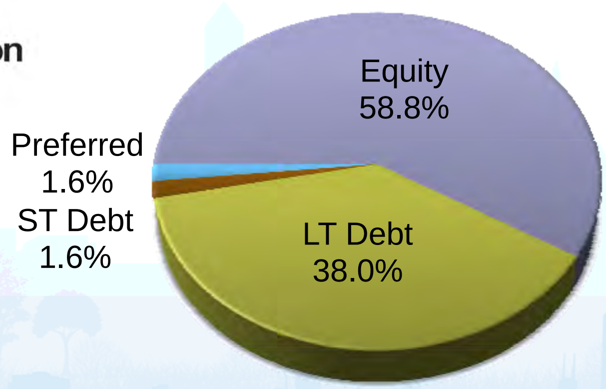
WGL Holdings, Inc

Excludes short-term debt



Washington Gas

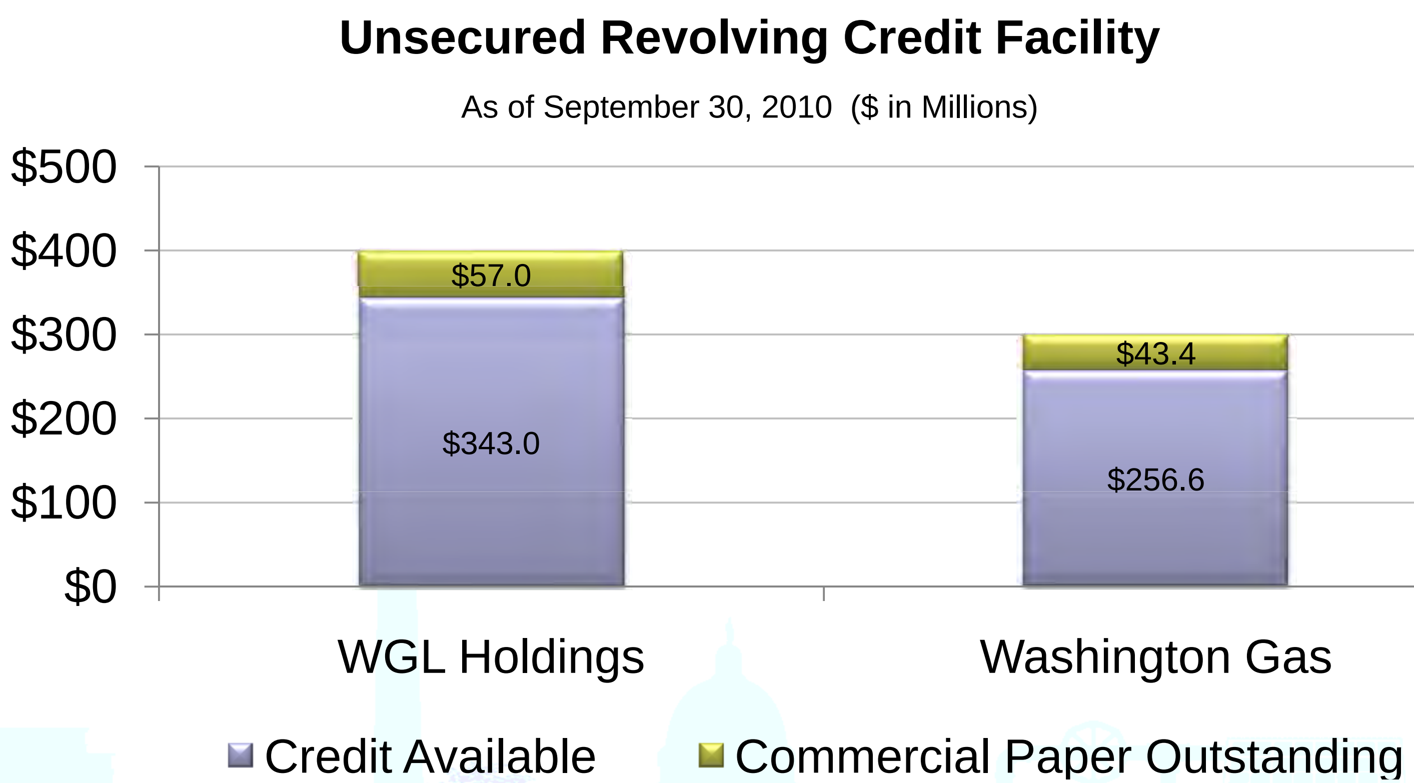
Includes short-term debt



