

**WGL** Holdings, Inc

# Fourth Quarter Fiscal Year 2011 Earnings Conference Call

November 21, 2011



# Forward-Looking Statements

This document and other statements by us include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the outlook for earnings, revenues and other future financial business performance or strategies and expectations. Forward-looking statements are typically identified by words such as, but not limited to, “estimates,” “expects,” “anticipates,” “intends,” “believes,” “plans,” “forecasts,” and similar expressions, or future or conditional verbs such as “will,” “should,” “would,” and “could.” Although we believe such forward-looking statements are based on reasonable assumptions, we cannot give assurance that every objective will be achieved. Forward-looking statements speak only as of today, and we assume no duty to update them.

Factors that could cause actual results to differ materially from those expressed or implied include, but are not limited to, general economic conditions and the factors discussed under the “Risk Factors” heading in our most recent annual report on Form 10-K and other documents filed with or furnished to the Securities and Exchange Commission.

# FY2011 Consolidated Results

	9/30/11	9/30/10
Reported Consolidated Results (GAAP) <sup>1</sup>	\$2.28	\$2.16
Net Adjustments	(\$0.03)	\$0.11
Non-GAAP Operating Results <sup>2</sup>	\$2.25	\$2.27
Regulated Utility	\$1.68	\$1.89
Energy Marketing	\$0.67	\$0.45
Design-Build Energy Systems	\$0.01	(\$0.01)
Other Activities	(\$0.11)	(\$0.06)
Non-GAAP Operating Results <sup>2</sup>	\$2.25	\$2.27

<sup>1</sup> GAAP diluted earnings (loss) per average common share

<sup>2</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# 4Q FY2011 Consolidated Results

	9/30/11	9/30/10
Reported Consolidated Results (GAAP) <sup>1</sup>	(\$0.60)	(\$0.51)
Net Adjustments	\$0.34	\$0.22
Non-GAAP Operating Results <sup>2</sup>	(\$0.26)	(\$0.29)
Regulated Utility	(\$0.47)	(\$0.37)
Energy Marketing	\$0.23	\$0.12
Design-Build Energy Systems	\$0.01	(\$0.01)
Other Activities	(\$0.03)	(\$0.03)
Non-GAAP Operating Results <sup>2</sup>	(\$0.26)	(\$0.29)

<sup>1</sup> GAAP diluted earnings (loss) per average common share

<sup>2</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# FY2011 Utility Results Drivers

	4Q	YTD
<b>FY2010 Non-GAAP Operating Results<sup>1</sup></b>	<b>(\$0.37)</b>	<b>\$1.89</b>
Customer Growth	\$0.00	\$0.04
MD Depreciation Rates	\$0.00	(\$0.03)
Business Process Outsourcing (BPO)	(\$0.01)	\$0.06
Employee Benefits	(\$0.03)	(\$0.13)
Weather Insurance Cost	\$0.00	(\$0.02)
O&M, Other	(\$0.04)	(\$0.07)
Depreciation Expense & Property Tax	(\$0.02)	(\$0.07)
Effective Tax Rate, Dilution and Other	\$0.00	\$0.03
<b>FY2011 Non-GAAP Operating Results<sup>1</sup></b>	<b>(\$0.47)</b>	<b>\$1.68</b>

<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# FY2011 Non-Utility Results Drivers

	4Q	YTD
<b>FY2010 Non-GAAP Operating Results<sup>1</sup></b>	<b>\$0.08</b>	<b>\$0.38</b>
Retail Energy Marketing		
Natural Gas Gross Margins	\$0.03	\$0.13
Electric Gross Margins	\$0.09	\$0.22
Operating & Interest Expense	(\$0.01)	(\$0.13)
Design-Build Energy Systems	\$0.02	\$0.02
Other Activities	\$0.00	(\$0.05)
<b>FY2011 Non-GAAP Operating Results<sup>1</sup></b>	<b>\$0.21</b>	<b>\$0.57</b>

<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# Strong Balance Sheet and Top-Tier Credit Ratings



## Committed Credit Available

As of September 30, 2011  
(\$ in millions)

	WGL Holdings	Washington Gas	Total Consolidated
Committed credit agreements			
Unsecured revolving credit facility, expires 8/3/12 <sup>(a)</sup>	\$ 400.0	\$ 300.0	\$ 700.0
Less: Commercial Paper	(39.4)	-	(39.4)
<b>Net committed credit available</b>	<b>\$ 360.6</b>	<b>\$ 300.0</b>	<b>\$ 660.6</b>

<sup>(a)</sup>Both WGL Holdings and Washington Gas have the right to request extensions with the banks' approval. WGL Holdings' revolving credit facility permits it to borrow an additional \$50 million, with the banks' approval, for a total of \$450 million. Washington Gas's revolving credit facility permits it to borrow an additional \$100 million, with the banks' approval, for a total of \$400 million.

