

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 Generally Accepted Accounting Principles in the United States of America (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) warmer-than-normal/colder-than-normal weather for our regulated utility segment; (ii) unrealized mark-to-market gains and losses from energy-related derivatives; (iii) certain gains and losses associated with optimizing the utility segment's system storage capacity assets and (iv) 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 the effects of warmer-than-normal/colder-than-normal weather to "normalize" weather for our regulated utility segment. During fiscal year 2008 and 2007, the regulated utility segment had a weather protection strategy designed to neutralize the estimated negative financial effects of warmer-than-normal weather on its net income; however, it retained the benefit from colder-than-normal weather in certain jurisdictions. 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;
- 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 the corresponding retail sales commitments are not. With the exception of certain transactions related to the optimization of system storage 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 which 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 system storage capacity assets. Transactions to optimize our storage capacity assets are structured to lock-in a profit that is recognized 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 during the spring, summer and fall months when we inject natural gas into storage 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 the winter. 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. This reflects a better matching between the economic costs and benefits of the overall optimization strategy.
- 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. (Consolidating by Segment)
RECONCILIATION OF GAAP NET INCOME TO
NON-GAAP OPERATING EARNINGS (LOSS)

(Unaudited)

Fiscal Year Ended September 30, 2008

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	Design- Build Energy Systems	Other Activities*	Consolidated
GAAP net income (loss)	\$ 113,723	\$ 4,813	\$ 1,791	\$ (3,804)	\$ 116,523
Adjusted for (items shown after-tax):					
Reversal of costs related to business process outsourcing (a)	(1,139)	-	-	-	(1,139)
Unrealized mark-to-market loss on energy-related derivatives (b)	295	7,594	-	-	7,889
Gain on settled derivatives - storage optimization (c)	(1,983)	-	-	-	(1,983)
Lower of cost or market adjustment - storage optimization (d)	1,535	-	-	-	1,535
Other regulatory adjustments (e)	(1,242)	-	-	-	(1,242)
Non-GAAP operating earnings (loss)	\$ 111,189	\$ 12,407	\$ 1,791	\$ (3,804)	\$ 121,583
GAAP diluted earnings (loss) per average common share (49,912 shares)	\$ 2.28	\$ 0.10	\$ 0.04	\$ (0.09)	\$ 2.33
Per share effect of non-GAAP adjustments	(0.05)	0.15	-	0.01	0.11
Non-GAAP operating earnings (loss) per share	\$ 2.23	\$ 0.25	\$ 0.04	\$ (0.08)	\$ 2.44

Fiscal Year Ended September 30, 2007

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	Design- Build Energy Systems	Other Activities*	Consolidated
GAAP net income (loss)	\$ 89,889	\$ 22,426	\$ 367	\$ (4,782)	\$ 107,900
Adjusted for (items shown after-tax):					
Colder-than-normal weather (f)	(3,294)	-	-	-	(3,294)
Retroactive depreciation expense adjustment (g)	(2,400)	-	-	-	(2,400)
Unrealized mark-to-market (gain) loss on energy-related derivatives (b)	160	(4,268)	-	-	(4,108)
Non-GAAP operating earnings (loss)	\$ 84,355	\$ 18,158	\$ 367	\$ (4,782)	\$ 98,098
GAAP diluted earnings (loss) per average common share (49,377 shares)	\$ 1.82	\$ 0.45	\$ 0.01	\$ (0.09)	\$ 2.19
Per share effect of non-GAAP adjustments	(0.11)	(0.08)	-	(0.01)	(0.20)
Non-GAAP operating earnings (loss) per share	\$ 1.71	\$ 0.37	\$ 0.01	\$ (0.10)	\$ 1.99

