

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549**

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended December 31, 2009

OR

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

<i>Commission File Number</i>	<i>Exact name of registrant as specified in its charter and principal office address and telephone number</i>	<i>State of Incorporation</i>	<i>I.R.S. Employer Identification No.</i>
1-16163	<b>WGL Holdings, Inc.</b> 101 Constitution Ave., N.W. Washington, D.C. 20080 (703) 750-2000	Virginia	52-2210912
0-49807	<b>Washington Gas Light Company</b> 101 Constitution Ave., N.W. Washington, D.C. 20080 (703) 750-4440	District of Columbia and Virginia	53-0162882

Indicate by check mark whether each registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

WGL Holdings, Inc.:

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

Washington Gas Light Company:

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuers' classes of common stock, as of the latest practicable date.

WGL Holdings, Inc. common stock, no par value, outstanding as of January 29, 2010: 50,302,721 shares.

All of the outstanding shares of common stock (\$1 par value) of Washington Gas Light Company were held by WGL Holdings, Inc. as of January 29, 2010.

**WGL Holdings, Inc.**  
**Washington Gas Light Company**  
**For the Quarter Ended December 31, 2009**  
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**WGL Holdings, Inc.**  
**Washington Gas Light Company**

**INTRODUCTION**

**FILING FORMAT**

This Quarterly Report on Form 10-Q is a combined report being filed by two separate registrants: WGL Holdings, Inc. (WGL Holdings) and Washington Gas Light Company (Washington Gas). Except where the content clearly indicates otherwise, any reference in the report to “WGL Holdings,” “we,” “us” or “our” is to the holding company or the consolidated entity of WGL Holdings and all of its subsidiaries, including Washington Gas which is a distinct registrant that is a wholly owned subsidiary of WGL Holdings.

Part I — Financial information in this Quarterly Report on Form 10-Q includes separate financial statements (i.e. balance sheets, statements of income and statements of cash flows) for WGL Holdings and Washington Gas. The Notes to Consolidated Financial Statements are also included and are presented on a consolidated basis for both WGL Holdings and Washington Gas. The *Management’s Discussion and Analysis of Financial Condition and Results of Operations* (Management’s Discussion) included under Item 2 is divided into two major sections for WGL Holdings and Washington Gas.

**SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS**

Certain matters discussed in this report, excluding historical information, 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” and similar expressions, or future or conditional verbs such as “will,” “should,” “would” and “could.” Although the registrants, WGL Holdings and Washington Gas, believe such forward-looking statements are based on reasonable assumptions, they cannot give assurance that every objective will be achieved. Forward-looking statements speak only as of today, and the registrants assume no duty to update them. The following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance:

- the level and rate at which costs and expenses are incurred and the extent to which they are allowed to be recovered from customers through the regulatory process in connection with constructing, operating and maintaining Washington Gas’s natural gas distribution system;
- the ability to implement successful approaches to modify the current or future composition of gas delivered to customers or to remediate the effects of the current or future composition of gas delivered to customers, as a result of the introduction of gas from the Dominion Cove Point or Elba Island facility to Washington Gas’s natural gas distribution system;
- the availability of natural gas supply and interstate pipeline transportation and storage capacity;
- the ability of natural gas producers, pipeline gatherers and natural gas processors to deliver natural gas into interstate pipelines for delivery by those interstate pipelines to the entrance points of Washington Gas’s natural gas distribution system as a result of factors beyond our control;
- changes and developments in economic, competitive, political and regulatory conditions;
- changes in capital and energy commodity market conditions;
- changes in credit ratings of debt securities of WGL Holdings or Washington Gas that may affect access to capital or the cost of debt;
- changes in credit market conditions and creditworthiness of customers and suppliers;
- changes in relevant laws and regulations, including tax, environmental and employment laws and regulations;
- legislative, regulatory and judicial mandates or decisions affecting business operations or the timing of recovery of costs and expenses;

**WGL Holdings, Inc.**  
**Washington Gas Light Company**

- the timing and success of business and product development efforts and technological improvements;
- the pace of deregulation efforts and the availability of other competitive alternatives to our products and services;
- changes in accounting principles;
- new commodity purchase and sales contracts or financial contracts and modifications in the terms of existing contracts that may materially affect fair value calculations under derivative accounting requirements;
- the ability to manage the outsourcing of several business processes;
- acts of nature;
- terrorist activities and
- other uncertainties.

The outcome of negotiations and discussions that the registrants may hold with other parties from time to time regarding utility and energy-related investments and strategic transactions that are both recurring and non-recurring may also affect future performance. All such factors are difficult to predict accurately and are generally beyond the direct control of the registrants. Accordingly, while they believe that the assumptions are reasonable, the registrants cannot ensure that all expectations and objectives will be realized. Readers are urged to use care and consider the risks, uncertainties and other factors that could affect the registrants' business as described in this Quarterly Report on Form 10-Q. All forward-looking statements made in this report rely upon the safe harbor protections provided under the *Private Securities Litigation Reform Act of 1995*.

**WGL Holdings, Inc.**  
**Consolidated Balance Sheets (Unaudited)**  
Part I—Financial Information  
Item 1—Financial Statements

<i>(In thousands)</i>	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
<b>Property, Plant and Equipment</b>		
At original cost	\$ 3,257,411	\$ 3,242,413
Accumulated depreciation and amortization	(980,371)	(973,272)
Net property, plant and equipment	2,277,040	2,269,141
<b>Current Assets</b>		
Cash and cash equivalents	13,622	7,845
Receivables		
Accounts receivable	277,793	172,117
Gas costs and other regulatory assets	65,235	77,173
Unbilled revenues	223,560	80,594
Allowance for doubtful accounts	(18,150)	(20,969)
Net receivables	548,438	308,915
Materials and supplies—principally at average cost	24,365	23,626
Storage gas—at cost (first-in, first-out)	198,710	237,681
Deferred income taxes	128	—
Other prepayments	56,026	82,415
Other	24,364	23,032
Total current assets	865,653	683,514
<b>Deferred Charges and Other Assets</b>		
Regulatory assets		
Gas costs	76,443	13,996
Pension and other post-retirement benefits	307,404	308,544
Other	52,756	53,904
Other	25,560	20,791
Total deferred charges and other assets	462,163	397,235
<b>Total Assets</b>	<b>\$ 3,604,856</b>	<b>\$ 3,349,890</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization</b>		
Common shareholders' equity	\$ 1,127,145	\$ 1,097,698
Washington Gas Light Company preferred stock	28,173	28,173
Long-term debt	612,795	561,830
Total capitalization	1,768,113	1,687,701
<b>Current Liabilities</b>		
Current maturities of long-term debt	82,594	82,592
Notes payable	176,553	183,851
Accounts payable and other accrued liabilities	271,285	213,529
Wages payable	15,890	15,294
Accrued interest	12,830	3,598
Dividends declared	18,816	18,758
Customer deposits and advance payments	60,310	52,908
Gas costs and other regulatory liabilities	85,459	14,842
Deferred income taxes	—	5,155
Accrued taxes	20,307	17,119
Other	30,996	26,970
Total current liabilities	775,040	634,616
<b>Deferred Credits</b>		
Unamortized investment tax credits	10,531	10,761
Deferred income taxes	350,155	323,505
Accrued pensions and benefits	273,809	273,289
Asset retirement obligations	33,112	32,641
Regulatory liabilities		
Accrued asset removal costs	322,934	319,173
Other	13,985	14,310
Other	57,177	53,894
Total deferred credits	1,061,703	1,027,573
<b>Commitments and Contingencies (Note 12)</b>		
<b>Total Capitalization and Liabilities</b>	<b>\$ 3,604,856</b>	<b>\$ 3,349,890</b>

*The accompanying notes are an integral part of these statements.*

**WGL Holdings, Inc.**  
**Consolidated Statements of Income (Unaudited)**  
Part I—Financial Information  
Item 1—Financial Statements (continued)

	Three Months Ended December 31,	
<i>(In thousands, except per share data)</i>	2009	2008
<b>OPERATING REVENUES</b>		
Utility	\$390,532	\$522,481
Non-utility	336,891	303,607
<b>Total Operating Revenues</b>	<b>727,423</b>	<b>826,088</b>
<b>OPERATING EXPENSES</b>		
Utility cost of gas	197,277	306,784
Non-utility cost of energy-related sales	313,205	292,238
Operation and maintenance	73,516	70,334
Depreciation and amortization	24,163	24,081
General taxes and other assessments	31,420	30,427
<b>Total Operating Expenses</b>	<b>639,581</b>	<b>723,864</b>
<b>OPERATING INCOME</b>	<b>87,842</b>	<b>102,224</b>
<b>Other Income (Expenses)—Net</b>	<b>369</b>	<b>17</b>
<b>Interest Expense</b>		
Interest on long-term debt	9,895	9,952
AFUDC and other — net	(138)	2,227
<b>Total Interest Expense</b>	<b>9,757</b>	<b>12,179</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>78,454</b>	<b>90,062</b>
<b>INCOME TAX EXPENSE</b>	<b>30,483</b>	<b>35,107</b>
<b>NET INCOME BEFORE PREFERRED STOCK DIVIDENDS</b>	<b>47,971</b>	<b>54,955</b>
Dividends on Washington Gas preferred stock	330	330
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	<b>\$ 47,641</b>	<b>\$ 54,625</b>
<b>AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic	50,241	50,022
Diluted	50,429	50,208
<b>EARNINGS PER AVERAGE COMMON SHARE</b>		
Basic	0.95	1.09
Diluted	0.94	1.09
<b>DIVIDENDS DECLARED PER COMMON SHARE</b>	<b>\$ 0.3675</b>	<b>\$ 0.3550</b>

*The accompanying notes are an integral part of these statements.*

**WGL Holdings, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
Part I—Financial Information  
Item 1—Financial Statements (continued)

<i>(In thousands)</i>	Three Months Ended December 31,	
	2009	2008
<b>OPERATING ACTIVITIES</b>		
Net income before preferred stock dividends	\$ 47,971	\$ 54,955
<b>ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Depreciation and amortization	24,163	24,081
Amortization of:		
Other regulatory assets and liabilities—net	911	744
Debt related costs	210	194
Deferred income taxes—net	21,162	28,486
Accrued/deferred pension cost	1,598	(1,040)
Compensation expense related to equity awards	597	189
Provision for doubtful accounts	3,909	4,585
Other non-cash charges (credits)—net	(406)	(299)
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Accounts receivable and unbilled revenues	(255,370)	(360,651)
Gas costs and other regulatory assets/liabilities—net	82,555	100,331
Storage gas	38,971	63,134
Other prepayments	26,619	(28,311)
Accounts payable and other accrued liabilities	59,603	88,170
Wages payable	596	1,894
Customer deposits and advance payments	7,402	(544)
Accrued taxes	3,188	9,468
Accrued interest	9,232	8,941
Other current assets	(2,071)	(14,376)
Other current liabilities	4,026	(1,788)
Deferred gas costs—net	(62,447)	(45,062)
Deferred assets—other	(4,004)	(4,188)
Deferred liabilities—other	581	(3,393)
Other—net	452	1,441
Net Cash Provided by (Used in) Operating Activities	9,448	(73,039)
<b>FINANCING ACTIVITIES</b>		
Common stock issued	884	4,194
Long-term debt issued	51,008	53,642
Long-term debt retired	(20)	(26,012)
Debt issuance costs	295	—
Notes payable issued (retired)—net	(7,298)	94,332
Dividends on common stock and preferred stock	(18,801)	(18,069)
Other financing activities—net	(791)	(803)
Net Cash Provided by Financing Activities	25,277	107,284
<b>INVESTING ACTIVITIES</b>		
Capital expenditures (excluding Allowance for Funds Used During Construction)	(28,948)	(31,574)
Net Cash Used in Investing Activities	(28,948)	(31,574)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,777	2,671
Cash and Cash Equivalents at Beginning of Year	7,845	6,164
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 13,622</b>	<b>\$ 8,835</b>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Income taxes paid	\$ 1,836	\$ 1,869
Interest paid	\$ 490	\$ 2,791
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital Expenditures included in accounts payable and other accrued liabilities	\$ (1,847)	\$ (4,441)

*The accompanying notes are an integral part of these statements.*



**Washington Gas Light Company**  
**Balance Sheets (Unaudited)**  
Part I—Financial Information  
Item 1—Financial Statements (continued)

<i>(In thousands)</i>	December 31, 2009	September 30, 2009
<b>ASSETS</b>		
<b>Property, Plant and Equipment</b>		
At original cost	\$ 3,219,100	\$ 3,206,576
Accumulated depreciation and amortization	(957,431)	(950,706)
Net property, plant and equipment	2,261,669	2,255,870
<b>Current Assets</b>		
Cash and cash equivalents	8,858	5,160
Receivables		
Accounts receivable	144,184	70,382
Gas costs and other regulatory assets	65,235	77,173
Unbilled revenues	136,868	20,905
Allowance for doubtful accounts	(15,663)	(18,617)
Net receivables	330,624	149,843
Materials and supplies—principally at average cost	24,313	23,573
Storage gas—at cost (first-in, first-out)	146,052	168,800
Other prepayments	26,101	39,690
Receivables from associated companies	3,261	10,441
Other	7,824	11,531
Total current assets	547,033	409,038
<b>Deferred Charges and Other Assets</b>		
Regulatory assets		
Gas costs	76,443	13,996
Pension and other post-retirement benefits	305,799	306,918
Other	52,756	53,904
Other	11,742	11,846
Total deferred charges and other assets	446,740	386,664
<b>Total Assets</b>	<b>\$ 3,255,442</b>	<b>\$ 3,051,572</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>Capitalization</b>		
Common shareholder's equity	\$ 988,712	\$ 966,439
Preferred stock	28,173	28,173
Long-term debt	612,795	561,830
Total capitalization	1,629,680	1,556,442
<b>Current Liabilities</b>		
Current maturities of long-term debt	82,594	82,592
Notes payable	68,320	124,811
Accounts payable and other accrued liabilities	164,966	125,295
Wages payable	15,473	14,622
Accrued interest	12,830	3,598
Dividends declared	18,066	18,008
Customer deposits and advance payments	60,310	52,908
Gas costs and other regulatory liabilities	85,459	14,842
Deferred income taxes	5,917	9,285
Accrued taxes	18,656	15,434
Payables to associated companies	37,977	11,390
Other	13,912	12,929
Total current liabilities	584,480	485,714
<b>Deferred Credits</b>		
Unamortized investment tax credits	10,239	10,462
Deferred income taxes	354,545	326,921
Accrued pensions and benefits	272,370	271,859
Asset retirement obligations	32,084	31,627
Regulatory liabilities		
Accrued asset removal costs	322,934	319,173
Other	13,984	14,307
Other	35,126	35,067
Total deferred credits	1,041,282	1,009,416
<b>Commitments and Contingencies (Note 12)</b>		

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**Total Capitalization and Liabilities****\$ 3,255,442****\$ 3,051,572**

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*The accompanying notes are an integral part of these statements.*

**Washington Gas Light Company**  
**Statements of Income (Unaudited)**  
Part I—Financial Information  
Item 1—Financial Statements (continued)