Credit Ratings for Medium-Term Notes

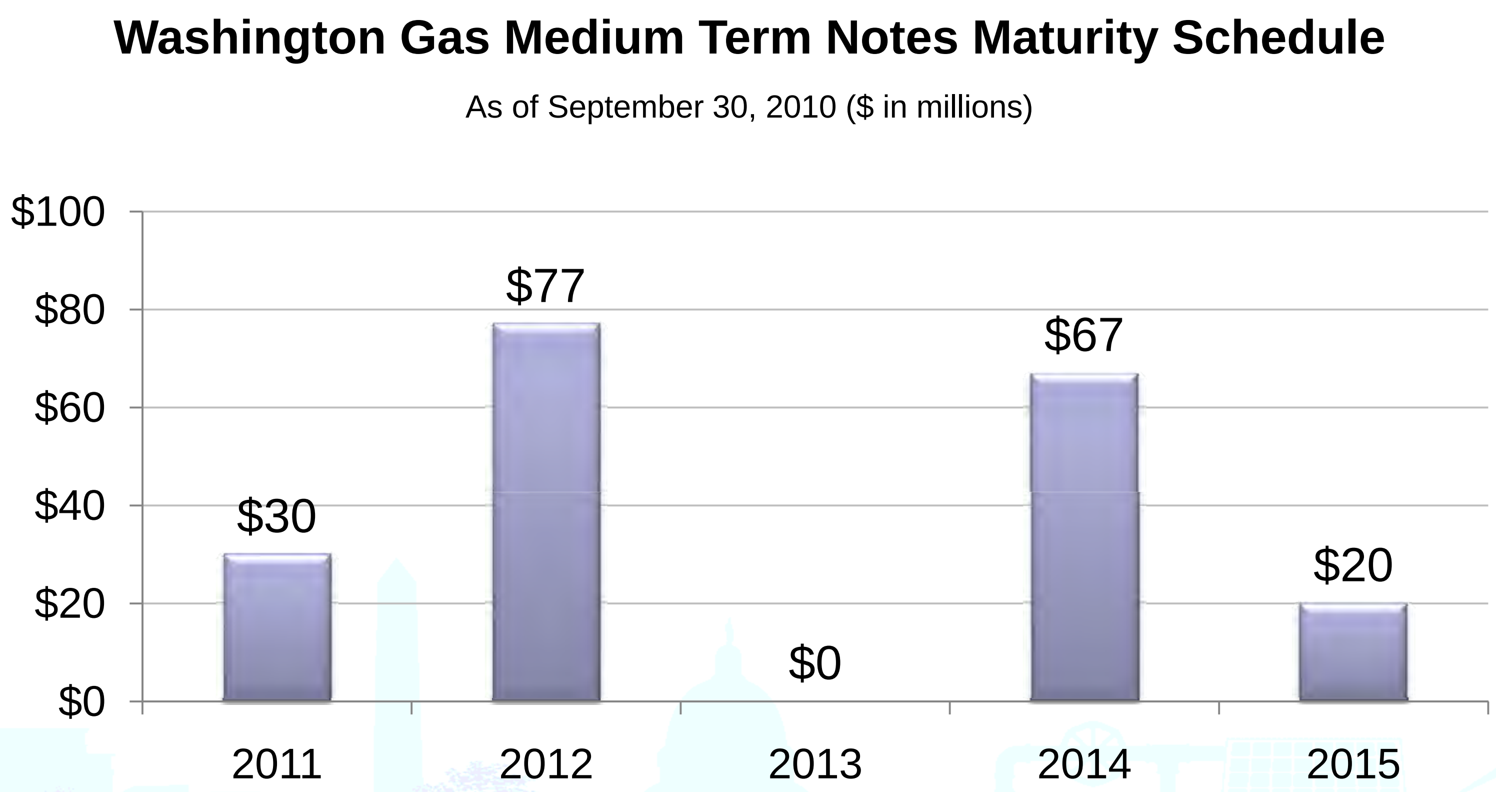
	WGL Holdings, Inc	Washington Gas
Standard & Poor's	AA-	AA-
Moody's	Not Rated	A2
Fitch Ratings	A+	AA-