## Credit Ratings for Medium-Term Notes

	WGL Holdings, Inc	Washington Gas
	<b>A+</b>	<b>A+</b>
	Not Rated	<b>A2</b>
FitchRatings	<b>A+</b>	<b>AA-</b>

# FY 2012 Non-GAAP Operating Guidance

---

	<b>FY2012</b>
Utility	\$1.80 – \$1.86
Non-Utility	\$0.66 – \$0.72
<b>Total</b>	<b>\$2.46 – \$2.58</b>

This forecast guidance has been determined as of November 18, 2011. The Company assumes no obligation to update this guidance. The absence of any statement by the Company in the future should not be presumed to represent an affirmation of this earnings guidance.



# FY 2012 Non-GAAP Operating Guidance Assumptions

<b>Utility</b>	
Full Year FY2012 average active customer meter additions <sup>1</sup>	8,100
Operations & Maintenance expense (GAAP)	\$288M

<b>Retail Energy</b>	
WGES natural gas volumes	63.0 BCF – 67.0 BCF
WGES natural gas margins	\$0.57/Dth – \$0.63/Dth
WGES electric volumes	12.4 million MWH – 13.0 million MWH
WGES electric margins	\$5.35/MWH – \$6.35/MWH
WGES non-commodity related expenses	\$56M – \$62M

<b>Consolidated</b>	
Effective tax rate	40%
Equity ratio target	Mid-50% range of total capital
Dividend payout ratio target	<= 65%
Average diluted shares outstanding	51,600,000

<sup>1</sup> Active customer meter additions based on 13-month average

# Drivers of Change in Projected Utility Operating Results

<b>FY2011 Non-GAAP Utility EPS<sup>1</sup></b>	<b>\$1.68</b>
Utility Net Revenue (including Rate Relief)	\$0.33
Operations & Maintenance	(\$0.20)
Depreciation and Amortization Expense	(\$0.05)
Interest Expense	\$0.05
Other, Net	\$0.02
<b>Midpoint of FY2012E Non-GAAP Utility EPS Guidance<sup>1</sup></b>	<b>\$1.83</b>

<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# Projected FY2012 Non-Utility Operating Results (Non-GAAP)

---

	Midpoint FY2012E
Retail Energy Marketing	\$0.63
Commercial Energy Systems	\$0.05
Wholesale Energy Solutions	\$0.05
Other Non-Utility	(\$0.04)
Total	\$0.69



# Pro Forma FY2011 Non-Utility Operating Results (Non-GAAP)

---

	FY2011
Retail Energy Marketing	\$0.67
Commercial Energy Systems	\$0.01
Wholesale Energy Solutions	(\$0.03)
Other Non-Utility	(\$0.08)
Total	\$0.57



# Drivers of Change in Projected Non-Utility Operating Results

<b>FY2011 Non-GAAP Non-Utility EPS<sup>1</sup></b>	<b>\$0.57</b>
Retail Energy Marketing	
Electric Gross Margins	\$0.07
Natural Gas Gross Margins	(\$0.07)
Operating & Other Expense	(\$0.04)
Commercial Energy Systems	\$0.04
Wholesale Energy Solutions	\$0.08
Other Non-Utility, Net	\$0.04
<b>Midpoint of FY2012E Non-GAAP Non-Utility EPS Guidance<sup>1</sup></b>	<b>\$0.69</b>

<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# Investment Highlights

---

- High-growth, demographically attractive service area
- Strong, operationally efficient utility operations
- Favorable regulatory framework
- Profitable retail energy marketing business
- Solid balance sheet and top-tier credit ratings
- Thirty-five consecutive years of dividend increases;  
160 consecutive years of dividend payouts