	Three Months Ended December 31,	
<i>(In thousands, except per share data)</i>	2009	2008
<b>OPERATING REVENUES</b>		
Utility	\$398,864	\$530,640
Non-utility	7	2
<b>Total Operating Revenues</b>	<b>398,871</b>	<b>530,642</b>
<b>OPERATING EXPENSES</b>		
Utility cost of gas	205,609	314,943
Operation and maintenance	63,853	62,284
Depreciation and amortization	23,714	23,621
General taxes and other assessments	29,817	29,524
<b>Total Operating Expenses</b>	<b>322,993</b>	<b>430,372</b>
<b>OPERATING INCOME</b>	<b>75,878</b>	<b>100,270</b>
<b>Other Income (Expenses)—Net</b>	<b>351</b>	<b>(199)</b>
<b>Interest Expense</b>		
Interest on long-term debt	9,895	9,945
AFUDC and other — net	(194)	1,831
<b>Total Interest Expense</b>	<b>9,701</b>	<b>11,776</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>66,528</b>	<b>88,295</b>
<b>INCOME TAX EXPENSE</b>	<b>25,678</b>	<b>34,367</b>
<b>NET INCOME BEFORE PREFERRED STOCK DIVIDENDS</b>	<b>\$ 40,850</b>	<b>\$ 53,928</b>
<b>Dividends on preferred stock</b>	<b>330</b>	<b>330</b>
<b>NET INCOME APPLICABLE TO COMMON STOCK</b>	<b>\$ 40,520</b>	<b>\$ 53,598</b>

*The accompanying notes are an integral part of these statements.*

**Washington Gas Light Company**  
**Statements of Cash Flows (Unaudited)**  
Part I—Financial Information  
Item 1—Financial Statements (continued)

<i>(In thousands)</i>	Three Months Ended December 31,	
	2009	2008
<b>OPERATING ACTIVITIES</b>		
Net income before preferred stock dividends	\$ 40,850	\$ 53,928
<b>ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Depreciation and amortization	23,714	23,621
Amortization of:		
Other regulatory assets and liabilities—net	911	744
Debt related costs	233	187
Deferred income taxes—net	24,060	28,290
Accrued/deferred pension cost	1,586	(1,035)
Compensation expense related to equity awards	572	175
Provision for doubtful accounts	2,932	3,512
Other non-cash charges (credits)—net	(399)	(606)
<b>CHANGES IN ASSETS AND LIABILITIES</b>		
Accounts receivable, unbilled revenues and receivables from associated companies	(188,471)	(269,676)
Gas costs and other regulatory assets/liabilities—net	82,555	100,331
Storage gas	22,748	41,442
Other prepayments	13,894	653
Accounts payable and other accrued liabilities, including payables to associated companies	68,109	70,982
Wages payable	851	1,774
Customer deposits and advance payments	7,402	(544)
Accrued taxes	3,222	9,142
Accrued interest	9,232	8,941
Other current assets	2,967	(11,203)
Other current liabilities	983	(5,188)
Deferred gas costs—net	(62,447)	(45,062)
Deferred assets—other	855	(3,651)
Deferred liabilities—other	(2,668)	(8,526)
Other—net	425	1,437
Net Cash Provided by (Used in) Operating Activities	54,116	(332)
<b>FINANCING ACTIVITIES</b>		
Long-term debt issued	51,008	53,642
Long-term debt retired	(20)	(25,018)
Debt issuance costs	295	—
Notes payable issued (retired)—net	(56,491)	20,293
Dividends on common stock and preferred stock	(18,051)	(17,695)
Other financing activities—net	(685)	(791)
Net Cash Provided by (Used in) Financing Activities	(23,944)	30,431
<b>INVESTING ACTIVITIES</b>		
Capital expenditures (excluding Allowance for Funds Used During Construction)	(26,474)	(29,288)
Net Cash Used in Investing Activities	(26,474)	(29,288)
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,698	811
Cash and Cash Equivalents at Beginning of Year	5,160	3,680
<b>Cash and Cash Equivalents at End of Period</b>	\$ 8,858	\$ 4,491
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Income taxes paid	\$ —	\$ 1,460
Interest paid	\$ 433	\$ 2,397
<b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Capital Expenditures included in accounts payable and other accrued liabilities	\$ (1,851)	\$ (4,064)

*The accompanying notes are an integral part of these statements.*

**WGL Holdings, Inc.**  
**Washington Gas Light Company**  
Part I—Financial Information  
Item 1—Financial Statements (continued)  
*Notes to Consolidated Financial Statements (Unaudited)*

**NOTE 1. ACCOUNTING POLICIES**

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***Basis of Presentation***

WGL Holdings, Inc. (WGL Holdings) is a holding company that owns all of the shares of common stock of Washington Gas Light Company (Washington Gas), a regulated natural gas utility, and all of the shares of common stock of Washington Gas Resources Corporation (Washington Gas Resources), Hampshire Gas Company (Hampshire) and Crab Run Gas Company. Washington Gas Resources owns all of the shares of common stock of three unregulated subsidiaries that include Washington Gas Energy Services, Inc. (WGEServices), Washington Gas Energy Systems, Inc. (WGESystems) and Capitol Energy Ventures Corp. (CEV), formerly known as Washington Gas Credit Corporation. Except where the content clearly indicates otherwise, “WGL Holdings,” “we,” “us” or “our” refers to the holding company or the consolidated entity of WGL Holdings and all of its subsidiaries. Unless otherwise noted, these notes apply equally to WGL Holdings and Washington Gas.

The interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Therefore, certain financial information and note disclosures accompanying annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) are omitted in this interim report pursuant to the SEC rules and regulations. The interim consolidated financial statements and accompanying notes should be read in conjunction with the combined Annual Report on Form 10-K for WGL Holdings and Washington Gas for the fiscal year ended September 30, 2009. Due to the seasonal nature of Washington Gas’s and WGEServices’ businesses, the results of operations for the periods presented in this report are not necessarily indicative of actual results for the full fiscal years ending September 30, 2010 and 2009 of either WGL Holdings or Washington Gas.

The accompanying unaudited consolidated financial statements for WGL Holdings and Washington Gas reflect all normal recurring adjustments that are necessary, in our opinion, to present fairly the results of operations in accordance with GAAP.

For a description of our accounting policies, refer to Note 1 of the Notes to Consolidated Financial Statements of the combined Annual Report on Form 10-K for WGL Holdings and Washington Gas for the fiscal year ended September 30, 2009. See “*Accounting Standards Adopted in the Current Period*” below for changes to these policies subsequent to September 30, 2009.

***Accounting Standards Adopted in the Current Period***

***Fair Value.*** In August 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-05, *Fair Value Measurements and Disclosures—Measuring Liabilities at Fair Value* (ASU 2009-05). This ASU provides amendments to Accounting Standards Codification (ASC) Subtopic 820-10, *Fair Value Measurements and Disclosures—Overall*, for the fair value measurement of liabilities. ASU 2009-05 provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using; (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset, or quoted prices for similar liabilities or similar liabilities when traded as assets or (ii) another valuation technique that is consistent with the principles of Topic 820. ASU 2009-05 is effective for us on October 1, 2009. The adoption of this guidance did not have a material effect on our consolidated financial statements.

***Other.*** Effective October 1, 2009, we adopted ASC Topic 810, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51*. ASC Topic 810 establishes accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. The adoption of this standard resulted in reclassifying Washington Gas’s preferred stock dividends on the Statement of Income to present consolidated net income attributable to both the shareholders of WGL Holdings Inc. and to the noncontrolling interest of the Washington Gas’s preferred shareholders. In addition, the Statements of Cash Flows have been changed to include income from all equity holders as a source of cash in Operating Activities and to reflect the distribution of preferred stock dividends as a use of cash in Financing Activities. The adoption of this standard had no other effect on our consolidated financial statements.

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**Other Newly Issued Accounting Standards**

**Postretirement Benefits.** In December 2008, the FASB issued FSP FAS 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* (FSP FAS 132(R)-1), now part of ASC Topic 715-20-65. FSP FAS 132(R)-1 contains amendments to ASC Topic 715 that are intended to improve disclosures of postretirement benefit plan assets. This ASU requires; (i) increased disclosure on how investment allocation decisions are made, including the factors that are pertinent to an understanding of investment policies and strategies; (ii) the major categories of plan assets; (iii) the inputs and valuation techniques used to measure the fair value of plan assets; (iv) the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and (v) significant concentrations of risk within plan assets. FSP FAS 132(R)-1 is effective for us on September 30, 2010. We are currently evaluating the possible effect of this standard on our consolidated financial statements.

**Fair Value.** In January 2010, the FASB issued ASU 2010-06, *Improving Disclosures about Fair Value Measurements*. ASU 2010-06 amends ASC Topic 820 to require the following additional disclosures regarding fair value measurements: (i) the amounts of transfers between Level 1 and Level 2 of the fair value hierarchy; (ii) reasons for any transfers in or out of Level 3 of the fair value hierarchy and (iii) the inclusion of information about purchases, sales, issuances and settlements in the reconciliation of recurring Level 3 measurements. ASU 2010-06 also amends ASC Topic 820 to clarify existing disclosure requirements, requiring fair value disclosures by class of assets and liabilities rather than by major category and the disclosure of valuation techniques and inputs used to determine the fair value of Level 2 and Level 3 assets and liabilities. With the exception of disclosures relating to purchases, sales issuances and settlements of recurring Level 3 measurements, ASU 2010-06 is effective for us on January 1, 2010. The disclosure requirements related to purchases, sales, issuances and settlements of recurring Level 3 measurements will be effective for us on October 1, 2011. We are currently evaluating the possible effect of this standard on our consolidated financial statements.

**NOTE 2. ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES**

The tables below provide details for the amounts included in "Accounts payable and other accrued liabilities" on the balance sheets for both WGL Holdings and Washington Gas.

<b>WGL Holdings, Inc.</b>		
<i>(In thousands)</i>	Dec. 31, 2009	Sept. 30, 2009
Accounts payable — trade	\$ 242,961	\$ 174,098
Employee benefits and payroll accruals	16,692	28,813
Other accrued liabilities	11,632	10,618
<b>Total</b>	<b>\$ 271,285</b>	<b>\$ 213,529</b>

  

<b>Washington Gas Light Company</b>		
<i>(In thousands)</i>	Dec. 31, 2009	Sept. 30, 2009
Accounts payable — trade	\$ 139,752	\$ 90,630
Employee benefits and payroll accruals	15,991	26,530
Other accrued liabilities	9,223	8,135
<b>Total</b>	<b>\$ 164,966</b>	<b>\$ 125,295</b>

**NOTE 3. SHORT-TERM DEBT**

WGL Holdings and Washington Gas satisfy their short-term financing requirements through the sale of commercial paper or through bank borrowings. Due to the seasonal nature of the regulated utility and retail energy-marketing segments, short-term financing requirements can vary significantly during the

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**Washington Gas Light Company**  
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year. We maintain revolving credit agreements to support our outstanding commercial paper and to permit short-term borrowing flexibility. Our policy is to maintain bank credit facilities in an amount equal to or greater than our expected maximum commercial paper position. The following is a summary of our committed credit available at December 31, 2009.

<b>Committed Credit Available (In millions)</b>			
	WGL Holdings	Washington Gas	Total Consolidated
<b>Committed credit agreements</b>			
Unsecured revolving credit facility, expires August 3, 2012 <sup>(a)</sup>	\$ 400.0	\$ 300.0	\$ 700.0
Less: Commercial Paper	(108.3)	(68.3)	(176.6)
<b>Net committed credit available</b>	<b>\$ 291.7</b>	<b>\$ 231.7</b>	<b>\$ 523.4</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.

At December 31, 2009 and September 30, 2009, WGL Holdings and its subsidiaries had outstanding notes payable in the form of commercial paper of \$176.6 million and \$183.8 million, respectively, at a weighted average interest rate of 0.24% and 0.27%, respectively. Of the outstanding notes payable balance at December 31, 2009, \$108.3 million was issued by WGL Holdings and \$68.3 million was issued by Washington Gas. Of the outstanding notes payable balance at September 30, 2009, \$59.0 million was issued by WGL Holdings and \$124.8 million was issued by Washington Gas.

As of December 31, 2009 and September 30, 2009, respectively, there were no outstanding bank loans from WGL Holdings' or Washington Gas's revolving credit facilities.

#### **NOTE 4. LONG-TERM DEBT**

##### **UNSECURED NOTES**

Washington Gas issues unsecured Medium-Term Notes (MTNs) and private placement notes with individual terms regarding interest rates, maturities and call or put options. These notes can have maturity dates of one or more years from the date of issuance.

On November 2, 2009, Washington Gas Light Company entered into a note purchase agreement by and among certain purchasers for the issuance and sale of \$50.0 million of unsecured 4.76% fixed rate notes with a ten year maturity due November 1, 2019 through a private placement arrangement. The estimated effective cost of the notes, including consideration of issuance fees and hedge proceeds, is 4.79%.

At December 31, 2009, Washington Gas had the capacity, under a shelf registration to issue up to \$450.0 million of additional MTNs. At December 31, 2009 and September 30, 2009, outstanding notes were \$689.0 million and \$639.0 million, respectively. At December 31, 2009 and September 30, 2009, the weighted average interest rate on all outstanding notes was 5.73% and 5.82%, respectively.

#### **NOTE 5. COMMON SHAREHOLDERS' EQUITY**

The tables below reflect the changes in "Common shareholders' equity" for WGL Holdings and Washington Gas for the three months ended December 31, 2009.

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**WGL Holdings, Inc.**  
**Components of Common Shareholders' Equity**

<i>(In thousands)</i>	Common Stock Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Taxes	Total
<b>Balance at September 30, 2009</b>	\$ 514,501	\$ 13,516	\$576,122	\$ (6,441)	\$1,097,698
Net income applicable to common stock	—	—	47,641	—	47,641
Post-retirement benefits adjustment, net of taxes	—	—	—	(370)	(370)
Comprehensive income					47,271
Stock-based compensation	4,720	(4,015)	—	—	705
Dividends declared on common stock (\$0.3675 per share)	—	—	(18,529)	—	(18,529)
<b>Balance at December 31, 2009</b>	<b>\$ 519,221</b>	<b>\$ 9,501</b>	<b>\$605,234</b>	<b>\$ (6,811)</b>	<b>\$1,127,145</b>

**Washington Gas Light Company**  
**Components of Common Shareholder's Equity**

<i>(In thousands)</i>	Common Stock Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Taxes	Total
<b>Balance at September 30, 2009</b>	\$ 46,479	\$469,026	\$457,375	\$ (6,441)	\$ 966,439
Net income before preferred stock dividends	—	—	40,850	—	40,850
Post-retirement benefits adjustment, net of taxes	—	—	—	(370)	(370)
Comprehensive income					40,480
Stock-based compensation	—	(98)	—	—	(98)
Dividends declared:					
Common Stock	—	—	(17,779)	—	(17,779)
Preferred Stock	—	—	(330)	—	(330)
<b>Balance at December 31, 2009</b>	<b>\$ 46,479</b>	<b>\$468,928</b>	<b>\$480,116</b>	<b>\$ (6,811)</b>	<b>\$ 988,712</b>

WGL Holdings had 50,290,121 and 50,143,484 shares issued of common stock at December 31, 2009 and September 30, 2009, respectively. Washington Gas had 46,479,536 shares issued at both December 31, 2009 and September 30, 2009.