Liquidity Profile



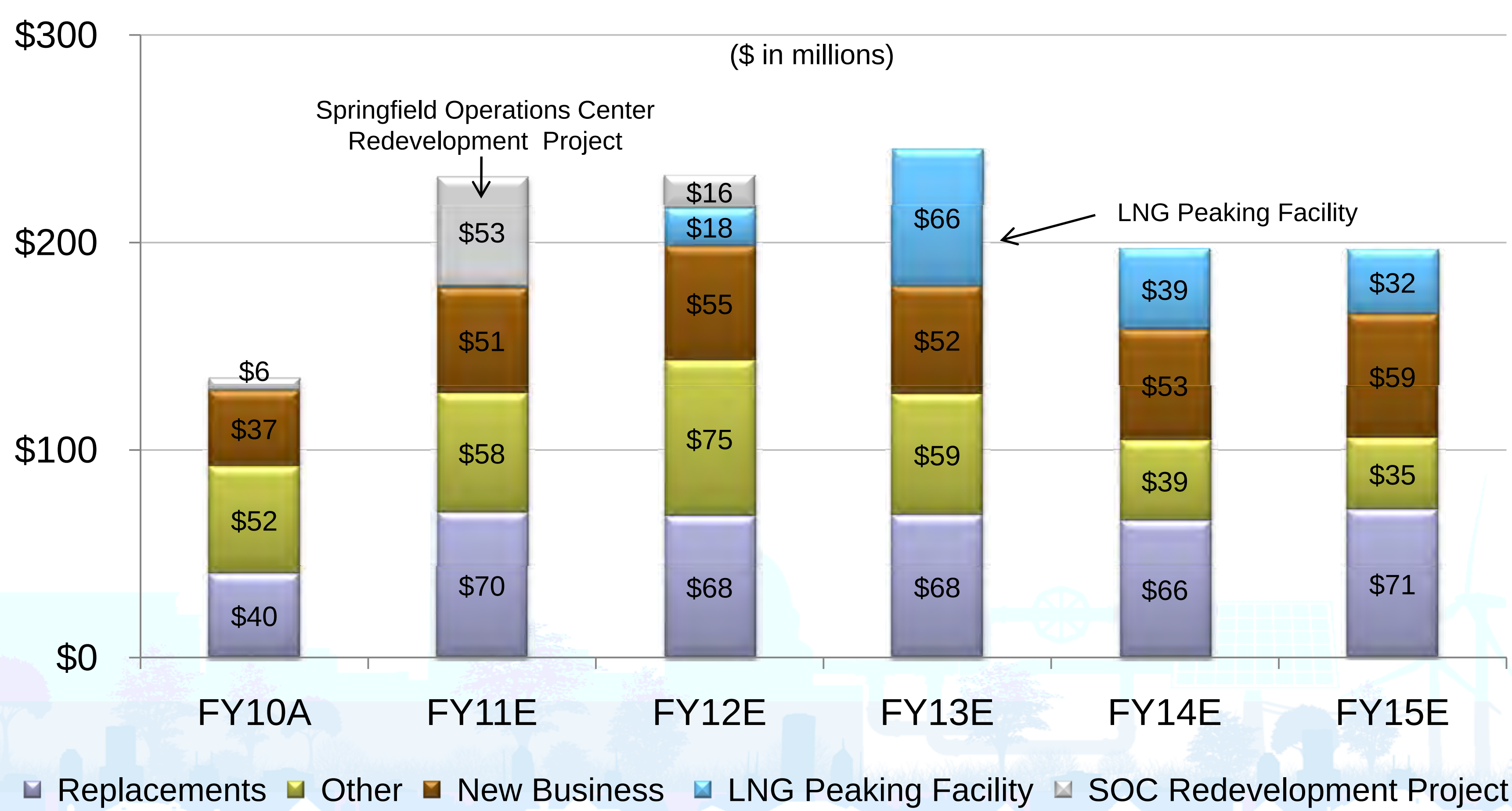
[a] *Both WGL Holdings and Washington Gas have the right to request extensions of $50 million and $100 million, respectively. These facilities expire August 3, 2012.*

