WGL Holdings, Inc.
Reconciliation of Non-GAAP Financial Measures
(Unaudited)

The tables below reconcile adjusted EBIT on a segment basis to GAAP income (loss) before income taxes and reconcile operating earnings (loss) on a consolidated basis to GAAP net income (loss) applicable to common stock. Management believes that adjusted EBIT and operating earnings (loss) provide a more meaningful representation of our earnings from ongoing operations on a segment and consolidated basis, respectively. These measures facilitate analysis by providing consistent and comparable measures 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 these non-GAAP measures to report to the board of directors and to evaluate management's performance.

To derive our non-GAAP measures, we adjust for the accounting recognition of certain transactions (non-GAAP adjustments) based on at least one of the following criteria:

- To better match the accounting recognition of transactions with their economics;
- To better align with regulatory view/recognition;
- To eliminate the effects of:
  - i. Significant out of period adjustments;
  - ii. Other significant items that may obscure historical earnings comparisons and are not indicative of performance trends; and
  - iii. For adjusted EBIT, other items which may obscure segment comparisons.

There are limits in using adjusted EBIT and operating earnings (loss) to analyze our segment and consolidated results, respectively, as they are not prepared in accordance with GAAP and may be different than non-GAAP financial measures used by other companies. In addition, using adjusted EBIT and operating earnings (loss) to analyze our results may have limited value as they exclude 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 the most directly comparable GAAP financial measures.

The following table summarizes the reconciliations of adjusted EBIT by segment to income before income taxes:

	Three Months Ended December 31,	
(In thousands)	**2015**	2014
Adjusted EBIT:		
Regulated utility	**$ 86,623**	$ 96,556
Retail energy-marketing	**5,245**	8,955
Commercial energy systems	**2,195**	1,168
Midstream energy services	**13,129**	2,566
Other activities(*)	**(780)**	(1,474)
Eliminations	**27**	(32)
Total	**$ 106,439**	$ 107,739
Non-GAAP adjustments[1]	**13,312**	10,892
Interest expense	**12,760**	12,310
Income before income taxes	**$ 106,991**	$ 106,321
Income tax expense	**38,490**	42,103
Dividends on Washington Gas preferred stock	**330**	330
Net income applicable to common stock	**$ 68,171**	$ 63,888

(*) *Activities and transactions that are not significant enough on a stand-alone basis to warrant treatment as an operating segment and that do not fit into one of our four operating segments.*

WGL Holdings, Inc. (Consolidated by Quarter)
Reconciliation of Non-GAAP Financial Measures
(Unaudited)

The following tables represent the reconciliation of operating earnings to net income applicable to common stock (consolidated by quarter):

Fiscal Year 2016

	Quarterly Period Ended				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
Operating earnings	**$ 59,205**				**$ 59,205**
Non-GAAP adjustments(1)	**13,312**				**13,312**
Income tax effect of non-GAAP adjustments	**(4,346)**				**(4,346)**
Net income applicable to common stock	**$ 68,171**				**$ 68,171**
Diluted average common shares outstanding	**50,030**				**50,030**
Operating earnings per share	**$ 1.18**				**$ 1.18**
Per share effect of non-GAAP adjustments	**0.18**				**0.18**
Diluted earnings per average common share	**$ 1.36**				**$ 1.36**

Fiscal Year 2015

	Quarterly Period Ended				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
Operating earnings	$ 58,004				$ 58,004
Non-GAAP adjustments(1)	10,892				10,892
Income tax effect of non-GAAP adjustments	(5,008)				(5,008)
Net income applicable to common stock	$ 63,888				$ 63,888
Diluted average common shares outstanding	50,091				50,091
Operating earnings per share	$ 1.16				$ 1.16
Per share effect of non-GAAP adjustments	0.12				0.12
Diluted earnings per average common share	$ 1.28				$ 1.28

WGL Holdings, Inc.
Reconciliation of Non-GAAP Financial Measures
(Unaudited)

(1) The following tables summarize non-GAAP adjustments, by operating segment and present a reconciliation of adjusted EBIT to EBIT. EBIT is defined as earnings before interest and taxes from continuing operations. Items we do not include in EBIT are interest expense, inter-company financing activity, dividends on Washington Gas preferred stock, and income taxes.