**NOTE 6. COMPREHENSIVE INCOME**

The tables below reflect the components of "Comprehensive income" for the three months ended December 31, 2009 and 2008 for WGL Holdings and Washington Gas. Items that are excluded from "Net income" and charged directly to "Common shareholders' equity" are recorded in "Other comprehensive income, net of taxes." The amount of "Accumulated other comprehensive loss, net of taxes" is included in "Common shareholders' equity" (refer to Note 5—*Common Shareholders' Equity*).

**WGL Holdings, Inc.**  
**Components of Comprehensive Income**

<i>(In thousands)</i>	Three Months Ended December 31,	
	2009	2008
Net income applicable to common stock	\$ 47,641	\$ 54,625
Other comprehensive income, net of taxes <sup>(a)</sup>	(370)	49
<b>Comprehensive income</b>	<b>\$ 47,271</b>	<b>\$ 54,674</b>

<sup>(a)</sup> Amounts relate to postretirement benefits.

**Washington Gas Light Company**  
**Components of Comprehensive Income**

<i>(In thousands)</i>	Three Months Ended December 31,	
	2009	2008
Net income before preferred stock dividends	\$ 40,850	\$ 53,928



Other comprehensive income, net of taxes (a)	(370)	49
Comprehensive income	\$ 40,480	\$ 53,977

(a) Amounts relate to postretirement benefits.

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**NOTE 7. EARNINGS PER SHARE**

Basic earnings per share (EPS) is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding during the reported period. Diluted EPS assumes the issuance of common shares pursuant to stock-based compensation plans at the beginning of the applicable period unless the effect of such issuance would be anti-dilutive. The following table reflects the computation of our basic and diluted EPS for WGL Holdings for the three months ended December 31, 2009 and 2008.

<b>Basic and Diluted EPS</b>			
<i>(In thousands, except per share data)</i>	Net Income Applicable to Common Stock	Shares	Per Share Amount
<b>Three Months Ended December 31, 2009</b>			
<b>Basic EPS</b>	<b>\$ 47,641</b>	<b>50,241</b>	<b>\$ 0.95</b>
<b>Stock-based compensation plans</b>	<b>—</b>	<b>188</b>	
<b>Diluted EPS</b>	<b>\$ 47,641</b>	<b>50,429</b>	<b>\$ 0.94</b>
<b>Three Months Ended December 31, 2008</b>			
<b>Basic EPS</b>	<b>\$ 54,625</b>	<b>50,022</b>	<b>\$ 1.09</b>
<b>Stock-based compensation plans</b>	<b>—</b>	<b>186</b>	
<b>Diluted EPS</b>	<b>\$ 54,625</b>	<b>50,208</b>	<b>\$ 1.09</b>

For the three months ended December 31, 2009, we did not exclude any outstanding shares pursuant to stock-based compensation plans in the calculation of diluted EPS. For the three months ended December 31, 2008, we had weighted average outstanding stock options totaling approximately 697,000 shares, which were not included in the calculation of diluted EPS as their effect would be anti-dilutive.

**NOTE 8. DERIVATIVE AND WEATHER-RELATED INSTRUMENTS**

**DERIVATIVE INSTRUMENTS**

To the extent that the information below is being disclosed under certain requirements of ASC Topic 815, no prior period information is presented. Under this guidance, only information after January 1, 2009 is required to be disclosed. Therefore, only December 31, 2009 balances are being disclosed for the balance sheet information and, only activity for the three months ended December 31, 2009 is being disclosed for the income statement information.

**Regulated Utility Operations**

Washington Gas enters into contracts related to the sale and purchase of natural gas that qualify as derivative instruments and are accounted for under ASC Topic 815. These derivative instruments are recorded at fair value on our balance sheet and Washington Gas does not designate any derivatives as hedges under ASC Topic 815. Washington Gas's derivative contracts relate to: (i) Washington Gas's asset optimization program, (ii) managing price risk associated with the purchase of gas to serve utility customers and (iii) managing interest rate risk.

**Asset Optimization.** Washington Gas optimizes the value of its long-term natural gas transportation and storage capacity resources during periods when these resources are not being used to physically serve utility customers. Specifically, Washington Gas utilizes: (i) its transportation capacity assets to benefit from favorable natural gas prices between different geographic locations and (ii) its storage capacity assets to benefit from favorable natural gas prices between different time periods. As part of this asset optimization program, Washington Gas enters into physical and financial derivative transactions in the form of forwards, swaps and option contracts to lock-in operating margins that Washington Gas will ultimately realize. Regulatory sharing mechanisms in all three jurisdictions allow

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the profit from these transactions to be shared between Washington Gas's shareholders and customers; therefore, any changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that gains and losses associated with these derivative instruments will be included in the rates charged to customers. The derivatives used under this program are subject to mark-to-market accounting treatment. This treatment may cause significant period-to-period volatility in earnings from unrealized gains and losses associated with these valuation changes for the portion of net profits to be retained for shareholders; however, this volatility does not change the locked-in operating margins that Washington Gas will ultimately realize from these transactions. All physically and financially settled contracts under our asset optimization program are reported on a net basis in the statements of income in "Utility cost of gas". Total net margins recorded to "Utility cost of gas" after sharing and management fees associated with all asset optimization transactions for the three months ended December 31, 2009 were a loss of \$498,000, including unrealized losses of \$4.0 million on derivatives.

**Managing Price Risk.** Washington Gas enters into forward contracts, option contracts, financial swap contracts and other contracts that are accounted for as derivative instruments as a part of managing price risk associated with its natural gas supply to utility customers. Any gains and losses associated with these derivatives are recorded as regulatory liabilities or assets, respectively, to reflect the rate treatment for these economic hedging activities.

**Managing Interest Rate Risk.** Washington Gas utilizes derivative instruments from time to time that are designed to minimize the risk of interest-rate volatility associated with planned issuances of debt securities. Any gains and losses associated with these types of derivatives are recorded as regulatory liabilities or assets, respectively, and amortized in accordance with regulatory requirements, which is typically over the life of the newly issued debt.

***Non-Utility Operations***

Our non-regulated retail energy-marketing subsidiary, WGEServices, also enters into certain derivative contracts as part of managing the price risk associated with the sale and purchase of natural gas and electricity to its retail customers. These derivatives may cause significant period-to-period volatility in earnings; however, this volatility will not change the operating margins that WGEServices will ultimately realize from the sales to its customers. Derivative instruments are recorded at fair value on our consolidated balance sheets. WGEServices does not designate these derivatives as hedges under ASC Topic 815; therefore, changes in the fair value of these derivative instruments are reflected in the earnings of our retail energy-marketing segment.

***Consolidated Operations***

Reflected in the tables below is information for WGL Holdings as well as Washington Gas. The information for WGL Holdings includes derivative instruments for both Washington Gas and WGEServices.

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At December 31, 2009, the absolute notional amounts of our derivatives are as follows:

**Absolute Notional Amounts  
of Open Positions on Derivative Instruments**

<i>(In millions)</i>	<b>Notional Amounts</b>	
<b>Derivative transactions</b>	WGL Holdings	Washington Gas
<b>Natural Gas</b> <i>(in therms)</i>		
Asset Optimization	1,479.0	1,479.0
Retail sales	7.0	—
Other risk-management activities	478.6	271.6
<b>Electricity</b> <i>(in kWhs)</i>		
Retail sales	1,980.0	—
Other risk-management activities	9,008.0	—
<b>Interest Rate Swap</b> <i>(notional amount in millions)</i>	\$ 24.0	\$ 24.0

The following tables present the balance sheet classification for all derivative instruments.

**WGL Holdings, Inc.**  
**Balance Sheet Classification of Derivative Instruments**  
As of December 31, 2009

<i>(In millions)</i>	<b>Derivative Assets</b>	<b>Derivative Liabilities</b>	<b>Netting of Collateral</b>	<b>Total</b>
<b>Balance Sheet location</b>				
Other current assets	\$ 19.5	\$ (6.3)	\$ —	\$ 13.2
Deferred charges and other assets—other	17.7	(8.4)	—	9.3
Other current liabilities	5.7	(34.0)	4.3	(24.0)
Deferred credits — other	29.8	(59.0)	4.5	(24.7)
<b>Total</b>	<b>\$ 72.7</b>	<b>\$ (107.7)</b>	<b>\$ 8.8</b>	<b>\$(26.2)</b>

**Washington Gas Light Company**  
**Balance Sheet Classification of Derivative Instruments**  
As of December 31, 2009

<i>(In millions)</i>	<b>Derivative Assets</b>	<b>Derivative Liabilities</b>	<b>Netting of Collateral</b>	<b>Total</b>
<b>Balance Sheet location</b>				
Other current assets	\$ 14.1	\$ (6.3)	\$ —	\$ 7.8
Deferred charges and other assets—other	9.5	(8.3)	—	1.2
Other current liabilities	3.0	(11.1)	—	(8.1)
Deferred credits — other	28.8	(33.4)	—	(4.6)
<b>Total</b>	<b>\$ 55.4</b>	<b>\$ (59.1)</b>	<b>\$ —</b>	<b>\$( 3.7)</b>

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The following tables present all gains and losses associated with derivative instruments for the three months ended December 31, 2009.

**Gains and Losses on Derivative Instruments**  
**Three Months Ended December 31, 2009**

<i>(In millions)</i>	WGL Holdings	Washington Gas
<b>Recorded to income</b>		
Operating revenues — non-utility	\$ 2.5	\$ —
Utility cost of gas	1.5	1.5
Non-utility cost of energy-related sales	(3.2)	—
<b>Recorded to regulatory assets</b>		
Gas costs	(4.9)	(4.9)
Other	0.9	0.9
<b>Total</b>	<b>\$ (3.2)</b>	<b>\$ (2.5)</b>

Certain of Washington Gas's derivative instruments contain contract provisions that would require collateral to be posted if the credit rating of Washington Gas's debt falls below certain levels. Similarly, certain of WGEServices derivative instruments contain contract provisions that require collateral to be posted if the credit rating of WGL Holdings falls below certain levels. At December 31, 2009, WGEServices' had posted \$8.8 million of collateral related to its derivative liabilities that contained credit-related contingent features. Washington Gas was not required to post any collateral at December 31, 2009. The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required to be posted related to the net fair value of our derivative instruments if the most intrusive credit-risk-related contingent features underlying these agreements were triggered on December 31, 2009.

**Potential Collateral Requirements for Derivative Liabilities**  
**with Credit-risk-Contingent Features**

<i>(In millions)</i>	WGL Holdings	Washington Gas
Derivative liabilities with credit-risk-contingent features	\$ 81.8	\$ 49.0
Maximum potential collateral requirements	34.2	3.4

Neither Washington Gas nor WGEServices enters into derivative contracts for speculative purposes.

**Concentration of Credit Risk**

Both Washington Gas and WGEServices are exposed to credit risk associated with agreements with wholesale counterparties that are accounted for as derivative instruments. We have credit policies in place that are designed to mitigate credit risk associated with wholesale counterparties through a requirement for credit enhancements including, but not limited to, letters of credit, parent guarantees and cash collateral when deemed necessary. For certain counterparties or their guarantors that meet this policy's credit worthiness criteria, both Washington Gas and WGEServices grant unsecured credit which is continuously monitored. Additionally, our agreements with wholesale counterparties contain netting provisions which allow the receivable and payable exposure to/from each counterparty to be offset. At December 31, 2009, four counterparties each represented over 10% of Washington Gas's credit exposure to wholesale derivative counterparties, for a total credit risk of \$15.6 million related to those counterparties. WGEServices had three counterparties, each representing over 10% of its credit exposure to wholesale counterparties for a credit risk of \$1.3 million at December 31, 2009.

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**WEATHER-RELATED INSTRUMENTS**

**Regulated Utility Operations**

On September 21, 2009, Washington Gas executed an heating degree day (HDD) derivative contract to manage its financial exposure to variations from normal weather in the District of Columbia during fiscal year 2010. Under this contract, Washington Gas purchased protection against net revenue shortfalls due to warmer-than-normal weather and sold to the counterparty the right to receive the benefit when weather is colder than normal. This derivative contract resulted in a payment to Washington Gas of \$2.1 million.

Our weather protection instruments are accounted for under ASC Topic 815. For weather derivative contracts, when we pay a net premium, benefits or losses are recognized to the extent actual HDDs are less than or greater than the contracted HDDs. The cost of our weather-related instruments is amortized based on the pattern of normal HDDs over the coverage period. For weather derivative contracts, when we receive a net option premium, we record the receipt as a liability and mark the contract to fair value each period. The expenses or benefits that are derived from our weather-related instruments are not considered in establishing the retail rates of Washington Gas.

During the three months ended December 31, 2009 and 2008, Washington Gas recorded total pre-tax losses of \$1.4 million and \$1.8 million, respectively, including premium costs and any fair value adjustments related to its weather derivatives. Benefits and expenses associated with Washington Gas's weather-related instruments are recorded to "Operation and maintenance" expense.

**Non-Utility Operations**

WGEServices utilizes weather-related derivatives for managing the financial effects of weather risks. These derivatives cover a portion of WGEServices' estimated revenue or energy-related cost exposure to variations in heating or cooling degree days. These contracts provide for payment to WGEServices of a fixed-dollar amount for every degree day over or under specific levels during the calculation period depending upon the type of contract executed. For the three months ended December 31, 2009 and 2008, WGEServices recorded pre-tax expenses of \$283,000 and \$448,000, respectively, related to these derivatives.

**NOTE 9. FAIR VALUE MEASUREMENTS**

We measure the fair value of our financial assets and liabilities in accordance with ASC Topic 820. These financial assets and liabilities primarily consist of (i) derivatives recorded on our balance sheet under ASC Topic 815, (ii) weather derivatives for which we receive a net option premium payment and (iii) long-term debt outstanding that is required to be disclosed at fair value.

The following table sets forth financial instruments recorded at fair value as of December 31, 2009. A financial instrument's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy.

**Fair Value Measurements Under the Fair Value Hierarchy at December 31, 2009**

<i>(In millions)</i>	WGL Holdings		Washington Gas	
	Assets	Liabilities	Assets	Liabilities
Level 1	\$ —	\$ —	\$ —	\$ —
Level 2	25.4	(25.5)	23.7	(19.6)
Level 3	47.3	(85.7)	31.7	(43.0)
Counterparty and cash collateral netting	(50.2)	59.0	(46.4)	46.4
<b>Total</b>	<b>\$ 22.5</b>	<b>\$(52.2)</b>	<b>\$ 9.0</b>	<b>\$(16.2)</b>

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The following table is a summary of the changes in the fair value of our energy-related derivative assets (liabilities) that are measured at net fair value on a recurring basis in accordance with ASC Topic 820 using significant Level 3 inputs during the three month period ended December 31, 2009.

**Reconciliation of Fair Value Measurements Using Significant Level 3 Inputs**

<i>(In millions)</i>	WGL Holdings	Washington Gas
Balance at October 1, 2009	\$ (27.6)	\$ (6.3)
Realized and unrealized gains (losses)		
Recorded to income	(16.6)	(1.6)
Recorded to regulatory assets — gas costs	(2.5)	(2.5)
Transfers in and/or out of Level 3 <sup>(a)</sup>	(2.1)	(2.1)
Purchases and settlements, net	10.4	1.2
<b>Balance at December 31, 2009</b>	<b>\$ (38.4)</b>	<b>\$ (11.3)</b>

(a) Represents weather derivative.

The table below sets forth the line items on the Statements of Income of the amounts recorded to income for the three months ended December 31, 2009, related to fair value measurements using significant level 3 inputs.