Debt Maturity Schedule

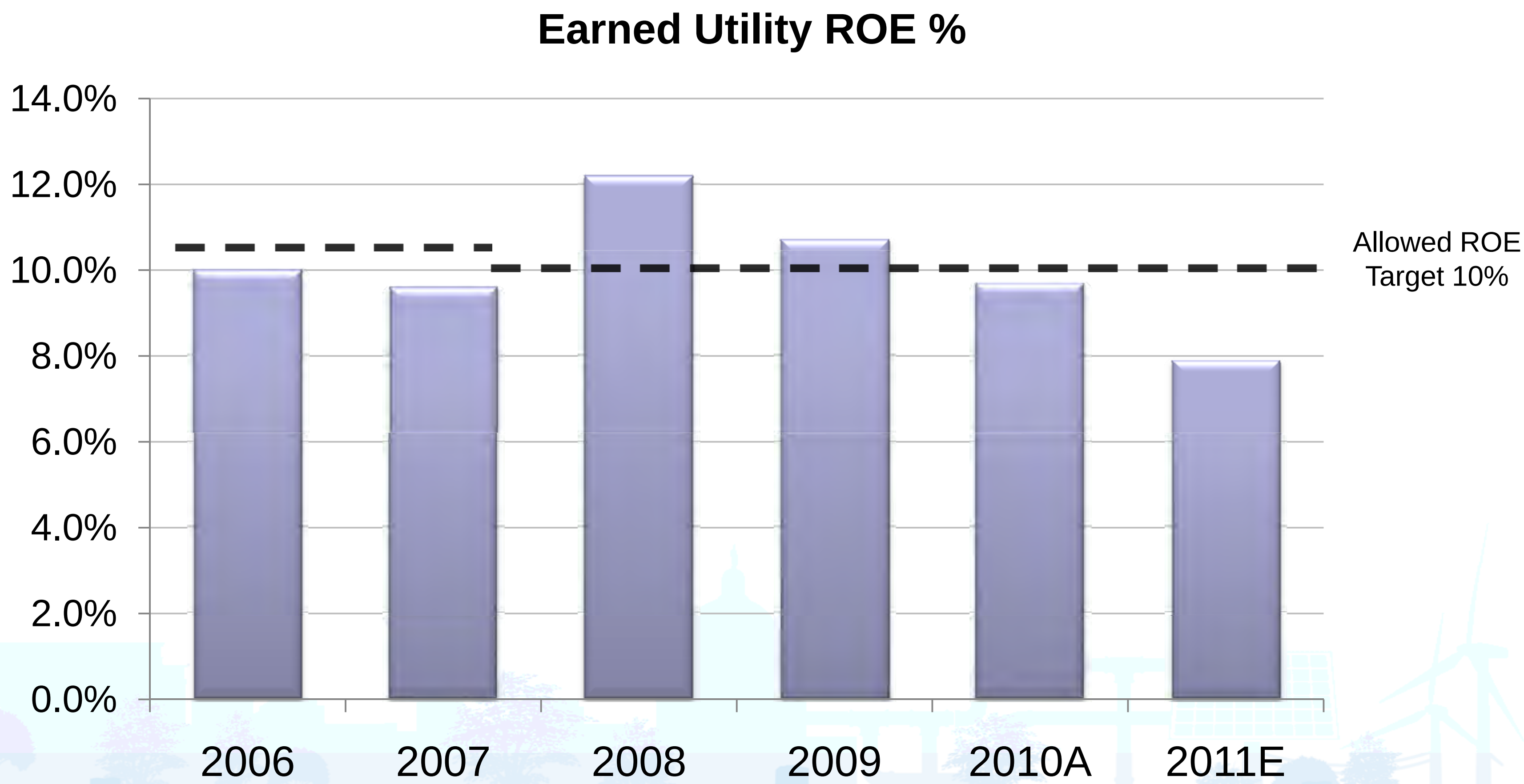


Note: Maturities after 2015 total $421 million with no single year representing more than $125 million

Capital Expenditures



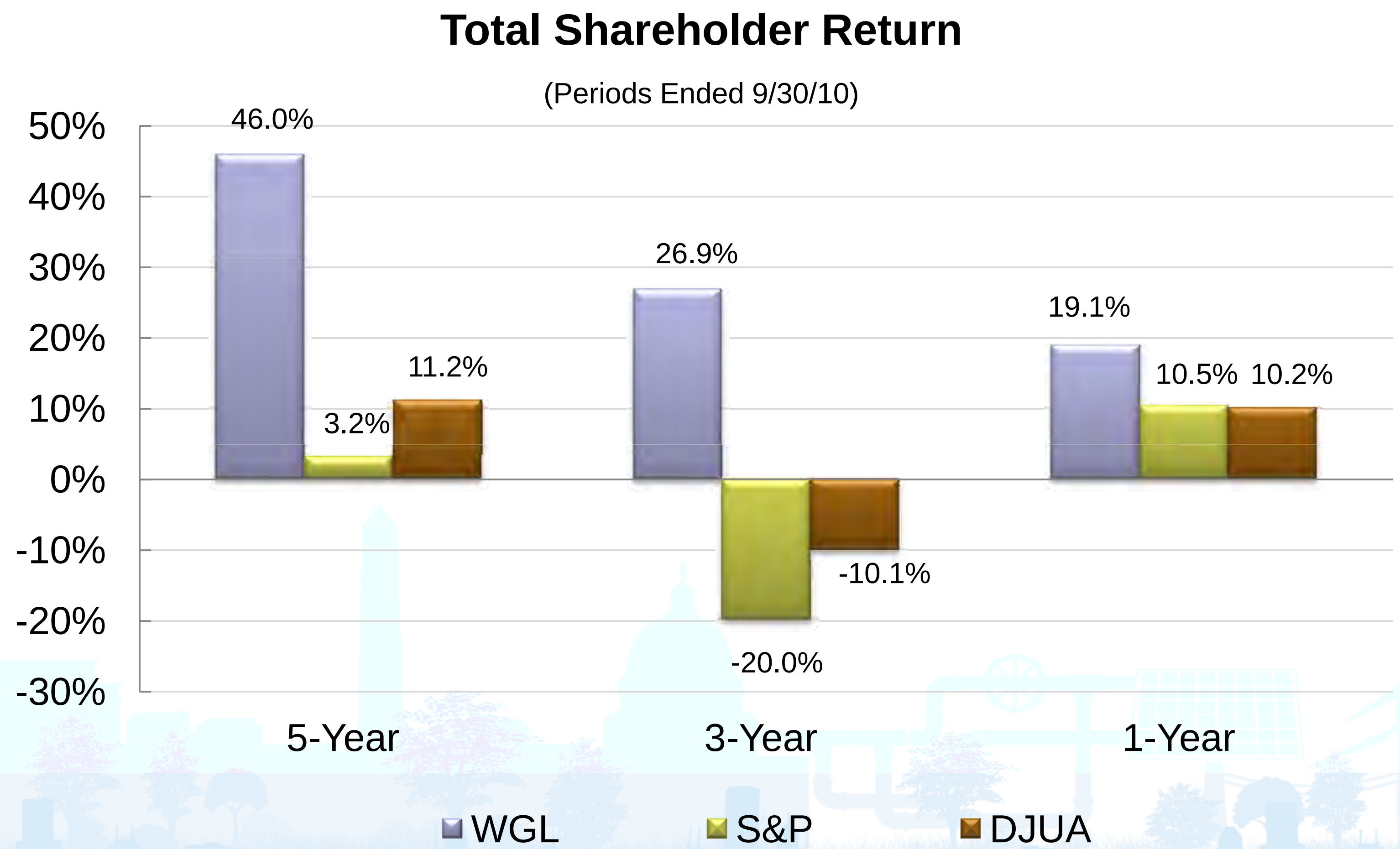
Regulated Operations: Rate of Return



Pension and Medical Benefits

- Qualified Pension Funding Status:
  - 81% funded as of 9/30/10
- FY2011 Forecasted Pension Contributions:
  - $20 million to $30 million
- Defined Benefit Pension Plan:
  - “Closed the door” for participation for employees hired after 7/1/2009
- Regulatory Treatment of Qualified Plan Costs:
  - District of Columbia: deferral for future recovery
  - Maryland: recovery as part of rate case proceedings
  - Virginia: recovery as part of rate case proceedings