Quarter Ended September 30, 2008

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	Design- Build Energy Systems	Other Activities*	Consolidated
GAAP net income (loss)	\$ (400)	\$ (10,142)	\$ 966	\$ (1,644)	\$ (11,220)
Adjusted for (items shown after-tax):					
Unrealized mark-to-market (gain) loss on energy-related derivatives (b)	(9,427)	9,568	-	-	141
Gain on settled derivatives - storage optimization (c)	(1,983)	-	-	-	(1,983)
Lower of cost or market adjustment - storage optimization (d)	1,535	-	-	-	1,535
Non-GAAP operating earnings (loss)	\$ (10,275)	\$ (574)	\$ 966	\$ (1,644)	\$ (11,527)
GAAP diluted earnings (loss) per average common share (49,914 shares)	\$ (0.01)	\$ (0.20)	\$ 0.02	\$ (0.03)	\$ (0.22)
Per share effect of non-GAAP adjustments	(0.20)	0.19	-	-	(0.01)
Non-GAAP operating earnings (loss) per share	\$ (0.21)	\$ (0.01)	\$ 0.02	\$ (0.03)	\$ (0.23)

Quarter Ended September 30, 2007

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	Design- Build Energy Systems	Other Activities*	Consolidated
GAAP net income (loss)	\$ (16,750)	\$ 5,317	\$ 192	\$ (2,303)	\$ (13,544)
Adjusted for (items shown after-tax):					
Unrealized mark-to-market gain on energy-related derivatives (b)	(520)	(1,386)	-	-	(1,906)
Non-GAAP operating earnings (loss)	\$ (17,270)	\$ 3,931	\$ 192	\$ (2,303)	\$ (15,450)
GAAP diluted earnings (loss) per average common share (49,312 shares)	\$ (0.34)	\$ 0.11	\$ -	\$ (0.04)	\$ (0.27)
Per share effect of non-GAAP adjustments	(0.01)	(0.03)	-	-	(0.04)
Non-GAAP operating earnings (loss) per share	\$ (0.35)	\$ 0.08	\$ -	\$ (0.04)	\$ (0.31)

* Per share amounts for "Other Activities" may include adjustments for rounding
(footnote references are described on the following page)

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

Fiscal Year 2008					
<i>(In thousands, except per share data)</i>	Quarterly Period Ended (h)				
	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Year-To-Date
GAAP net income (loss)	\$ 47,197	\$ 81,038	\$ (492)	\$ (11,220)	\$ 116,523
Adjusted for (items shown after-tax):					
Reversal of costs related to business process outsourcing (a)	(1,139)	-	-	-	(1,139)
Unrealized mark-to-market loss on energy-related derivatives (b)	2,613	1,495	3,640	141	7,889
Gain on settled derivatives - storage optimization (c)	-	-	-	(1,983)	(1,983)
Lower of cost or market adjustment - storage optimization (d)	-	-	-	1,535	1,535
Other regulatory adjustments (e)	(1,242)	-	-	-	(1,242)
Non-GAAP operating earnings (loss)	\$ 47,429	\$ 82,533	\$ 3,148	\$ (11,527)	\$ 121,583
Diluted average common shares outstanding	49,645	49,781	49,638	49,914	49,912
GAAP diluted earnings (loss) per average common share	\$ 0.95	\$ 1.63	\$ (0.01)	\$ (0.22)	\$ 2.33
Per share effect of non-GAAP adjustments	0.01	0.03	0.07	(0.01)	0.11
Non-GAAP operating earnings (loss) per share	\$ 0.96	\$ 1.66	\$ 0.06	\$ (0.23)	\$ 2.44

Fiscal Year 2007					
<i>(In thousands, except per share data)</i>	Quarterly Period Ended (h)				
	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Year-To-Date
GAAP net income (loss)	\$ 45,098	\$ 63,375	\$ 12,971	\$ (13,544)	\$ 107,900
Adjusted for (items shown after-tax):					
Colder-than-normal weather (f)	-	(1,173)	(2,121)	-	(3,294)
Retroactive depreciation expense adjustment (g)	(2,400)	-	-	-	(2,400)
Unrealized mark-to-market (gain) loss on energy-related derivatives (b)	1,359	110	(3,671)	(1,906)	(4,108)
Non-GAAP operating earnings (loss)	\$ 44,057	\$ 62,312	\$ 7,179	\$ (15,450)	\$ 98,098
Diluted average common shares outstanding	49,130	49,267	49,557	49,312	49,377
GAAP diluted earnings (loss) per average common share	\$ 0.92	\$ 1.29	\$ 0.26	\$ (0.27)	\$ 2.19
Per share effect of non-GAAP adjustments	(0.02)	(0.03)	(0.12)	(0.04)	(0.20)
Non-GAAP operating earnings (loss) per share	\$ 0.90	\$ 1.26	\$ 0.14	\$ (0.31)	\$ 1.99