**Realized and Unrealized Gains (Losses) Recorded to Income for Level 3 Measurements**

<i>(In millions)</i>	Three Months Ended December 31, 2009		Three Months Ended December 31, 2008	
	WGL Holdings	Washington Gas	WGL Holdings	Washington Gas
Operating revenues — non-utility	\$ 2.5	\$ —	\$ 4.5	\$ —
Utility cost of gas	(0.2)	(0.2)	4.7	4.7
Non-utility cost of energy-related sales	(18.9)	(1.4)	(6.6)	—
<b>Total</b>	<b>\$ (16.6)</b>	<b>\$ (1.6)</b>	<b>\$ 2.6</b>	<b>\$ 4.7</b>

Unrealized gains (losses) for the three months ended December 31, 2009 attributable to derivative assets and liabilities measured using significant Level 3 inputs at December 31, 2009 were recorded as follows:

**Unrealized Gains (Losses) Recorded for Level 3 Measurements**

<i>(In millions)</i>	Three Months Ended December 31, 2009		Three Months Ended December 31, 2008	
	WGL Holdings	Washington Gas	WGL Holdings	Washington Gas
Recorded to income				
Operating revenues — non-utility	\$ 6.0	\$ —	\$ 3.9	\$ —
Utility cost of gas	(0.1)	(0.1)	4.6	4.6
Non-utility cost of energy-related sales	(7.9)	(1.4)	(5.2)	—
Recorded to regulatory assets — gas costs	(2.8)	(2.8)	4.2	4.2
<b>Total</b>	<b>\$ (4.8)</b>	<b>\$ (4.3)</b>	<b>\$ 7.5</b>	<b>\$ 8.8</b>

The following table presents the carrying amounts and estimated fair values of our financial instruments at December 31, 2009. The carrying amount of any other financial instruments in current assets and current liabilities approximates fair value because of the short-term maturity of these instruments, and therefore are not shown in the table below.

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**Fair Value of Financial Instruments**

At December 31,	2009	
<i>(In millions)</i>	Carrying Amount	Fair Value
<b>Long-term debt<sup>(a)</sup></b>	<b>\$612.8</b>	<b>\$664.2</b>

(a) Excludes current maturities and unamortized discounts.

Washington Gas's long-term debt is not actively traded. The fair value of long-term debt was estimated based on the quoted market prices of U.S. Treasury issues having a similar term to maturity, adjusted for Washington Gas's credit quality.

**NOTE 10. OPERATING SEGMENT REPORTING**

We identify and report on operating segments under the "management approach." Our chief operating decision maker is our Chief Operating Officer. Operating segments comprise revenue-generating components of an enterprise for which we produce separate financial information internally that we regularly use to make operating decisions and assess performance. We report three operating segments: (i) regulated utility, (ii) retail energy-marketing and (iii) design-build energy systems.

With approximately 90% of WGL Holdings' consolidated total assets, the regulated utility segment is our core business and comprises Washington Gas and Hampshire. The regulated utility segment, through Washington Gas, provides regulated gas distribution services (including the sale and delivery of natural gas, meter reading, responding to customer inquiries, bill preparation and the construction and maintenance of its natural gas distribution system) to customers primarily in the District of Columbia and the surrounding metropolitan areas in Maryland and Virginia. Hampshire, an underground natural gas storage company that is regulated under a cost of service tariff by the Federal Energy Regulatory Commission (FERC), provides services exclusively to Washington Gas.

Through WGEServices, the retail energy-marketing segment sells natural gas and electricity directly to retail customers, both inside and outside of Washington Gas's traditional service territory, in competition with regulated utilities and unregulated gas and electricity marketers.

Through WGESystems, the design-build energy systems segment provides design-build energy efficient and sustainable solutions to government and commercial clients under construction contracts.

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 three operating segments, are aggregated as "Other Activities" and included as part of non-utility operations as presented below in the Operating Segment Financial Information. During the quarter, Washington Gas Resources changed the name of Washington Gas Credit Corporation to Capitol Energy Ventures Corp. to better align its name with its mission.

The same accounting policies applied in preparing our consolidated financial statements, as discussed in Note 1—*Accounting Policies*, also apply to the reported segments. While net income or loss applicable to common stock is the primary criterion for measuring a segment's performance, we also evaluate our operating segments based on other relevant factors, such as penetration into their respective markets and return on equity. The following tables present operating segment information for the three months ended December 31, 2009 and 2008.



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**Operating Segment Financial Information**

(In thousands)	Non-Utility Operations					Eliminations	Consolidated
	Regulated Utility	Retail Energy — Marketing	Design-Build Energy Systems	Other Activities			
<b>Three Months Ended December 31, 2009</b>							
<b>Operating Revenues (a)</b>	<b>\$ 398,864</b>	<b>\$ 333,524</b>	<b>\$ 3,362</b>	<b>\$ 5</b>	<b>\$ (8,332)</b>		<b>\$ 727,423</b>
<b>Operating Expenses:</b>							
Cost of Energy-Related Sales	205,609	310,499	2,706	—	(8,332)		510,482
Operation	51,962	8,781	959	603	—		62,305
Maintenance	11,211	—	—	—	—		11,211
Depreciation and Amortization	23,974	173	16	—	—		24,163
<b>General Taxes and Other Assessments:</b>							
Revenue Taxes	17,407	614	—	—	—		18,021
Other	12,460	890	40	9	—		13,399
<b>Total Operating Expenses</b>	<b>322,623</b>	<b>320,957</b>	<b>3,721</b>	<b>612</b>	<b>(8,332)</b>		<b>639,581</b>
Operating Income (Loss)	76,241	12,567	(359)	(607)	—		87,842
Other Income (Expenses)—Net	281	19	10	120	(61)		369
Interest Expense	9,701	59	—	58	(61)		9,757
Income Tax Expense (Benefit)	25,795	5,020	(137)	(195)	—		30,483
<b>Dividends on Washington Gas Preferred Stock</b>							
	330	—	—	—	—		330
<b>Net Income (Loss) Applicable to Common Stock</b>	<b>\$ 40,696</b>	<b>\$ 7,507</b>	<b>\$ (212)</b>	<b>\$ (350)</b>	<b>\$ —</b>		<b>\$ 47,641</b>
<b>Total Assets</b>	<b>\$ 3,262,330</b>	<b>\$ 365,295</b>	<b>\$ 18,303</b>	<b>\$ 129,959</b>	<b>\$(171,031)</b>		<b>\$3,604,856</b>
<b>Capital Expenditures/Investments</b>	<b>\$ 26,688</b>	<b>\$ 2,233</b>	<b>\$ 27</b>	<b>\$ —</b>	<b>\$ —</b>		<b>\$ 28,948</b>

Three Months Ended December 31,  
2008

Operating Revenues (a)	\$ 530,640	\$ 293,845	\$ 9,778	\$ (16)	\$ (8,159)		\$ 826,088
<b>Operating Expenses:</b>							
Cost of Energy-Related Sales	314,943	284,939	7,299	—	(8,159)		599,022
Operation	51,093	6,831	1,151	608	—		59,683
Maintenance	10,651	—	—	—	—		10,651
Depreciation and Amortization	23,860	207	14	—	—		24,081
<b>General Taxes and Other Assessments:</b>							
Revenue Taxes	17,278	129	—	—	—		17,407
Other	12,305	678	29	8	—		13,020
<b>Total Operating Expenses</b>	<b>430,130</b>	<b>292,784</b>	<b>8,493</b>	<b>616</b>	<b>(8,159)</b>		<b>723,864</b>
Operating Income (Loss)	100,510	1,061	1,285	(632)	—		102,224
Other Income (Expenses)—Net	(232)	10	75	450	(286)		17
Interest Expense	11,785	290	—	390	(286)		12,179
Income Tax Expense (Benefit)	34,446	331	528	(198)	—		35,107
<b>Dividends on Washington Gas Preferred Stock</b>							
	330	—	—	—	—		330
<b>Net Income (Loss) Applicable to Common Stock</b>	<b>\$ 53,717</b>	<b>\$ 450</b>	<b>\$ 832</b>	<b>\$ (374)</b>	<b>\$ —</b>		<b>\$ 54,625</b>
<b>Total Assets</b>	<b>\$ 3,299,148</b>	<b>\$ 346,371</b>	<b>\$ 23,583</b>	<b>\$ 138,221</b>	<b>\$(169,881)</b>		<b>\$3,637,442</b>
<b>Capital Expenditures/Investments</b>	<b>\$ 30,392</b>	<b>\$ 1,167</b>	<b>\$ 14</b>	<b>\$ 1</b>	<b>\$ —</b>		<b>\$ 31,574</b>

(a) Operating revenues are reported gross of revenue taxes. Revenue taxes of both the regulated utility and the retail energy-marketing segments include gross receipt taxes. Revenue taxes of the regulated utility segment also include PSC fees, franchise fees and energy taxes

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**NOTE 11. RELATED PARTY TRANSACTIONS**

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WGL Holdings and its subsidiaries engage in transactions among each other during the ordinary course of business. Intercompany transactions and balances have been eliminated from the consolidated financial statements of WGL Holdings. Washington Gas provides accounting, treasury, legal and other administrative and general support to affiliates, and files consolidated tax returns that include affiliated taxable transactions. The actual costs of these services are billed to the appropriate affiliates and, to the extent such billings are not yet paid, they are reflected in "Receivables from associated companies" on Washington Gas's balance sheets. Washington Gas assigns or allocates these costs directly to its affiliates and, therefore, does not recognize revenues or expenses associated with providing these services.

In connection with billing for unregulated third party marketers and with other miscellaneous billing processes, Washington Gas collects cash on behalf of affiliates and transfers the cash as quickly as reasonably possible. Cash collected by Washington Gas on behalf of its affiliates but not yet transferred is recorded in "Payables to associated companies" on Washington Gas's balance sheets. These transactions recorded by Washington Gas impact the balance sheet only.

At December 31, 2009 and September 30, 2009, the Washington Gas Balance Sheets reflected a receivable from associated companies of \$3.3 million and \$10.4 million, respectively. At December 31, 2009 and September 30, 2009, the Washington Gas Balance Sheets reflected a payable to associated companies of \$38.0 million and \$11.4 million, respectively, related to the activities described above.

Additionally, Washington Gas provides gas balancing services related to storage, injections, withdrawals and deliveries to all energy marketers participating in the sale of natural gas on an unregulated basis through the customer choice programs that operate in its service territory. These balancing services include the sale of natural gas supply commodities related to various peaking arrangements contractually supplied to Washington Gas and then partially allocated and assigned by Washington Gas to the energy marketers, including WGEServices. Washington Gas records revenues for these balancing services pursuant to tariffs approved by the appropriate regulatory bodies. In conjunction with such services and the related sales and purchases of natural gas, Washington Gas charged WGEServices, an affiliated energy marketer, \$8.3 million and \$8.2 million for the three months ended December 31, 2009 and 2008, respectively. These related party amounts have been eliminated in the consolidated financial statements of WGL Holdings.

As a result of these balancing services, an imbalance is created for volumes of natural gas received by Washington Gas that are not equal to the volumes of natural gas delivered to customers of the energy marketers. WGEServices has recognized an accounts receivable from Washington Gas in the amount of \$11.7 million and \$4.6 million at December 31, 2009 and September 30, 2009, respectively, related to an imbalance in gas volumes. Due to regulatory requirements, these receivables are not eliminated in the consolidated financial statements of WGL Holdings.

**NOTE 12. COMMITMENTS AND CONTINGENCIES**

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**REGULATED UTILITY OPERATIONS**

***Regulatory Contingencies***

Certain legal and administrative proceedings incidental to our business, including regulatory contingencies, involve WGL Holdings and/or its subsidiaries. In our opinion, we have recorded an adequate provision for probable losses or refunds to customers for regulatory contingencies related to these proceedings.

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**District of Columbia Jurisdiction**

**Recovery of Heavy Hydrocarbon (HHC) Costs.** On May 1, 2006, Washington Gas filed two tariff applications with the Public Service Commission of the District of Columbia (PSC of DC) requesting approval of proposed revisions to the balancing charge provisions of its firm and interruptible delivery service tariffs that would permit the utility to recover from its delivery service customers the costs of HHCs that are being injected into Washington Gas's natural gas distribution system to treat vaporized liquefied natural gas from the Dominion Cove Point Facility. Washington Gas had been recovering the costs of HHCs from sales customers in the District of Columbia through its Purchased Gas Charge (PGC) provision in this jurisdiction. On October 2, 2006, the PSC of DC issued an order rejecting Washington Gas's proposed tariff revisions until the Public Service Commission of Maryland (PSC of MD) issued a final order related to this matter. On October 12, 2006, Washington Gas filed a motion for clarification requesting that the PSC of DC affirm that Washington Gas can continue collecting HHC costs from sales customers through its PGC provision or to record such HHC costs incurred as a regulatory asset pending a ruling by the PSC of DC on future cost recovery. On May 11, 2007, the PSC of DC directed Washington Gas to cease prospective recovery of the cost of HHCs through the PGC provision, with future HHC costs to be recorded as a "pending" regulatory asset. On November 16, 2007 the PSC of MD issued a final order in the relevant case supporting full recovery of the HHC costs in Maryland. On March 25, 2008, the PSC of DC issued an order stating that the consideration of Washington Gas's HHC strategy will move forward and directed interested parties to submit filings reflecting a proposed procedural schedule. On June 6, 2008, Washington Gas and the District of Columbia Office of the People's Counsel filed a joint response to the order proposing a procedural schedule and a list of issues for consideration in the case. The PSC of DC adopted the proposed issues list and approved a procedural schedule. Washington Gas and other parties subsequently filed comments, conducted discovery and the parties filed reply comments. On April 30, 2009, the PSC of DC ruled that there were unresolved issues and directed that they should be addressed in evidentiary hearings. The PSC of DC issued an order establishing a procedural schedule to address these unresolved issues in the case. Initial testimony was filed May 29, 2009, and rebuttal testimony was filed on July 24, 2009.

On October 2, 2009, Washington Gas and the District of Columbia Office of the People's Counsel (DC OPC) filed a Joint Motion for Approval of Unanimous Agreement of Stipulation and Full Settlement with the PSC of DC (Stipulation). The parties to the Stipulation agreed that hexane commodity costs incurred by Washington Gas to condition liquefied natural gas received in Washington Gas's natural gas system are recoverable expenses and that Washington Gas is authorized to achieve full cost recovery from sales and delivery service customers of hexane commodity costs incurred prior to September 30, 2009. Additionally, the Stipulation:

- (i) approves the recovery of hexane commodity costs incurred after September 30, 2009 from sales and delivery service customers, subject to review as a component of Washington Gas's cost of gas;
- (ii) establishes the implementation of a coupling replacement and encapsulation program (program), wherein Washington Gas will replace or encapsulate a portion of its mechanically coupled pipe in the District of Columbia. The program is expected to conclude in approximately seven years with total spending not to exceed \$28.0 million;
- (iii) provides for the cost of the program to be recovered through an annual surcharge based on actual expenditures for coupling replacement and encapsulation that will become effective at the end of the existing base rate freeze (October 1, 2011). The cost will include both a return of and return on the cost of coupling replacement and encapsulation, computed in accordance with the terms of the rates currently in effect and
- (iv) establishes periodic reporting on the level of hexane injected at each of Washington Gas's hexane facilities with the associated commodity costs, and continued filing of leak-related information with the PSC of DC.