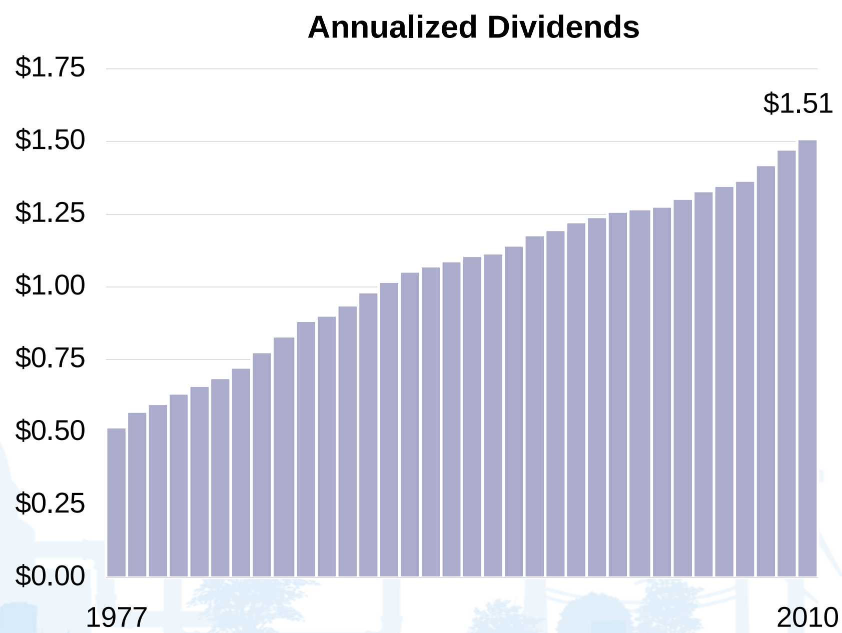
Total Shareholder Return



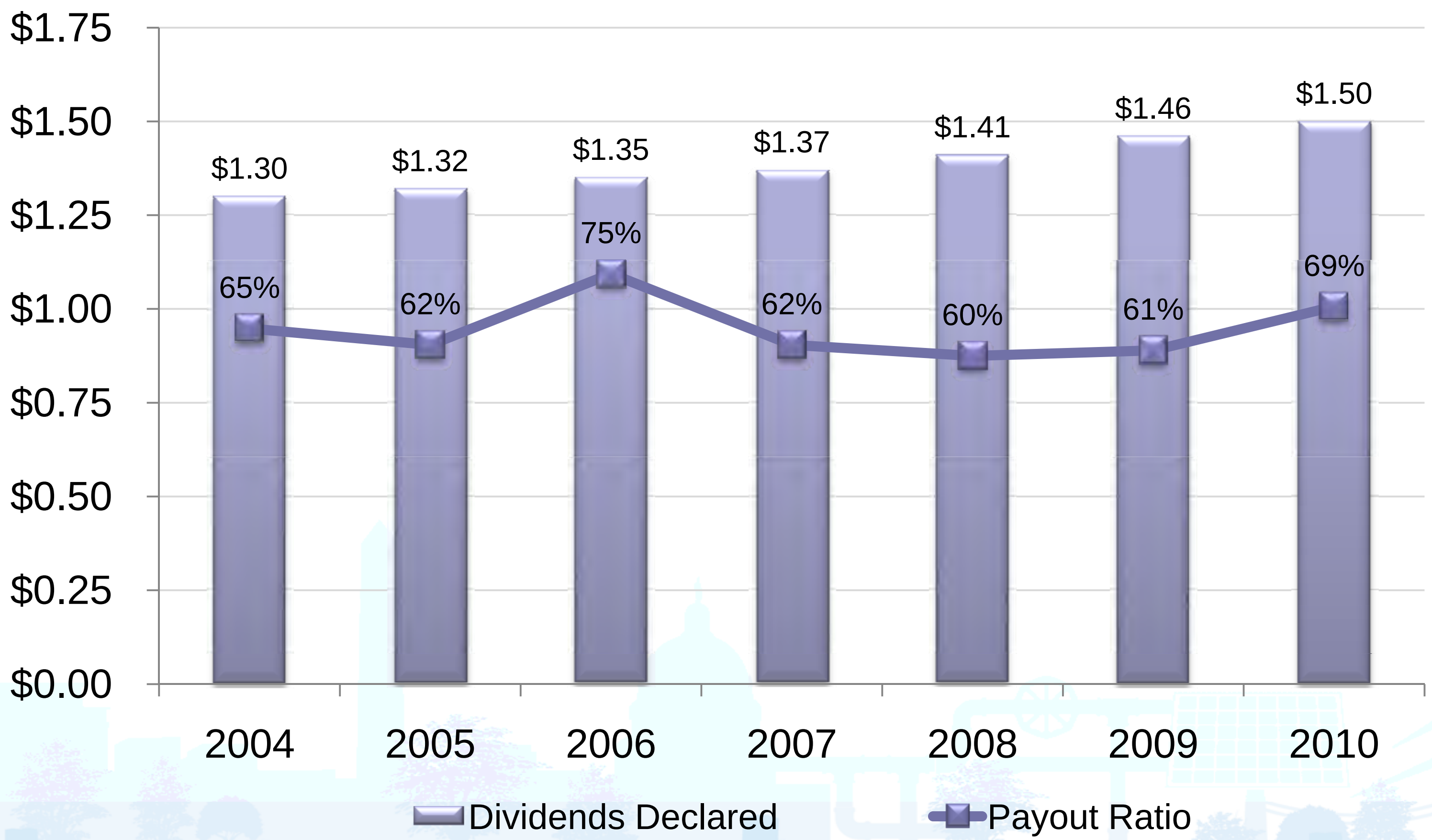
Rewarding Investors with Growing & Reliable Income Stream