Three Months Ended December 31, 2015							
(In thousands)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities	Eliminations	Total
Adjusted EBIT	**$ 86,623**	**$ 5,245**	**$ 2,195**	**$ 13,129**	**$ (780)**	**$ 27**	**$ 106,439**
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives*(a)*	**19,423**	**(5,812)**	**—**	**10,836**	**—**	**—**	**24,447**
Storage optimization program*(b)*	**475**	**—**	**—**	**—**	**—**	**—**	**475**
DC weather impact*(c)*	**(7,232)**	**—**	**—**	**—**	**—**	**—**	**(7,232)**
Distributed generation asset related investment tax credits*(d)*	**—**	**—**	**(1,252)**	**—**	**—**	**—**	**(1,252)**
Change in measured value of inventory*(e)*	**—**	**—**	**—**	**(3,126)**	**—**	**—**	**(3,126)**
Total non-GAAP adjustments	**$ 12,666**	**$ (5,812)**	**$ (1,252)**	**$ 7,710**	**$ —**	**$ —**	**$ 13,312**
EBIT	**$ 99,289**	**$ (567)**	**$ 943**	**$ 20,839**	**$ (780)**	**$ 27**	**$ 119,751**

Three Months Ended December 31, 2014							
(In thousands)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities	Eliminations	Total
Adjusted EBIT	$ 96,556	$ 8,955	$ 1,168	$ 2,566	$ (1,474)	$ (32)	$ 107,739
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives*(a)*	25,077	(24,850)	—	8,329	—	—	8,556
Storage optimization program *(b)*	(4,180)	—	—	—	—	—	(4,180)
DC weather impact*(c)*	(2,826)	—	—	—	—	—	(2,826)
Distributed generation asset related investment tax credits*(d)*	—	—	(909)	—	—	—	(909)
Change in measured value of inventory*(e)*	—	—	—	15,876	—	—	15,876
Investment Impairment*(f)*	—	—	—	—	(5,625)	—	(5,625)
Total non-GAAP adjustments	$ 18,071	$ (24,850)	$ (909)	$ 24,205	$ (5,625)	$ —	$ 10,892
EBIT	$ 114,627	$ (15,895)	$ 259	$ 26,771	$ (7,099)	$ (32)	$ 118,631

Footnotes:

(a) *Adjustments to eliminate unrealized mark-to-market gains (losses) for our energy-related derivatives for our regulated utility and retail energy-marketing operations as well as certain derivatives related to the optimization of transportation capacity for the midstream energy services segment. With the exception of certain transactions related to the optimization of system capacity assets as discussed in footnote (b) below, when these derivatives settle, the realized economic impact is reflected in our non-GAAP results, as we are only removing interim unrealized mark-to-market amounts.*

(b) *Adjustments to shift the timing of storage optimization margins for the regulated utility segment 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) *Eliminates the estimated financial effects of warm or cold weather in the District of Columbia, as measured consistent with our regulatory tariff. Washington Gas has regulatory weather protection mechanisms in Maryland and Virginia designed to neutralize the estimated financial effects of weather. Utilization of normal weather is an industry standard, and it is our practice to evaluate our rate-regulated revenues by utilizing normal weather and to provide estimates and guidance on the basis of normal weather.*

(d) *To reclassify the amortization of deferred investment tax credits from income taxes to operating income for the commercial energy systems segment. These credits are a key component of the operating success of this segment and therefore are included within adjusted EBIT to help management and investors better assess the segment's performance.*

(e) *For our midstream energy services segment, adjustments to reflect storage inventory at market or at a value based on the price used to value the physical forward sales contract that is economically hedging the storage inventory. This adjustment also includes the estimated effects of certain sharing mechanisms on all of our non-GAAP unrealized gains and losses. Adjusting our storage optimization inventory in this fashion better aligns the settlement of both our physical and financial transactions and allows investors and management to better analyze the results of our non-utility asset optimization strategies.*

(f) *Represents an impairment of an equity investment in a solar holding company, accounted for at cost, which occurred in the first quarter of fiscal year 2015. We did not believe this impairment charge was indicative of our historical or future performance trends.*