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On October 16, 2009, the PSC of DC published a Notice of Public Interest Hearing, held on October 28, 2009. On December 16, 2009, the PSC of DC issued a final order approving the settlement agreement, including recovery of hexane commodity costs, provided the parties agree to change the September 30, 2009 date to the effective date of the newly approved tariffs. The parties filed the modified language consistent with the final order. Pursuant to the final order, Washington Gas established a regulatory asset by reversing hexane costs previously expensed of \$0.7 million into income.

As of December 31, 2009 Washington Gas has incurred cumulative total HHC costs of \$2.0 million related to the District of Columbia of which approximately \$0.5 million has been recovered and \$1.5 million has been deferred as a regulatory asset.

**Revenue Normalization Adjustment (RNA).** On December 21, 2009, Washington Gas filed a revised tariff application seeking approval of an RNA, a sales adjustment mechanism that decouples Washington Gas's non-gas revenues from actual delivered volumes of gas. On December 22, 2009, the DC OPC filed a motion requesting that the PSC of DC establish public hearing procedures to examine the merits of Washington Gas's RNA application. Washington Gas filed an opposition to the DC OPC's motion on January 4, 2010. The PSC of DC issued an order on January 19, 2010 granting the DC OPC's motion for evidentiary hearing and initiated a rate proceeding to consider issues surrounding Washington Gas's tariff application. A Commission decision on a procedural schedule is pending.

#### **Maryland Jurisdiction**

**Order on Previously Disallowed Purchased Gas Charges.** Each year, the PSC of MD reviews the annual gas costs collected from customers in Maryland to determine if Washington Gas's purchased gas costs are reasonable. On March 14, 2006, in connection with the PSC of MD's annual review of Washington Gas's gas costs that were billed to customers in Maryland from September 2003 through August 2004, a Hearing Examiner of the PSC of MD issued a proposed order approving purchased gas charges of Washington Gas for the twelve-month period ended August 2004, except for \$4.6 million of such charges that the Hearing Examiner recommended be disallowed because, in the opinion of the Hearing Examiner, they were not reasonably incurred. As a result, during the fiscal year ended September 30, 2006, Washington Gas accrued a liability of \$4.6 million related to the proposed disallowance of these purchased gas charges.

Washington Gas filed appeals with the PSC of MD asserting that the Hearing Examiner's recommendation was without merit. On February 5, 2009, the PSC of MD issued an order that granted the appeal and reversed the findings of the Hearing Examiner. Accordingly, the gas costs at issue were deemed recoverable from rate payers. The PSC of MD's order concluded that the responsibility for recovery of these costs should be assigned to the specific group of customers associated with unbundled firm delivery service, directing Washington Gas to bill such costs to those customers over a 24-month period and to provide a credit to firm bundled sales customers over the same period. As a result of this order, the liability recorded in fiscal year 2006 for this issue was reversed in the quarter ended December 31, 2008, and Washington Gas recorded income of \$4.6 million to "Operating revenues-utility." On February 25, 2009, Washington Gas filed its compliance plan with the PSC of MD which outlined the plan for returning these funds to its firm sales customers, as well as collecting funds from firm delivery service customers beginning with Washington Gas's May 2009 billing cycle and ending with its April 2011 billing cycle. On April 29, 2009, the PSC of MD approved Washington Gas's plan.

#### **Virginia Jurisdiction**

**Application for Conservation and Ratemaking Efficiency Plan.** On September 29, 2009, Washington Gas filed with the Virginia State Corporation Commission (SCC of VA) an application which includes a portfolio of conservation and energy efficiency programs, an associated cost recovery provision and a decoupling mechanism which will adjust weather normalized non-gas distribution revenues for the impact of conservation or energy efficiency efforts. An evidentiary hearing in the proceeding is scheduled for February 9, 2010. The SCC of VA has six months from the date of the filing to issue an order.

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**Performance-Based Rate Plans**

In rate case proceedings in all jurisdictions, Washington Gas requested permission to implement Performance-Based Rate (PBR) plans that include performance measures for customer service and an Earnings Sharing Mechanism (ESM) that enables Washington Gas to share with shareholders and customers the earnings that exceed a target rate of return on equity.

Effective October 1, 2007, the SCC of VA approved the implementation of a PBR plan through the acceptance of a settlement stipulation, which includes: (i) a four-year base rate freeze; (ii) service quality measures to be determined in conjunction with the Staff of the SCC of VA and reported quarterly for maintaining a safe and reliable natural gas distribution system while striving to control operating costs; (iii) recovery of initial implementation costs associated with achieving Washington Gas's business process outsourcing (BPO) initiatives over the four-year period of the PBR plan and (iv) an ESM that enables Washington Gas to share with shareholders and Virginia customers the earnings that exceed a target of 10.5% return on equity. The calculation of the ESM excludes \$2.4 million of asset management revenues that are being refunded to customers as part of a new margin sharing agreement in Virginia.

On May 4, 2009, the Staff of the SCC of VA issued a report, commenting on the amount of the ESM liability that had been reported for the fiscal year ending September 30, 2008. Washington Gas filed its response to the Staff report on June 18, 2009. On July 17, 2009, Washington Gas and the Staff of the SCC of VA filed a joint motion to approve stipulation and close proceeding with the SCC of VA whereby the Staff of the SCC of VA and Washington Gas agreed upon the appropriate refund to ratepayers under the ESM. The overall difference between the Staff position and Washington Gas's position was not material to the financial statements of Washington Gas. On July 24, 2009, the SCC of VA granted the joint motion and accepted the stipulation submitted by Washington Gas and the Staff of the SCC of VA in its final order approving the ESM liability for fiscal year 2008. At December 31, 2009, Washington Gas had accrued a customer liability of \$2.3 million for estimated sharing under the Virginia ESM related to fiscal year 2008. In accordance with the provisions of its VA tariff, Washington Gas began crediting customers' bills in April 2009 for the fiscal year 2008 ESM liability. The credits will continue through March, 2010. On January 28, 2010, Washington Gas filed its annual information filing confirming that there was no liability for fiscal year 2009 and that approximately \$0.5 million of previously expensed hexane cost were recoverable in rates. A decision on this filing is expected in the summer of 2010.

On an interim basis, Washington Gas records the effects of the ESM based on year-to-date earnings in relation to estimated annual earnings as calculated for regulatory purposes. For the three months ended December 31, 2009, we did not incur expense related to the ESM.

On November 16, 2007, the PSC of MD issued a final order in a rate case which established a phase-two proceeding to review Washington Gas's request to implement a PBR plan and issues raised by the parties associated with Washington Gas's BPO agreement. On September 4, 2008, a proposed order of Hearing Examiner was issued in this phase-two proceeding. Consistent with Washington Gas's current accounting methodology, the proposed order approved 10-year amortization accounting for initial implementation costs related to Washington Gas's BPO plan. At December 31, 2009 and September 30, 2009, we had recorded a regulatory asset of \$7.2 million and \$7.4 million, respectively, net of amortization, related to initial implementation costs allocable to Maryland associated with our BPO plan. Washington Gas's application seeking approval of a PBR plan was denied. Additionally, the proposed order (i) directs Washington Gas to obtain an independent management audit related to issues raised in the phase-two proceeding and (ii) directs the initiation of a collaboration process in which Washington Gas is directed to engage in discussions with the Staff of the PSC of MD (MD Staff), the Maryland Office of People's Counsel (MD OPC) and interested parties to develop appropriate customer service metrics and a periodic form for reporting results similar to the metrics filed by Washington Gas as part of the approved settlement in Virginia. This proposed order has been appealed by the MD Staff, the MD OPC and other parties. Washington Gas's reply memorandum on appeal was filed on November 5, 2008. A final decision by the PSC of MD is pending.

The final order issued by the PSC of DC on December 28, 2007 approved amortization accounting for initial implementation costs related to the BPO plan in approving the stipulated agreement filed in the proceeding. As part of that approved agreement, Washington Gas withdrew its application seeking

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approval of a PBR plan. Washington Gas is prohibited from seeking approval of a PBR plan in the District of Columbia until the filing of its next base rate case; however, the settling parties may not seek a change in rates during the rate case filing moratorium period under the terms of the approved rate settlement, with the exception of the implementation of a revenue normalization adjustment.

#### **Depreciation Study**

In October 2006, Washington Gas completed a depreciation rate study based on its property, plant and equipment balances as of December 31, 2005. The results of the depreciation study concluded that Washington Gas's depreciation rates should be reduced due to asset lives being extended beyond previously estimated lives. Under regulatory requirements, these depreciation rates must be approved before they are placed into effect.

On April 13, 2007, Washington Gas filed the portion of the depreciation study related to the Maryland jurisdiction. A separate proceeding was established on May 2, 2007, by the PSC of MD to review Washington Gas's request to implement new depreciation rates. On October 25, 2007, Washington Gas filed a 2007 technical update of the Maryland depreciation study based on property, plant and equipment balances as of December 31, 2006. Hearings were held May 12 and 13, 2008. Initial briefs were filed on July 16, 2008 and reply briefs were filed on August 6, 2008. On October 15, 2008, a proposed order of Hearing Examiner was issued in Maryland, which would reduce Washington Gas's annual depreciation expense related to the Maryland jurisdiction by approximately \$11.2 million when new depreciation rates are implemented, with a corresponding decrease in annual revenues on a prospective basis to be reflected in future billing rates. Reflected in this reduction in depreciation expense, among other things, are: (i) a change in methodology for calculating accrued asset removal costs and (ii) the designation of certain insurance and relocation reimbursements as salvage value. This reduction in depreciation expense will not impact annual operating income and will not prevent the recovery of our capital investment; however, it will have the effect of deferring full recovery of our capital investment into future years. On November 14, 2008, Washington Gas and the MD OPC noted appeals of the October 15, 2008 proposed order, thus suspending its effective date.

On February 5, 2010, the PSC of MD issued an order on appeal. The order affirmed the proposed order with two exceptions: (i) it directed the parties to confer and report on a prospective allocation method for reimbursements and (ii) it directed Washington Gas to amortize its \$13.3 million reserve deficiency imbalance over a 33.5 year time frame. We are currently assessing the requirements of the decision and the merits of an appeal. The PSC of MD's practice provides that the prospective impact of changes in depreciation rates from such an order will not be reflected on Washington Gas's accounts and records until a change in Washington Gas's distribution rates charged to customers takes effect. Implementation of revised depreciation rates and base rates is subject to approval by the PSC of MD.

#### **NON-UTILITY OPERATIONS**

##### ***Construction Project Financing***

To fund certain of its construction projects, Washington Gas enters into financing arrangements with third party lenders. As part of these financing arrangements, Washington Gas's customers agree to make principal and interest payments over a period of time, typically beginning after the projects are completed. Washington Gas assigns these customer payment streams to the lender in exchange for the contract payments paid to Washington Gas during the construction period. As the lender funds the construction project, Washington Gas establishes a receivable representing its customers' obligations to remit principal and interest and a long-term payable to the lender. When these projects are formally "accepted" by the customer as completed, Washington Gas transfers the ownership of the receivable to the lender and removes both the receivable and the long-term financing from its financial statements. As of December 31, 2009, work on these construction projects that was not completed or accepted by customers was valued at \$6.1 million, which is recorded on the balance sheet as a receivable in "Deferred Charges and Other Assets—Other" with the corresponding long-term obligation to the lender in "Long-term debt." At any time before these contracts are accepted by the customer, should there be a contract default, such as, among other things, a delay in completing the project, the lender may call on Washington Gas to fund the unpaid principal in exchange for which Washington Gas would receive the right to the stream of payments from the customer. Once the project is accepted by the customer, the lender will have no recourse against Washington Gas related to this long-term debt.

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**Financial Guarantees**

WGL Holdings has guaranteed payments primarily for certain purchases of natural gas and electricity on behalf of the retail energy-marketing segment. At December 31, 2009, these guarantees totaled \$532.0 million. The amount of such guarantees is periodically adjusted to reflect changes in the level of financial exposure related to these purchase commitments. We also receive financial guarantees or other collateral from suppliers when required by our credit policy. WGL Holdings also issued guarantees totaling \$3.0 million at December 31, 2009 that were made on behalf of certain of our non-utility subsidiaries associated with their banking transactions. Of the total guarantees of \$535.0 million, \$33.0 million are due to expire on December 31, 2010. The remaining guarantees do not have specific maturity dates. For all of its financial guarantees, WGL Holdings may cancel any or all future obligations imposed by the guarantees upon written notice to the counterparty; however, WGL Holdings would continue to be responsible for the obligations that had been created under the guarantees prior to the effective date of the cancellation.

**NOTE 13. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS**

The following tables show the components of net periodic benefit costs (income) recognized in our financial statements during the three months ended December 31, 2009 and 2008:

	Components of Net Periodic Benefit Costs (Income)			
	Three Months Ended December 31,			
	2009		2008	
<i>(In thousands)</i>	Pension Benefits	Health and Life Benefits	Pension Benefits	Health and Life Benefits
<b>Components of net periodic benefit costs (income)</b>				
Service cost	\$ 2,482	\$ 1,648	\$ 2,117	\$ 1,278
Interest cost	10,814	6,331	10,678	6,257
Expected return on plan assets	(11,755)	(4,605)	(12,888)	(4,492)
Amortization of prior service cost	270	(1,005)	429	(1,005)
Amortization of actuarial loss	1,088	2,195	104	1,231
Amortization of transition obligation	—	272	—	271
<b>Net periodic benefit cost (income)</b>	<b>2,899</b>	<b>4,836</b>	<b>440</b>	<b>3,540</b>
Amount allocated to construction projects	(270)	(769)	30	(499)
Amount deferred as regulatory asset/liability—net	(1,304)	505	(990)	800
Other	7	—	(25)	5
<b>Amount charged (credited) to expense</b>	<b>\$ 1,332</b>	<b>\$ 4,572</b>	<b>\$ (545)</b>	<b>\$ 3,846</b>

Amounts included in the line item “Amount deferred as regulatory asset/liability-net” as shown in the table above, represent the difference between the cost of the applicable pension benefits or the health and life benefits and the amount that Washington Gas is permitted to recover in rates that it charges to customers in the District of Columbia.

Under the new changes to the defined contribution savings plan announced on July 20, 2009, approximately 65 employees elected to cease participating in the non-contributory defined benefit plan in return for receiving an enhanced contribution under the defined contribution savings plan.

**NOTE 14. SUBSEQUENT EVENTS**

The Company has evaluated all events or transactions that occurred after December 31, 2009 through February 5, 2010, the date the accompanying financial statements were available to be issued. During this period, there were no material subsequent events.

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**INTRODUCTION**

This *Management's Discussion and Analysis of Financial Condition and Results of Operations* (Management's Discussion) analyzes the financial condition, results of operations and cash flows of WGL Holdings, Inc. (WGL Holdings) and its subsidiaries and should be read in conjunction with our unaudited financial statements and the accompanying notes in this quarterly report, as well as our combined Annual Report on Form 10-K for WGL Holdings and Washington Gas Light Company (Washington Gas) for the fiscal year ended September 30, 2009 (2009 Annual Report). Except where the content clearly indicates otherwise, "WGL Holdings," "we," "us" or "our" refers to the holding company or the consolidated entity of WGL Holdings and all of its subsidiaries.