Footnotes

- (a) Represents the reversal of expenses that were incurred in prior fiscal years for initial implementation costs allocable to the District of Columbia associated with our business process outsourcing plan. These costs were recorded to a regulatory asset in the first quarter of fiscal year 2008 upon approval of 10-year amortization accounting by the District of Columbia Public Service Commission in a December 28, 2007 Final Order.
- (b) 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 are recorded directly to income.
- (c) Adjustment relates to the current period settlement of physical and financial derivatives resulting from the optimization of the regulated utility segment's system storage capacity assets.
- (d) A lower of cost or market adjustment made in the current period to reflect the cost of gas in storage that will be recovered from end-use customers.
- (e) Represents favorable regulatory adjustments made during the first quarter of fiscal year 2008 applicable to prior fiscal years due to revised treatment for hexane costs in Maryland and certain shared revenues in the District of Columbia.
- (f) This adjustment is for our regulated utility segment only. As weather was warmer than normal in fiscal year 2008, there was no non-GAAP adjustment related to weather in fiscal year 2008. Weather was 4.9 percent and 31.8 percent colder than normal during the quarters ended March 31, 2007 and June 30, 2007, respectively, resulting in estimated weather effects. There were no non-GAAP adjustments related to weather during the quarters ended December 31, 2006 or September 30, 2007.
- (g) Represents an adjustment that reduced depreciation expense applicable to the period from January 1, 2006, through September 30, 2006. This adjustment was recorded in the first quarter of fiscal year 2007 upon approval of new depreciation rates by the staff of the Virginia State Corporation Commission.
- (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.

WGL HOLDINGS, INC.
RECONCILIATION OF GAAP EARNINGS GUIDANCE TO
NON-GAAP EARNINGS GUIDANCE
FISCAL YEAR ENDING SEPTEMBER 30, 2009

Consolidated

	Low	High
GAAP Earnings Per Share Guidance Range	\$ 2.27	\$ 2.39
Adjusted for:		
Unrealized mark-to-market gain on energy-related derivatives (a)	(0.01)	(0.01)
Prior period gain on settled derivatives – storage optimization (b)	0.04	0.04
Prior period lower of cost or market adjustment – storage optimization (c)	(0.03)	(0.03)
Non-GAAP Operating Earnings Per Share Guidance Range	\$ 2.27	\$ 2.39

Regulated Utility Segment

	Low	High
GAAP Earnings Per Share Guidance Range	\$ 1.89	\$ 1.95
Adjusted for:		
Unrealized mark-to-market loss on energy-related derivatives (a)	0.05	0.05
Prior period gain on settled derivatives – storage optimization (b)	0.04	0.04
Prior period lower of cost or market adjustment – storage optimization (c)	(0.03)	(0.03)
Non-GAAP Operating Earnings Per Share Guidance Range	\$ 1.95	\$ 2.01

Unregulated Business Segments

	Low	High
GAAP Earnings Per Share Guidance Range	\$ 0.38	\$ 0.44
Adjusted for:		
Unrealized mark-to-market gain on energy-related derivatives (a)	(0.06)	(0.06)
Non-GAAP Operating Earnings Per Share Guidance Range	\$ 0.32	\$ 0.38

Footnotes:

- (a) Represents the estimated reversal of certain of our existing unrealized mark-to-market positions related to our energy derivatives that will be recorded to income during fiscal year 2009. 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 are recorded directly to income.
- (b) This adjustment is being made to match the settlement of derivatives recorded in fiscal year 2008 with the delivery of natural gas to the end-use customer in fiscal year 2009. The settled derivatives were part of the optimization of the regulated utility segment's system storage capacity assets.
- (c) This adjustment is being made to match the lower of cost or market adjustment recorded in fiscal year 2008 that resulted from our system storage optimization, with the delivery of natural gas to the end-use customer in fiscal year 2009.