$0.04 per share increase in annual dividend on March 4, 2010

- Sustainable EPS outlook
- Target 65% consolidated payout ratio
- Competitive with peer yields
- Increased dividend 34 consecutive years
- Paid dividend for 160 consecutive years



Sustainable Payout Ratio



Payout ratio reflects both utility and nonutility contribution

Attractive Investment Credentials

- High-growth service territory
- Strong, operationally efficient utility operations
- Profitable non-utility businesses
- Strong balance sheet and top-tier credit ratings
- Thirty-four consecutive years of dividend increases

Appendix

5-Year Capital Expenditures

($ in millions)	2008A	2009A	2010A	2011E	2012E	2013E	2014E	2015E	Total ’11-’15
New Business	$45.8	$28.8	$36.7	$50.5	$55.4	$51.7	$53.3	$59.3	$270.2
Replacements									
Virginia SAVE	-	-	1.3	18.6	28.0	29.9	30.0	7.5	114.0
DC Mechanical Coupling	-	-	0.4	5.0	3.3	3.3	3.3	3.5	18.4
Other Replacements	46.1	57.4	38.7	46.0	36.6	35.0	32.3	60.0	209.9
LNG Storage Facility	0.1	0.1	0.1	0.7	18.3	66.2	39.2	31.5	155.9
SOC Redevelopment	-	-	5.8	52.7	15.6	-	-	-	68.3
Other	39.4	51.2	51.5	57.8	74.9	58.8	38.8	34.7	265.0
Total	$131.4	$137.5	$134.5	$231.3	$232.1	$244.9	$196.9	$196.5	$1,101.7

Reconciliation of GAAP Net Income to Non-GAAP Operating Earnings

WGL HOLDINGS, INC.
USE OF NON-GAAP OPERATING EARNINGS (LOSS)
(Unaudited)

The attached reconciliations are provided to clearly identify adjustments made to net income calculated in accordance with GAAP to derive non-GAAP operating earnings (loss). Management believes non-GAAP operating earnings (loss) provides a more meaningful representation of our earnings from ongoing operations by adjusting for the effects of: *(i)* unrealized mark-to-market gains and losses from energy-related derivatives; *(ii)* certain gains and losses associated with optimizing the utility segment's capacity assets and *(iii)* certain unusual transactions. This presentation facilitates analysis by providing a consistent and comparable measure to help management, investors and analysts better understand and evaluate our operating results and performance trends, and assist in analyzing period-to-period comparisons. Additionally, we use this non-GAAP measure to report to the board of directors and to evaluate management's performance.

The economic substance underlying our adjustments to calculate non-GAAP operating earnings (loss) is as follows:

- We exclude unrealized mark-to-market adjustments for our energy-related derivatives to provide a more transparent and accurate view of the ongoing financial results of our operations. For our regulated utility segment, we use derivatives to substantially lock-in a future profit. This profit does not change even though the unrealized fair value of the underlying derivatives may change period-to-period, until settlement. For our retail energy-marketing segment, we use derivatives to lock-in a price for energy supplies to match future retail sales commitments. These derivatives are subject to mark-to-market treatment, while most of the corresponding retail sales contracts are not. With the exception of certain transactions related to the optimization of system capacity assets, as discussed below, when these derivatives settle the economic impact is reflected in our non-GAAP operating results, as we are only removing the interim unrealized mark-to-market amounts that are ultimately reversed when the derivatives are settled.