Management's Discussion is divided into the following two major sections:

- **WGL Holdings**—This section describes the financial condition and results of operations of WGL Holdings and its subsidiaries on a consolidated basis. It includes discussions of our regulated and unregulated operations. WGL Holdings' operations are derived from the results of Washington Gas and the results of our non-utility operations.
- **Washington Gas**—This section describes the financial condition and results of operations of Washington Gas, a wholly owned subsidiary that comprises the majority of our regulated utility segment.

Unless otherwise noted, earnings per share amounts are presented on a diluted basis and are based on weighted average common and common equivalent shares outstanding. Our operations are seasonal and, accordingly, our operating results for the interim periods presented are not indicative of the results to be expected for the full fiscal year.

**EXECUTIVE OVERVIEW**

**Introduction**

WGL Holdings, through its wholly owned subsidiaries, sells and delivers natural gas and provides a variety of energy-related products and services to customers primarily in the District of Columbia and the surrounding metropolitan areas in Maryland and Virginia. WGL Holdings has three operating segments that are described below.

**Regulated Utility.** With approximately 90% of our consolidated total assets, the regulated utility segment consists of Washington Gas and Hampshire Gas Company (Hampshire). Washington Gas, a wholly owned subsidiary of WGL Holdings, delivers natural gas to retail customers in accordance with tariffs approved by the regulatory commissions that have jurisdiction over Washington Gas's rates. Washington Gas also sells natural gas to customers who have not elected to purchase natural gas from unregulated third party marketers.

The rates charged to utility customers, are designed to recover Washington Gas's operating expenses and natural gas commodity costs and to provide a return on its investment in the net assets used in its firm gas sales and delivery service. Washington Gas recovers the cost of the natural gas to serve firm customers through the gas cost recovery mechanisms as approved in jurisdictional tariffs. Any difference between the firm customer gas costs incurred and the gas costs recovered from those firm customers is deferred on the balance sheet as an amount to be collected from or refunded to customers in future periods. Therefore, increases or decreases in the cost of gas associated with sales made to firm customers have no direct effect on Washington Gas's net revenues and net income.



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Washington Gas’s asset optimization program utilizes Washington Gas’s storage and transportation capacity resources when not fully being used to physically serve utility customers by entering into commodity-related physical and financial contracts with third parties with the objective of deriving a profit to be shared with its utility customers (refer to the section entitled “Market Risk” for a further discussion of our asset optimization program). Unless otherwise noted, therm deliveries shown related to Washington Gas or the regulated utility segment do not include therm deliveries related to our asset optimization program.

Hampshire, a wholly owned subsidiary of WGL Holdings, is regulated by the Federal Energy Regulatory Commission (FERC). Hampshire operates and owns full and partial interests in underground natural gas storage facilities including pipeline delivery facilities located in and around Hampshire County, West Virginia. Washington Gas purchases all of the storage services of Hampshire and includes the cost of these services in the bills sent to its customers. Hampshire operates under a “pass-through” cost of service-based tariff approved by the FERC, and adjusts its billing rates to Washington Gas on a periodic basis to account for changes in its investment in utility plant and associated expenses.

**Retail Energy-Marketing.** The retail energy-marketing segment consists of the operations of Washington Gas Energy Services, Inc. (WGEServices), a wholly owned subsidiary of Washington Gas Resources. WGEServices competes with regulated utilities and other unregulated third party marketers to sell natural gas and/or electricity directly to residential, commercial and industrial customers in Maryland, Virginia, Delaware, Pennsylvania and the District of Columbia. WGEServices contracts for its supply needs and buys and resells natural gas and electricity with the objective of earning a profit through competitively priced contracts with end-users. These commodities are delivered to retail customers through the distribution systems owned by regulated utilities such as Washington Gas or other unaffiliated natural gas or electric utilities. WGEServices is also expanding its renewable energy and energy conservation product and service offerings. During the quarter ended December 31, 2009, WGEServices completed the construction of two Solar Photovoltaic (PV) facilities which includes ownership of the operational assets. Other than its Solar PV facilities, WGEServices does not own or operate any natural gas or electric generation, production, transmission or distribution assets. Continued expansion may include the ownership of other renewable energy producing assets.

**Design-Build Energy Systems.** Our design-build energy systems segment, which consists of the operations of Washington Gas Energy Systems, Inc. (WGESystems), provides design-build energy efficient and sustainable solutions to government and commercial clients. WGESystems focuses on upgrading the mechanical, electrical, water and energy-related systems of large government and commercial facilities by implementing both traditional as well as alternative energy technologies, primarily in the District of Columbia, Maryland and Virginia.

**PRIMARY FACTORS AFFECTING WGL HOLDINGS AND WASHINGTON GAS**

The principal business, economic and other factors that affect our operations and/or financial performance include:

- weather conditions and weather patterns;
- regulatory environment and regulatory decisions;
- availability of natural gas supply and pipeline transportation and storage capacity;
- diversity of natural gas supply;
- volatility of natural gas prices;
- non-weather related changes in natural gas consumption patterns;
- maintaining the safety and reliability of the natural gas distribution system;
- competitive environment;
- environmental matters;

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- industry consolidation;
- economic conditions and interest rates;
- inflation/deflation;
- use of business process outsourcing;
- labor contracts, including labor and benefit costs; and
- changes in accounting principles.

For further discussion of the factors listed above, refer to Management’s Discussion within the 2009 Annual Report. Also, refer to the section entitled “*Safe Harbor for Forward-Looking Statements*” included in this quarterly report for a listing of forward-looking statements related to factors affecting WGL Holdings and Washington Gas.

**CRITICAL ACCOUNTING POLICIES**

The preparation of financial statements and related disclosures in compliance with GAAP requires the selection and the application of appropriate technical accounting guidance to the relevant facts and circumstances of our operations, as well as our use of estimates to compile the consolidated financial statements. The application of these accounting policies involves judgment regarding estimates and projected outcomes of future events, including the likelihood of success of particular regulatory initiatives, the likelihood of realizing estimates for legal and environmental contingencies and the probability of recovering costs and investments in both the regulated utility and non-regulated business segments.

We have identified the following critical accounting policies that require our judgment and estimation, where the resulting estimates may have a material effect on the consolidated financial statements:

- accounting for unbilled revenue;
- accounting for regulatory operations — regulatory assets and liabilities;
- accounting for income taxes;
- accounting for contingencies;
- accounting for derivative instruments;
- accounting for pension and other post-retirement benefit plans and
- accounting for stock based compensation.

For a description of these critical accounting policies, refer to Management’s Discussion within the 2009 Annual Report. Refer to Note 1 of the Notes to Consolidated Financial Statements in this quarterly report for a discussion of newly implemented accounting policies.

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**WGL HOLDINGS, INC.**

**RESULTS OF OPERATIONS — Three Months Ended December 31, 2009 vs. December 31, 2008**

We analyze the operating results of the regulated utility segment using utility net revenues and the retail energy-marketing segment using gross margins. Both utility net revenues and gross margins are calculated as revenues less the associated cost of energy and applicable revenue taxes. We believe utility net revenues is a better measure to analyze profitability than gross operating revenues for our regulated utility segment because the cost of the natural gas commodity and revenue taxes are generally included in the rates that Washington Gas charges to customers as reflected in operating revenues. Accordingly, changes in the cost of gas and revenue taxes associated with sales made to customers generally have no direct effect on utility net revenues, operating income or net income. We consider gross margins to be a better reflection of profitability than gross revenues or gross energy costs for our retail energy-marketing segment because gross margins are a direct measure of the success of our core strategy for the sale of natural gas and electricity.

Neither utility net revenues nor gross margins should be considered as an alternative to, or a more meaningful indicator of, our operating performance than net income. Our measures of utility net revenues and gross margins may not be comparable to similarly titled measures of other companies. Refer to the sections entitled “Results of Operations—Regulated Utility Operating Results” and “Results of Operations—Non-Utility Operating Results” for the calculation of utility net revenues and gross margins, respectively, as well as a reconciliation to operating income and net income for both segments.

**Summary Results**

WGL Holdings reported net income applicable to common stock (hereinafter referred to as net income) of \$47.6 million, or \$0.94 per share, for the three months ended December 31, 2009 compared to \$54.6 million, or \$1.09 per share, reported for the three months ended December 31, 2008. For the twelve-month periods ended December 31, 2009 and 2008, we earned a return on average common equity of 10.2% and 11.8%, respectively.

The comparison of results for the three month period ended December 31, 2009 compared to the same period of the prior fiscal year primarily reflects a decrease in earnings from the regulated utility segment partially offset by increased earnings from our retail energy-marketing segment.

The following table summarizes our net income (loss) by operating segment for the three months ended December 31, 2009 and 2008.

<i>(In millions)</i>	Three Months Ended December 31,		Increase/ (Decrease)
	2009	2008	
<b>Net Income (Loss) Applicable to Common Stock by Operating Segment</b>			
Regulated Utility	<b>\$ 40.7</b>	\$ 53.7	\$ (13.0)
Non-utility operations:			
Retail Energy-Marketing	7.5	0.5	7.0
Design-Build Energy Systems	(0.2)	0.8	(1.0)
Other, principally non-utility activities	(0.4)	(0.4)	—
Total non-utility	6.9	0.9	6.0
<b>Net Income applicable to common stock</b>	<b>\$ 47.6</b>	\$ 54.6	\$ (7.0)
<b>EARNINGS PER AVERAGE COMMON SHARE</b>			
Basic	<b>\$ 0.95</b>	\$ 1.09	\$ (0.14)
Diluted	<b>\$ 0.94</b>	\$ 1.09	\$ (0.15)

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**Regulated Utility Operating Results**

The following table summarizes the regulated utility segment's operating results for the three months ended December 31, 2009 and 2008.

<i>(In millions)</i>	Three Months Ended December 31,		Increase/ (Decrease)
	2009	2008	
<b>Regulated Utility Operating Results</b>			
Utility net revenues:			
Operating revenues	<b>\$ 398.9</b>	\$ 530.6	\$ (131.7)
Less: Cost of gas	<b>205.6</b>	314.9	(109.3)
Revenue taxes	<b>17.4</b>	17.3	0.1
Total utility net revenues	<b>175.9</b>	198.4	(22.5)
Operation and maintenance	<b>63.2</b>	61.7	1.5
Depreciation and amortization	<b>24.0</b>	23.9	0.1
General taxes and other assessments—other	<b>12.5</b>	12.3	0.2
Operating income	<b>76.2</b>	100.5	(24.3)
Interest expense	<b>9.7</b>	11.8	(2.1)
Other (income) expenses-net, including preferred stock dividends	<b>—</b>	0.6	(0.6)
Income tax expense	<b>25.8</b>	34.4	(8.6)
Net income applicable to common stock	<b>\$ 40.7</b>	\$ 53.7	\$ (13.0)

The regulated utility segment's net income was \$40.7 million for the three months ended December 31, 2009 compared to \$53.7 million for the same three-month period of the prior fiscal year. The decrease in net income primarily reflects: (i) a \$14.3 million decrease in unrealized margins associated with our asset optimization program; (ii) a \$4.6 million reversal in fiscal year 2009 of a reserve for disallowed natural gas costs in Maryland due to a February 5, 2009 order from the Public Service Commission of Maryland (PSC of MD); (iii) a \$2.9 million decrease in the recovery of storage carrying costs on lower average storage gas inventory balances and (iv) higher employee benefit expenses due to changes in plan asset values and obligation measurement assumptions. Partially offsetting this decrease was an increase in over 10,300 average active customer meters and lower interest expense related to lower weighted-average interest rates associated with our borrowings.

**Utility Net Revenues.** The following table provides the key factors contributing to the changes in the utility net revenues of the regulated utility segment between the three months ended December 31, 2009 and 2008.

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**Composition of Changes in Utility Net Revenues**

<i>(In millions)</i>	Increase / (Decrease)
Customer growth	\$ 1.5
Estimated weather effects — offset by weather insurance and derivative products	(0.8)
Estimated change in natural gas consumption patterns	1.1
Gas administrative charge (GAC)	(1.3)
Asset optimization:	
Realized margins	1.2
Unrealized mark-to-market valuations	(14.3)
Storage carrying costs	(2.9)
Earnings Sharing Mechanism (ESM)	(0.3)
Reversal of reserve for natural gas costs	(4.6)
Other	(2.1)
<b>Total</b>	<b>\$ (22.5)</b>

*Customer growth* — Average active customer meters increased 10,370 for the three months ended December 31, 2009 compared to the same quarter of the prior fiscal year.

*Estimated weather effects* — Washington Gas currently has a weather protection strategy that is designed to neutralize the estimated financial effects of variations from normal weather on net income (refer to the section entitled “*Weather Risk*” for a further discussion of our weather protection strategy). On September 21, 2009, Washington Gas executed an heating degree day (HDD) derivative contract to manage its exposure to variations from normal weather in the District of Columbia during fiscal year 2010. Changes in the fair value of this derivative are reflected in operation and maintenance expense.

Weather, when measured by HDDs, was 6.2% and 13.4% colder than normal in the quarter ended December 31, 2009 and 2008, respectively. Including the effects of our weather protection strategy, there were no material effects on net income attributed to colder or warmer weather on either the quarter ended December 31, 2009 or 2008.

*Estimated change in natural gas consumption patterns* — The variance in net revenues reflects the changes in natural gas consumption patterns in the Virginia and District of Columbia jurisdictions. These changes may be affected by shifts in weather patterns in which customer heating usage may not correlate highly with average historical levels of usage per HDD that occur. Natural gas consumption patterns may also be affected by non-weather related factors.

GAC — Represents a regulatory mechanism in all jurisdictions that provides for recovery of uncollectible accounts expense related to changes in gas costs. Lower recoveries reflect the lower cost of natural gas for the first quarter of fiscal year 2010 as compared to the same quarter in fiscal year 2009. The related uncollectible accounts expense is included in operation and maintenance expenses.

*Asset optimization* — We recorded unrealized losses associated with our energy-related derivatives of \$4.0 million for the three months ended December 31, 2009 compared to gains of \$10.3 million for the same period of 2008. When these derivatives settle, any unrealized amounts will ultimately be reversed, and Washington Gas will realize margins when combined with the related transactions these derivatives economically hedge. Pre-tax realized margins related to our asset optimization program were \$1.2 million higher for the quarter ended December 31, 2009 as compared the quarter ended December 31, 2008. (Refer to the section entitled “*Market Risk—Price Risk Related to the Regulated Utility Segment*” for a further discussion of our asset optimization program).

*Storage carrying costs* — Represents recoverable carrying costs based on the cost of capital approved in each jurisdiction, multiplied by the 12-month average balance of storage gas inventory. The decrease in the three months ended December 31, 2009 is due to lower average storage gas inventory

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balances due primarily to a significant decrease in gas prices during the spring and summer of 2009 compared to the same period of the prior fiscal year.

*Earnings Sharing Mechanism* — The Virginia ESM shares with shareholders and customers in Virginia, earnings that exceed a target rate of return on equity with shareholders and customers. For the three months ended December 31, 2009, we did not incur additional expense related to the ESM. For the three months ended December 31, 2008, Washington Gas recorded a \$293,000 benefit which includes an adjustment reducing the fiscal year 2008 liability. Refer to the section entitled “Rates and Regulatory Matters — Performance-Based Rate Plans” included in Management’s Discussion for Washington Gas for a further discussion of the ESM.