# Appendix



# Operating Segment Data<sup>1</sup>

Operating Segment Financial Information						
Non-Utility Operations						
<i>(In thousands)</i>	Regulated Utility	Retail Energy- Marketing	Design-Build Energy Systems	Other Activities	Eliminations	Consolidated
<b>Year Ended September 30, 2011</b>						
<b>Operating Revenues</b>	\$ 1,288,539	\$ 1,443,332	\$ 39,014	\$ 4,574	\$ (23,958)	\$ 2,751,501
<b>Operating Expenses:</b>						
Cost of Energy-Related Sales	619,637	1,300,887	33,885	-	(23,958)	1,930,451
Operation	229,206	52,258	4,157	5,616	-	291,237
Maintenance	48,292	-	-	-	-	48,292
Depreciation and Amortization	90,289	934	67	35	-	91,325
<b>General Taxes and Other Assessments:</b>						
Revenue Taxes	83,729	5,551	-	-	-	89,280
Other	52,635	4,260	188	58	-	57,141
<b>Total Operating Expenses</b>	\$ 1,123,788	\$ 1,363,890	\$ 38,297	\$ 5,709	\$ (23,958)	\$ 2,507,726
<b>Operating Income (Loss)</b>	164,751	79,442	717	(1,135)	-	243,775
<b>Other Income (Expense)—Net</b>	2,577	29	17	(246)	(86)	2,291
<b>Interest Expense</b>	40,462	53	-	117	(86)	40,546
<b>Dividends on Washington Gas Preferred Stock</b>	1,320	-	-	-	-	1,320
<b>Income Tax Expense (Benefit)</b>	56,374	30,601	270	(95)	-	87,150
<b>Net Income (Loss) Applicable to Common Stock</b>	\$ 69,172	\$ 48,817	\$ 464	\$ (1,403)	\$ -	\$ 117,050
<b>Total Assets</b>	\$ 3,392,003	\$ 335,085	\$ 20,895	\$ 181,772	\$ (120,721)	\$ 3,809,034
<b>Capital Expenditures</b>	\$ 180,668	\$ 26,246	\$ 19	\$ 8,075	\$ -	\$ 215,008

<sup>1</sup> Figures are preliminary and may be different in filed 10-K



# Projected Capital Expenditures<sup>1</sup>

Projected Capital Expenditures						
Year Ending September 30,						
(in millions)	2012	2013	2014	2015	2016	Total
New business	\$ 49.1	\$ 62.0	\$ 65.2	\$ 69.3	\$ 71.0	316.6
Replacements - Other	82.4	92.7	89.1	84.2	80.3	428.7
LNG storage facility	-	-	-	1.4	19.9	21.3
SOC redevelopment project	23.9	-	-	-	-	23.9
Other Utility	44.0	42.4	38.0	32.0	27.6	184.0
Other <sup>(a)</sup>	102.1	85.4	85.0	85.2	85.2	442.9
<b>Total-accrual basis<sup>(b)</sup></b>	<b>\$ 301.5</b>	<b>\$ 282.5</b>	<b>\$ 277.3</b>	<b>\$ 272.1</b>	<b>\$ 284.0</b>	<b>1,417.4</b>



<sup>(a)</sup> Includes amounts for expansion of solar investments and other non-utility projects.

<sup>(b)</sup> Excludes Allowance for Funds Used During Construction. Includes capital expenditures accrued and capital expenditure adjustments recorded in the fiscal year.



<sup>1</sup> Figures are preliminary and may be different in filed 10-K

# New Non-Utility Operating Segments

## FY2011:

Retail Energy Marketing	Design Build Energy Systems	Other Non-Utility		
 <b>Washington Gas Energy Services</b> <small>A Washington Gas Affiliated Company</small>	 <b>Washington Gas Energy Systems</b> <small>A Washington Gas Affiliated Company</small>	<b>Capitol Energy Ventures Corp.</b>	<b>WGSW, Inc.</b>	<b>WGL Holdings, Inc.</b>
Retail Energy Marketing	Design/Build	Asset Optimization	Solar Investments	Administrative
Commercial Solar (Own)	Commercial Solar (Build)		ASD	

## FY2012:

Retail Energy Marketing	Commercial Energy Systems	Wholesale Energy Solutions	Other Non-Utility	
 <b>Washington Gas Energy Services</b> <small>A Washington Gas Affiliated Company</small>	 <b>Washington Gas Energy Systems</b> <small>A Washington Gas Affiliated Company</small>	<b>Capitol Energy Ventures Corp.</b>	<b>WGSW, Inc.</b>	<b>WGL Holdings, Inc.</b>
Retail Energy Marketing	Design/Build/Own/Operate all commercial solar and energy efficiency projects (wholly owned and managed)	Asset Optimization	Alternative Energy Investments	Administrative
			ASD, Skyline	