- We adjust for certain gains and losses associated with the optimization of the regulated utility segment's capacity assets. Transactions to optimize our system storage capacity assets are structured to lock-in a profit that is recognized, for regulatory purposes, as the natural gas is delivered to end-use customers. These transactions may result in gains and losses that consist of: *(i)* the settlement of physical and financial derivatives related to the management of our storage inventory and *(ii)* lower-of-cost or market adjustments from the difference between the cost of physical inventory compared to the amount realized through rates when the inventory is ultimately delivered to customers. In our GAAP results, due to timing differences between when the physical and financial transactions settle, and when the natural gas is sold to the end-use customer, gains and losses associated with our storage optimization strategy may be spread across different reporting periods. For purposes of calculating non-GAAP operating earnings (loss), gains and losses associated with these transactions are included in the reporting period when the gas is delivered to the end-use customer and the ultimate profit is realized for regulatory purposes. In addition, losses incurred to terminate long-term contracts affecting transportation capacity optimization margins of future periods are included in the reporting period when the transportation capacity optimization margins earned as a result of the termination are realized. These adjustments reflect a better matching between the economic costs and benefits of the overall optimization strategy.

  We also exclude valuation adjustments to the carrying value of non-system natural gas storage inventory. This inventory is held solely to support asset optimization transactions. Valuation adjustments to reflect lower-of-cost or market under current accounting standards may not be representative of the margins that will be realized and shared with our utility ratepayers. Non-GAAP earnings reflect actual margins realized based on the unadjusted historical cost in storage when inventory is withdrawn and sold.

- We exclude certain unusual transactions that may be the result of regulatory or legal decisions, or items that we may deem outside of the ordinary course of business.

There are limits in using non-GAAP operating earnings (loss) to analyze our results, as they are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. In addition, using non-GAAP operating earnings (loss) per share to analyze our earnings may have limited value as it excludes certain items that may have a material impact on our reported financial results. We compensate for these limitations by providing investors with the attached reconciliations to net income, the most directly comparable GAAP financial measure.

WGL HOLDINGS, INC. (Consolidated by Quarter)
RECONCILIATION OF GAAP NET INCOME (LOSS) TO
NON-GAAP OPERATING EARNINGS (LOSS)
(Unaudited)

Fiscal Year 2010

	Quarterly Period Ended *(h)*				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
GAAP net income (loss)	$ 47,641	$ 78,706	$ 9,681	$ (26,143)	$ 109,885
Adjusted for (items shown after-tax):					
Unrealized mark-to-market (gain) loss on energy-related derivatives *(a)*	2,371	5,147	(15,590)	11,745	3,673
Storage optimization program *(b)*	385	871	(498)	(554)	204
Amortization of derivative contract termination *(c)*	(385)	(579)	-	-	(964)
Weather derivative products *(d)*	786	(1,424)	637	111	110
Partial settlement of the Supplemental Executive Retirement Program *(e)*	-	-	2,140	-	2,140
Non-GAAP operating earnings (loss)	$ 50,798	$ 82,721	$ (3,630)	$ (14,841)	$ 115,048
Diluted average common shares outstanding	50,429	50,572	50,918	50,871	$ 50,765
GAAP diluted earnings (loss) per average common share	$ 0.94	$ 1.56	$ 0.19	$ (0.51)	2.16
Per share effect of non-GAAP adjustments	0.07	0.08	(0.26)	0.22	0.11
Non-GAAP operating earnings (loss) per share	$ 1.01	$ 1.64	$ (0.07)	$ (0.29)	$ 2.27

Fiscal Year 2009

	Quarterly Period Ended *(h)*				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
GAAP net income (loss)	$ 54,825	$ 75,070	$ 1,807	$ (11,129)	$ 120,373
Adjusted for (items shown after-tax):					
Unrealized mark-to-market (gain) loss on energy-related derivatives *(a)*	(950)	6,407	4,592	(808)	9,231
Storage optimization program *(b)*	767	2,538	(805)	(2,467)	33
Amortization of derivative contract termination *(c)*	-	-	-	2,035	2,035
Reversal of reserve for natural gas costs *(f)*	(2,781)	-	-	-	(2,781)
Reversal of period electric costs *(g)*	-	(1,229)	-	-	(1,229)
Non-GAAP operating earnings (loss)	$ 51,651	$ 82,786	$ 5,594	$ (12,369)	$ 127,662
Diluted average common shares outstanding	50,208	50,420	50,435	50,142	50,382
GAAP diluted earnings (loss) per average common share	$ 1.09	$ 1.49	$ 0.04	$ (0.22)	$ 2.39
Per share effect of non-GAAP adjustments	(0.06)	0.15	0.07	(0.03)	0.14
Non-GAAP operating earnings (loss) per share	$ 1.03	$ 1.64	$ 0.11	$ (0.25)	$ 2.53

Footnotes

(a) *Represents the change in the unrealized mark-to-market positions of our energy-related derivatives that were recorded to income during the period. For the regulated utility segment, to the extent that our unrealized mark-to-market gains and losses are not shared with customers, these amounts are recorded directly to income. All unrealized mark-to-market gains and losses for the retail energy-marketing segment and to Capitol Energy Ventures in the other activities segment are recorded directly to income.*

(b) *Adjustments to shift the timing of storage optimization margins from the periods recognized for GAAP purposes to the periods in which such margins are recognized for regulatory sharing purposes. In addition, lower-of-cost-or-market adjustments related to system and non-system storage optimization are eliminated for non-GAAP reporting, since the margins will be recognized for regulatory purposes when the withdrawals are made at the unadjusted historical cost of storage inventory.*