*Reserve for disallowance of natural gas costs*—In the first quarter of fiscal year 2009, Washington Gas reversed a \$4.6 million reserve for disallowed natural gas costs in Maryland to income due to a February 5, 2009 order from the 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. Refer to the section entitled “Rates and Regulatory Matters” in Management’s Discussion for Washington Gas for further discussion of this matter.

**Operation and Maintenance Expenses.** The following table provides the key factors contributing to the changes in operation and maintenance expenses of the regulated utility for the three months ended December 31, 2009 compared to 2008.

<b>Composition of Changes in Operation and Maintenance Expenses</b>	
<i>(in millions)</i>	Increase/ (Decrease)
Weather derivatives	
Loss	\$ (0.8)
Premium costs and fair value effects	0.4
Employee benefits	2.2
Uncollectible accounts	(0.6)
Other operating expenses	0.3
<b>Total</b>	<b>\$ 1.5</b>

*Weather derivatives* — Washington Gas recorded losses of \$861,000 and \$1.7 million related to its weather derivatives as a direct result of the colder-than-normal weather for the quarter ended December 31, 2009 and 2008 respectively. These losses are offset by the effect of weather on utility net revenues.

*Employee benefits* — The increase in benefit expenses primarily reflects higher pension and other post retirement benefits due to changes in plan asset values and discount rate assumptions used to measure the benefit obligation.

*Uncollectible accounts* — This reduction in uncollectible accounts expense tracks the lower revenues due to reduced gas costs reflected in the first quarter of fiscal year 2010 compared to the same quarter in fiscal year 2009.

**Non-Utility Operating Results**

Our non-utility operations comprise two business segments: (i) retail energy-marketing and (ii) design-build energy systems. 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 three operating segments, are aggregated as “Other Activities” and included as part of non-utility operations. Total net income from our non-utility operations was \$6.9 million for the three months ended December 31, 2009, an increase of

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\$6.0 million compared to net income of \$908,000 for the same three-month period of the prior fiscal year. This comparison primarily reflects increased earnings from our retail energy-marketing segment, partially offset by the decreased earnings from design-build energy systems.

**Retail Energy-Marketing.** The following table depicts the retail energy-marketing segment's operating results along with selected statistical data.

**Retail-Energy Marketing Financial and Statistical Data**

	Three Months Ended December 31,		Increase / (Decrease)
	2009	2008	
<b>Operating Results (In millions)</b>			
Gross margins:			
Operating revenues	\$ 333.5	\$ 293.8	\$ 39.7
Less: Cost of energy	310.5	284.9	25.6
Revenue taxes	0.6	0.1	0.5
Total gross margins	22.4	8.8	13.6
Operation expenses	8.8	6.8	2.0
Depreciation and amortization	0.2	0.2	—
General taxes and other assessments—other	0.8	0.7	0.1
Operating income	12.6	1.1	11.5
Interest expense	0.1	0.3	(0.2)
Income tax expense	5.0	0.3	4.7
Net income	\$ 7.5	\$ 0.5	\$ 7.0
<b>Analysis of gross margins (In millions)</b>			
Natural gas			
Realized margins	\$ 13.0	\$ 7.1	\$ 5.9
Unrealized mark-to-market gains (losses)	(3.4)	(3.3)	(0.1)
Total gross margins — natural gas	9.6	3.8	5.8
Electricity			
Realized margins	9.3	10.4	(1.1)
Unrealized mark-to-market gains (losses)	3.5	(5.4)	8.9
Total gross margins — electricity	12.8	5.0	7.8
Total gross margins	\$ 22.4	\$ 8.8	\$ 13.6
<b>Other Retail-Energy Marketing Statistics</b>			
Natural gas			
Therm sales (millions of therms)	177.0	189.5	(12.5)
Number of customers (end of period)	158,100	135,800	22,300
Electricity			
Electricity sales (millions of kWhs)	1,873.4	845.3	1,028.1
Number of accounts (end of period)	123,800	63,900	59,900

WGEServices reported net income of \$7.5 million for the three months ended December 31, 2009, an improvement of \$7.0 million over net income of \$450,000 reported for the same three-month period of the prior fiscal year.

The quarter-to-quarter comparison primarily reflects higher gross margins from electric and natural gas sales, partially offset by increased marketing initiatives primarily from mass-marketing efforts targeted toward residential and small commercial customers. Such efforts are reflected in the increased electric sales volumes and in the number of accounts in both the gas and electric markets during the quarter ended December 31, 2009. Period-to-period comparisons of quarterly gross margins for this segment can vary significantly and are not representative of expected annualized results.

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Gross margins from natural gas sales increased \$5.8 million in the first quarter of fiscal year 2010 over the same period in the prior fiscal year due to a \$5.9 million increase in realized margins. The increase in realized margins is due to a rise in the margin per therm sold reflecting lower priced inventory withdrawals and more favorable weather conditions compared to the same period of the prior fiscal year, partially offset by unrealized mark-to-mark losses associated with energy-related derivatives.

Gross margins from electric sales in the current quarter increased \$7.8 million from the same quarter of the prior period. This increase reflects an \$8.9 million increase in unrealized mark-to-market gains associated with energy-related derivatives. Realized margins were lower by \$1.1 million primarily due to a compression of unit margins, partially offset by an increase in electric sales volumes.

**Design-Build Energy Systems.** The design-build energy systems segment reported a net loss of \$212,000 for the first quarter of fiscal year 2010, compared to net income of \$832,000 reported for the same period of fiscal year 2009. This decrease is primarily due to the timing of project work in the first quarter of 2010 compared to the same period of the prior fiscal year.

**Interest Expense**

The following table depicts the components of the change in interest expense from the quarter ended December 31, 2009 compared to 2008.

**Composition of Interest Expense Changes**

<i>(In millions)</i>	Increase / (Decrease)
Long-term debt	\$ (0.1)
Short-term debt	(1.9)
Other (includes AFUDC <sup>(a)</sup> )	(0.4)
<b>Total</b>	<b>\$ (2.4)</b>

<sup>(a)</sup> Represents Allowance for Funds Used During Construction.

WGL Holdings’ interest expense of \$9.7 million for the first quarter of fiscal year 2010 decreased \$2.4 million from the same quarter of the prior fiscal year. Lower interest expense for the period primarily reflects lower weighted average interest rates, partially offset by higher average balances of long-term debt outstanding.

**LIQUIDITY AND CAPITAL RESOURCES**

**General Factors Affecting Liquidity**

It is important for us to have access to short-term debt markets to maintain satisfactory liquidity to operate our businesses on a near-term basis. Acquisition of natural gas, electricity, pipeline capacity and the need to finance accounts receivable and storage gas inventory are our most significant short-term financing requirements. The need for long-term capital is driven primarily by capital expenditures and maturities of long-term debt.

Our ability to obtain adequate and cost effective financing depends on our credit ratings as well as the liquidity of financial markets. Our credit ratings depend largely on the financial performance of our subsidiaries, and a downgrade in our current credit ratings could require us to post additional collateral with our wholesale counterparties and adversely affect our borrowing costs, as well as our access to sources of liquidity and capital. Also potentially affecting access to short-term debt capital is the nature of any restrictions that might be placed upon us, such as ratings triggers or a requirement to provide creditors with additional credit support in the event of a determination of insufficient creditworthiness. During the quarter ended December 31, 2009, we met our liquidity needs at reasonable cost through the



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issuance of commercial paper by WGL Holdings and Washington Gas and the issuance of debt securities by Washington Gas to support its operations.

The level of our capital expenditure requirements, our financial performance and the effect of these factors on our credit ratings, as well as investor demand for our securities, affect the availability of long-term capital at reasonable costs.

We have a goal to maintain our common equity ratio in the mid-50% range of total consolidated capital. The level of this ratio varies during the fiscal year due to the seasonal nature of our business. This seasonality is also evident in the variability of our short-term debt balances, which are typically higher in the fall and winter months and substantially lower in the spring when a significant portion of our current assets are converted into cash at the end of the winter heating season. Accomplishing this capital structure objective and maintaining sufficient cash flow are necessary to maintain attractive credit ratings for WGL Holdings and Washington Gas, and to allow access to capital at reasonable costs. As of December 31, 2009, total consolidated capitalization, including current maturities of long-term debt and excluding notes payable, comprised 60.9% common equity, 1.5% preferred stock and 37.6% long-term debt. Our cash flow requirements and our ability to provide satisfactory resources to meet those requirements are primarily influenced by the activities of Washington Gas and WGEServices and, to a lesser extent, other non-utility operations.

Our plans provide for sufficient liquidity to satisfy our financial obligations. At December 31, 2009, we did not have any restrictions on our cash balances or retained earnings that would affect the payment of common or preferred stock dividends by WGL Holdings or Washington Gas.

***Short-Term Cash Requirements and Related Financing***

Washington Gas's business is weather sensitive and seasonal, causing short-term cash requirements to vary significantly during the year. Approximately 77.0% of the total therms delivered in Washington Gas's service area (excluding deliveries to two electric generation facilities) occur during the first and second fiscal quarters. Accordingly, Washington Gas typically generates more net income in the first six months of the fiscal year than it does for the entire fiscal year.

During the first six months of our fiscal year, Washington Gas generates large sales volumes and its cash requirements peak when accounts receivable and unbilled revenues are at their highest levels. During the last six months of our fiscal year, after the winter heating season, Washington Gas will typically experience a seasonal net loss due to reduced demand for natural gas. During this period, many of Washington Gas's assets are converted into cash which Washington Gas generally uses to reduce and sometimes eliminate short-term debt and to acquire storage gas for the next heating season.

Washington Gas and WGEServices have seasonal short-term cash requirements resulting from their need to purchase storage gas inventory in advance of the winter heating periods in which the storage gas is sold. At December 31, 2009 and September 30, 2009, Washington Gas had investment balances in gas storage of \$198.7 million and \$237.7 million, respectively. Washington Gas collects the cost of gas under cost recovery mechanisms approved by its regulators. WGEServices collects revenues that are designed to reimburse its commodity costs used to supply its retail customer contracts. Variations in the timing of cash receipts from customers under these collection methods can significantly affect short-term cash requirements. In addition, both Washington Gas and WGEServices pay their respective commodity suppliers before collecting the accounts receivable balances resulting from these sales. WGEServices derives its funding to finance these activities from short-term debt issued by WGL Holdings. Additionally, WGEServices may be required to post collateral, either parent guarantees from WGL Holdings or cash, for certain purchases.

Variations in the timing of collections of gas costs under Washington Gas's gas cost recovery mechanisms can significantly affect short-term cash requirements. At December 31, 2009, Washington Gas had a \$63.1 million balance of unrecovered gas costs due from customers related to the most recent twelve month gas

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cost recovery cycle ended August 31, 2009. Most of this balance will be collected from customers in fiscal year 2010. Amounts under-collected or over-collected that are generated during the current gas cost recovery cycle are deferred as a regulatory asset or liability on the balance sheet until September 1st of each year, at which time the accumulated amount is transferred to gas costs due from/to customers as appropriate. At December 31, 2009, Washington Gas had a net deferred balance of \$1.5 million related to the current gas recovery cycle.

WGL Holdings and Washington Gas utilize short-term debt in the form of commercial paper or unsecured short-term bank loans to fund seasonal cash requirements. Our policy is to maintain back-up bank credit facilities in an amount equal to or greater than our expected maximum commercial paper position. The following is a summary of our committed credit agreements at December 31, 2009.

**Committed Credit Available (In millions)**

	WGL Holdings	Washington Gas	Total Consolidated
<b>Committed credit agreements</b>			
Unsecured revolving credit facility, expires August 3, 2012 <i>(a)</i>	\$ 400.0	\$ 300.0	\$ 700.0
Less: Commercial Paper	(108.3)	(68.3)	(176.6)
<b>Net committed credit available</b>	<b>\$ 291.7</b>	<b>\$ 231.7</b>	<b>\$ 523.4</b>

*(a) 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.*

WGL Holdings typically issues commercial paper to meet its financing requirements including cash collateral requirements posted to counterparties associated with WGEServices’ contracts.

At December 31, 2009 and September 30, 2009, WGL Holdings and its subsidiaries had outstanding notes payable in the form of commercial paper of \$176.6 million and \$183.8 million, respectively, at a weighted average interest rate of 0.24% and 0.27%, respectively. Of the outstanding notes payable balance at December 31, 2009, \$108.3 million was issued by WGL Holdings and \$68.3 million was issued by Washington Gas. Of the outstanding notes payable balance at September 30, 2009, \$59.0 million was issued by WGL Holdings and \$124.8 million was issued by Washington Gas. As of December 31, 2009 and September 30, 2009, there were no outstanding bank loans under WGL Holdings or Washington Gas’s revolving credit facilities.

To manage credit risk, both Washington Gas and WGEServices may require deposits from certain customers and suppliers, which are reported as current liabilities in “Customer deposits and advance payments.” At December 31, 2009 and September 30, 2009, “Customer deposits and advance payments” totaled \$60.3 million and \$52.9 million, respectively. For both periods, most of these deposits related to customer deposits for Washington Gas.

For Washington Gas, deposits from customers may be refunded to the depositor-customer at various times throughout the year based on the customer’s payment habits. At the same time, other customers make new deposits that cause the balance of customer deposits to remain relatively steady. There are no restrictions on Washington Gas’s use of these customer deposits. Washington Gas pays interest to its customers on these deposits in accordance with the requirements of its regulatory commissions.

For WGEServices, deposits typically represent collateral for transactions with wholesale counterparties for the purchase and sale of natural gas and electricity. These deposits may be required to be repaid or increased at any time based on the current value of WGEServices’ net position with the counterparty. Currently there are no restrictions on WGEServices’ use of deposit funds and WGEServices

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pays interest to the counterparty on these deposits in accordance with its contractual obligations. Refer to the section entitled “*Credit Risk*” for further discussion of our management of credit risk.

**Long-Term Cash Requirements and Related Financing**

Our long-term cash requirements primarily depend upon the level of capital expenditures, long-term debt maturities and decisions to refinance long-term debt. Our capital expenditures primarily relate to adding new utility customers and system supply as well as maintaining the safety and reliability of Washington Gas’s distribution system. Refer to our 2009 Annual Report for further discussion of our capital expenditures forecast and our long-term debt maturities.

At December 31, 2009, Washington Gas had the capacity under a shelf registration to issue up to \$450.0 million of additional MTNs. Washington Gas has authority from its regulators to issue other forms of debt, including private placements.

On November 2, 2009, Washington Gas issued \$50.0 million of unsecured 4.76% fixed rate notes with a ten year maturity due November 1, 2019. These notes were issued through a private placement arrangement. Proceeds from these notes were used by Washington Gas to retire existing indebtedness.

We are exposed to interest-rate risk associated with our debt financing. Washington Gas utilizes derivative instruments from time to time in order to minimize its exposure to the risk of interest-rate volatility. On July 6, 2009, Washington Gas entered into three interest-rate derivative transactions to mitigate a substantial portion of the risk of rising interest rates associated with future debt issuances: (i) a Treasury lock that expired August 11, 2009 at a gain of \$311,000, locking in a 3.59% Treasury yield on \$50 million of ten-year debt that was issued on November 2, 2009; (ii) a forward starting swap that expires April 6, 2010 and locks in a 4.10% cost for the combined Treasury and LIBOR exposure on \$4 million of ten-year debt and (iii) a forward starting swap that expires June 21, 2010 and locks in a 4.19% cost for the combined Treasury and LIBOR exposure on \$20 million of ten-year debt. The expiration of each unexpired interest-rate derivative is timed to coincide with expected issuance of new debt securities whose proceeds will refund maturing medium-term notes. For further discussion of our management of interest-rate risk, refer to Management’s Discussion within our 2009 Annual Report.