(c) *During the fourth quarter of fiscal year 2009, Washington Gas terminated a long-term energy-related derivative contract related to its transportation capacity optimization and recognized an associated loss of $3.9 million for GAAP purposes. For non-GAAP purposes, this loss is being recognized in this period and in future periods to be matched against the margins earned in the quarters that would have been constrained if the contract had not been terminated.*

(d) *Represents weather derivatives that are recorded at fair value rather than being valued based on actual variations from normal weather. Thus, any portion of recorded fair value that is not directly offset by an increase/decrease in revenue due to weather is excluded for non-GAAP purposes.*

(e) *Represents the partial settlement of the Supplemental Employee Retirement Program due to lump sum distributions to certain retired employees that occurred in 2010.*

(f) *In the quarter ended December 31, 2008, Washington Gas recorded a $4.6 million reversal of a reserve for disallowed gas costs in Maryland and recorded income of $4.6 million due to a February 5, 2009 Order issued by the Public Service Commission of Maryland (PSC of MD). This Order resolved a contingency related to a proposed order issued by a Hearing Examiner of the PSC of MD in fiscal year 2006.*

(g) *Represents a non-GAAP adjustment to reverse a prior period electric cost adjustment during the quarter ended March 31, 2009.*

(h) *Quarterly earnings per share may not sum to year-to-date or annual earnings per share as quarterly calculations are based on weighted average common and common equivalent shares outstanding, which may vary for each of those periods.*

Washington Gas Energy Services:
Adjusted Gross Margins

WGEServices
Calculations of Adjusted Gross Margins

	FY07	FY08	FY09	FY10	FY11E
Operating Revenues	$ 1,138,440	$ 1,062,692	$ 1,192,022	$ 1,390,469	$ 1,444,025
Less: Cost of energy related sales	1,071,563	1,023,297	1,127,409	1,324,003	1,342,087
Revenue taxes	753	548	1,074	3,207	4,594
Gross margins	**$ 66,124**	**$ 38,847**	**$ 63,539**	**$ 63,259**	**$ 97,344**
Adjustment:					
Unrealized (gains) losses on energy-related derivatives	(7,073)	12,529	19,428	19,627	27,309
Reversal of prior period electric costs			(2,033)		
Adjusted gross margins	**$ 59,051**	**$ 51,376**	**$ 80,934**	**$ 82,886**	**$ 124,653**
Natural gas gross margins	$ 21,680	$ 24,941	$ 46,008	$ 17,586	$ 44,470
Adjustment:					
Unrealized (gains) losses on energy-related derivatives	1,431	1,706	(329)	15,851	(13,332)
Adjusted natural gas gross margins	**$ 23,111**	**$ 26,647**	**$ 45,679**	**$ 33,437**	**$ 31,138**
Electric gross margins	$ 44,444	$ 13,906	$ 17,551	$ 45,662	$ 80,183
Adjustment:					
Unrealized (gains) losses on energy-related derivatives	(8,504)	10,823	19,757	3,776	(13,977)
Reversal of prior period electric costs			(2,033)		
Adjusted electric gross margins	**$ 35,940**	**$ 24,729**	**$ 35,275**	**$ 49,438**	**$ 66,206**
Non-commodity gross margins			$ (21)	$ 11	$ -
Adjustment:					
Unrealized (gains) losses on energy-related derivatives					
Adjusted non-commodity margins	**$ -**	**$ -**	**$ (21)**	**$ 11**	**$ -**

Washington Gas Energy Services:
Adjusted Non-Commodity Related Expenses

WGEServices
Calculations of Adjusted Non-Commodity Related Expenses

	FY07	FY08	FY09	FY10	FY11E
Total Operating Expenses	$ 1,098,804	$ 1,054,020	$ 1,167,302	$ 1,373,010	$ 1,402,865
Less:					
Cost of energy-related sales	1,071,563	1,023,297	1,127,409	1,324,003	1,342,087
Revenue taxes	753	548	1,074	3,207	4,594
Add:					
Interest expense	2,930	1,139	654	211	562
Other (income) expenses-net	(39)	(93)	(101)	(82)	-
Non-commodity related expenses	**$ 29,379**	**$ 31,221**	**$ 39,372**	**$ 45,929**	**$ 56,746**
Adjustments:					
Energy-marketing reversal of fee expense	-	-	-	-	-
Adjusted non-commodity related expenses	**$ 29,379**	**$ 31,221**	**$ 39,372**	**$ 45,929**	**$ 56,746**

Washington Gas Energy Services:
Reconciliation of GAAP Net Income to Non-GAAP Operating Earnings

WGEServices
Reconcilation of GAAP Net Income to Non-GAAP Operating Earnings

	FY07	FY08	FY09	FY10	FY11E
GAAP net income	$ 22,426	$ 4,813	$ 14,975	$ 11,124	$ 40,663
Non-GAAP adjustments:					
Energy-marketing reversal of fee expense	-	-	-	-	-
Reversal of prior period electric costs	-	-	(1,229)	-	-
Unrealized (gains) losses on energy-related derivatives	(4,268)	7,594	11,776	11,719	(16,353)
Non-GAAP operating earnings	**$ 18,158**	**$ 12,407**	**$ 25,522**	**$ 22,843**	**$ 24,310**