**Security Ratings**

The table below reflects the current credit ratings for the outstanding debt instruments of WGL Holdings and Washington Gas. Changes in credit ratings may affect WGL Holdings’ and Washington Gas’s cost of short-term and long-term debt and their access to the capital markets. A security rating is not a recommendation to buy, sell or hold securities, it may be subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating. There was no change in the ratings during the quarter ended December 31, 2009.

**Credit Ratings for Outstanding Debt Instruments**

Rating Service	WGL Holdings		Washington Gas	
	Unsecured Medium-Term Notes (Indicative) <sup>(a)</sup>	Commercial Paper	Unsecured Medium-Term Notes	Commercial Paper
Fitch Ratings	A+	F1	AA-	F1+
Moody’s Investors Service	Not Rated	Not Prime	A2	P-1
Standard & Poor’s Ratings Services <sup>(b)</sup>	AA-	A-1	AA-	A-1

<sup>(a)</sup> Indicates the ratings that may be applicable if WGL Holdings were to issue unsecured MTNs.

<sup>(b)</sup> The long-term debt rating issued by Standard & Poor’s Rating Services for WGL Holdings and Washington Gas is stable.

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***Ratings Triggers and Certain Debt Covenants***

WGL Holdings and Washington Gas pay fees on their credit facilities, which in some cases are based on the long-term debt ratings of Washington Gas. In the event the long-term debt of Washington Gas is downgraded below certain levels, WGL Holdings and Washington Gas would be required to pay higher fees. There are five different levels of fees. The credit facility for WGL Holdings defines its applicable fee level as one level below the level applicable to Washington Gas. Under the terms of the credit facilities, the lowest level facility fee is four basis points and the highest is eight basis points.

Under the terms of WGL Holdings' and Washington Gas's credit agreements, the ratio of consolidated financial indebtedness to consolidated total capitalization can not exceed 0.65 to 1.0 (65.0%). In addition, WGL Holdings and Washington Gas are required to inform lenders of changes in corporate existence, financial conditions, litigation and environmental warranties that might have a material adverse effect. The failure to inform the lenders' agent of changes in these areas deemed material in nature might constitute default under the agreements. Additionally, WGL Holdings' or Washington Gas's failure to pay principal or interest when due on any of its other indebtedness may be deemed a default under our credit agreements. A default, if not remedied, may lead to a suspension of further loans and/or acceleration in which obligations become immediately due and payable. At December 31, 2009, we were in compliance with all of the covenants under our revolving credit facilities.

For certain of Washington Gas's natural gas purchase and pipeline capacity agreements, if the long-term debt of Washington Gas is downgraded to or below the lower of a BBB- rating by Standard & Poor's Ratings Services or a Baa3 rating by Moody's Investors Service, or if Washington Gas is deemed by a counterparty not to be creditworthy, then the counterparty may withhold service or deliveries, or may require additional credit support. For certain other agreements, if the counterparty's credit exposure to Washington Gas exceeds a contractually defined threshold amount, or if Washington Gas's credit rating declines, then the counterparty may require additional credit support. At December 31, 2009, Washington Gas would not be required to supply additional credit support by these arrangements if its long-term debt rating were to be downgraded one rating level.

WGL Holdings has guaranteed payments for certain purchases of natural gas and electricity on behalf of its wholly-owned subsidiary, WGEServices (refer to our 2009 Annual Report for a further discussion of these guarantees). If the credit rating of WGL Holdings declines, WGEServices may be required to provide additional credit support for these purchase contracts. At December 31, 2009, WGEServices would be required to provide \$4.1 million in additional credit support for these arrangements if the long-term debt rating of WGL Holdings were to be downgraded one rating level.

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***Cash Flows Provided by (Used in) Operating Activities***

The primary drivers for our operating cash flows are cash payments received from natural gas and electricity customers, offset by our payments for natural gas and electricity costs, operation and maintenance expenses, taxes and interest costs.

Net cash provided by operating activities totaled \$9.4 million for the three months ended December 31, 2009. Net cash provided by operating activities reflects net income before preferred stock dividends, as adjusted for non-cash earnings and charges and changes in working capital including:

- Accounts receivable and unbilled revenues—net increased \$255.4 million from September 30, 2009, primarily due to increased sales volumes to customers during our winter heating season and increased sales volumes associated with Washington Gas's asset optimization program.
- Storage gas inventory cost levels decreased \$39.0 million from September 30, 2009 due to seasonal physical withdrawals.
- Gas costs and other regulatory assets / liabilities decreased \$20.2 million from September 30, 2009 primarily due to the recovery of gas cost under collections related to the prior gas cost recovery cycle and increases in the liability for weather related billing adjustment mechanisms.
- Accounts payable and other accrued liabilities increased \$59.6 million, largely attributable to an increase in the cost of the natural gas purchased for both deliveries to customers for the 2009-2010 winter heating season and Washington Gas's asset optimization program.
- Other prepayments decreased \$26.6 million from September 30, 2009 due to a decrease in collateral receivables for transactions with wholesale counterparties for the purchase of energy for our retail-energy marketing segment and due to payments for renewal of insurance policies. This decrease in collateral reflects higher market prices for energy, compared to the contracted purchase price of energy supplies.

***Cash Flows Provided by Financing Activities***

Cash flows provided by financing activities totaled \$25.3 million for the three months ended December 31, 2009 reflecting our long-term debt issuance of \$51.0 million, partially offset by our common and preferred stock dividend payments totaling \$18.8 million.

***Cash Flows Used in Investing Activities***

During the three months ended December 31, 2009, cash flows used in investing activities totaled \$28.9 million, which primarily consists of capital expenditures made on behalf of Washington Gas.

***CONTRACTUAL OBLIGATIONS, OFF-BALANCE SHEET ARRANGEMENTS AND OTHER COMMERCIAL COMMITMENTS***

***Contractual Obligations***

We have certain contractual obligations incurred in the normal course of business that require us to make fixed and determinable payments in the future. These commitments include long-term debt, lease obligations, unconditional purchase obligations for pipeline capacity, transportation and storage services, certain natural gas and electricity commodity commitments and our commitments related to the business process outsourcing (BPO) program.

Reference is made to the "Contractual Obligations, Off-Balance Sheet Arrangements and Other Commercial Commitments" section of Management's Discussion in our 2009 Annual Report for a detailed

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discussion of our contractual obligations. Note 4 of the Notes to Consolidated Financial Statements in our 2009 Annual Report includes a discussion of long-term debt, including debt maturities. Reference is made to Note 13 of the Notes to Consolidated Financial Statements in our 2009 Annual Report that reflects information about the various contracts of Washington Gas and WGEServices. Additionally, refer to Note 12 of the Notes to Consolidated Financial Statements in this quarterly report.

***Construction Project Financing***

To fund certain of its construction projects, Washington Gas enters into financing arrangements with third party lenders. As part of these financing arrangements, Washington Gas’s customers agree to make principal and interest payments over a period of time, typically beginning after the projects are completed. Washington Gas assigns these customer payment streams to the lender in exchange for the contract payments paid to Washington Gas during the construction period. As the lender funds the construction project, Washington Gas establishes a receivable representing its customers’ obligations to remit principal and interest and a long-term payable to the lender. When these projects are formally “accepted” by the customer as completed, Washington Gas transfers the ownership of the receivable to the lender and removes both the receivable and the long-term financing from its financial statements. As of December 31, 2009, work on these construction projects that was not completed or accepted by customers was valued at \$6.1 million, which is recorded on the balance sheet as a receivable in “Deferred Charges and Other Assets—Other” with the corresponding long-term obligation to the lender in “Long-term debt.” At any time before these contracts are accepted by the customer, should there be a contract default, such as, among other things, a delay in completing the project, the lender may call on Washington Gas to fund the unpaid principal in exchange for which Washington Gas would receive the right to the stream of payments from the customer. Once the project is accepted by the customer, the lender will have no recourse against Washington Gas related to this long-term debt.

***Financial Guarantees***

WGL Holdings has guaranteed payments primarily for certain purchases of natural gas and electricity on behalf of the retail energy-marketing segment. At December 31, 2009, these guarantees totaled \$532.0 million. The amount of such guarantees is periodically adjusted to reflect changes in the level of financial exposure related to these purchase commitments. We also receive financial guarantees or other collateral from suppliers when required by our credit policy (refer to the section entitled “Credit Risk” for a further discussion of our credit policy). WGL Holdings also issued guarantees totaling \$3.0 million at December 31, 2009 that were made on behalf of certain of our non-utility subsidiaries associated with their banking transactions. For all of its financial guarantees, WGL Holdings may cancel any or all future obligations imposed by the guarantees upon written notice to the counterparty, but WGL Holdings would continue to be responsible for the obligations that had been created under the guarantees prior to the effective date of the cancellation.

***Chillum LNG Facility***

Washington Gas plans to construct a one billion cubic foot LNG storage facility on the land historically used for natural gas storage facilities by Washington Gas in Chillum, Maryland, to meet its customers’ forecasted peak demand for natural gas. The new storage facility is currently expected to be completed and in service by the 2013-2014 winter heating season at an estimated cost of \$159 million.

On October 30, 2006, the District Council of Prince George’s County, Maryland denied Washington Gas’s application for a special exception related to its proposed construction of the LNG peaking plant because it has taken the position that current zoning restrictions prohibit such construction. Washington Gas appealed this decision to the Prince George’s County Circuit Court (the Circuit Court) on November 22, 2006; however, the case was subsequently sent back to the administrative process by the Circuit Court. On April 16, 2008, Washington Gas filed a Complaint for Declaratory and Injunctive Relief with the United States District Court for the District of Maryland (the U.S. District Court) seeking to clarify the role of the local jurisdiction by affirming all local laws relating to safety and location of the facility are preempted by Federal and State law. A ruling by the U.S. District Court is pending.

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On March 19, 2009, the Maryland Public Service Commission (PSC of MD) ordered that evidentiary proceedings be opened for the purpose of reviewing Washington Gas's gas most recent gas procurement plan including the role the Chillum facility plays in meeting current and future customers' annual and seasonal natural gas requirements. The Company revised its projected service date for the facility in a public notice made on August 7, 2009. The Company, in November 2009, filed a gas procurement plan for 2010-2014, and a review of that plan has been consolidated with the existing proceeding. Refer to the section entitled "*Rates and Regulatory Matters—Maryland Jurisdiction—Review of the Company's 2009-2013 Gas Portfolio Plan*" for a further discussion of this issue. Washington Gas must begin construction of the storage facility in the summer of 2010 in order for the Chillum Facility to be completed and in service by the 2013-2014 winter heating season. Until the LNG plant is constructed, Washington Gas has planned for alternative sources of supply to meet its customers' peak day requirements. These plans include capital expenditures related to infrastructure improvements which contribute to providing for adequate system performance based on projected needs.

***Operating Issues Related To Cove Point Natural Gas Supply***

In late fiscal year 2003, Dominion reactivated its Cove Point LNG terminal. A large portion of the gas delivered from the Cove Point LNG terminal comes to the Washington Gas service territory as a result of the Company's multiple delivery points on the Cove Point pipeline and from three interstate natural gas transmission pipelines also interconnected with the Cove Point pipeline each of which serve Washington Gas from delivery points downstream of its Cove Point pipeline interconnect. The composition of the vaporized LNG received from the Cove Point LNG terminal resulted in increased leaks in mechanical couplings on the portion of our distribution system in Prince George's County, Maryland that directly receives the Cove Point gas. The vaporized Cove Point gas contains a lower concentration of heavy hydrocarbons (HHCs) than non-liquefied natural gas, and caused the seals on those mechanical couplings to shrink and to leak. Independent laboratory tests performed on behalf of Washington Gas have shown that, in a laboratory environment, the injection of HHCs into the type of gas coming from the Cove Point LNG terminal can be effective in re-swelling the seals in couplings which increases their sealing force and in turn, reduces the propensity for the affected couplings to leak.

Through a pipeline replacement project and the construction of a HHC injection facility at the largest gate station that exclusively receives gas from the Cove Point terminal, Washington Gas has reduced the occurrence of new coupling leaks in this area of the distribution system. A recent expansion of the physical capacity of the Cove Point terminal could result in a substantial increase in the receipt of Cove Point gas into additional portions of Washington Gas's distribution system as greater volumes of Cove Point gas are introduced into other downstream pipelines that provide service to Washington Gas. Based upon engineering and flow studies and our experience, this increase in the receipt of Cove Point gas is likely to result in a significantly greater number of leaks in other parts of Washington Gas's distribution system, unless our efforts to mitigate these additional leaks are successful. Washington Gas is attempting to mitigate this anticipated increase in leaks through: (i) pipeline replacement programs; (ii) the operation of three HHC injection facilities; (iii) isolating its interstate pipeline receipt points and limiting the amount of gas received, where possible, from pipelines that transport Cove Point gas; (iv) blending, where possible, the Cove Point gas with other supplies of natural gas from within the continental United States and (v) continued efforts before the FERC to condition incremental increases in deliveries from the Cove Point terminal on the appropriate resolution of safety concerns consistent with the public interest.

Washington Gas installed and operates HHC injection facilities at three gate stations. Assuming current gas flow patterns with the current pipeline supply configurations, the strategic placement of the three operational HHC injection facilities will inject HHCs into the natural gas supplied to over 95% of the pipelines that contain mechanical couplings within our distribution system. Washington Gas has been granted recovery for a portion of these costs allocable to Virginia and Maryland. Additionally, Washington Gas will seek recovery of the costs of these facilities allocable to the District of Columbia in a future base rate proceeding. Washington Gas expects the cost of these facilities to be recoverable in all jurisdictions.

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The cost of these facilities does not include the cost of the HHCs injected into the gas stream at the gate stations. We have been granted cost recovery for the majority of these costs in all three of our jurisdictions. On October 2, 2009, Washington Gas and the District of Columbia Office of the People’s Counsel (DC OPC) filed a Joint Motion for Approval of Unanimous Agreement of Stipulation and Full Settlement with the PSC of DC which was approved on December 16, 2009 and will provide for full recovery of the HHC commodity costs in the District of Columbia (refer to the section entitled “*Rates and Regulatory Matters*”).

Washington Gas is replacing or remediating selected mechanically coupled pipelines within the areas of the distribution system that may receive high concentrations of Cove Point gas, but that will not receive HHC injections. Washington Gas has also planned for additional replacement of mechanically coupled pipeline in other areas of its distribution system. In total, the current estimated cost of planned mechanical coupling remediation and replacement work over the next three years is \$45.0 million, which includes \$9.0 million as part of a planned mechanically coupled pipe replacement program approved by the Virginia State Corporation Commission (SCC of VA) as part of a settlement of a Virginia rate case and the December 16, 2009 settlement in the District of Columbia that includes a targeted mechanically coupled pipe replacement and encapsulation program which will cost no more than \$28.0 million and is expected to take approximately seven years to complete. Rate recovery of the expenditures is provided for in the settlement agreements approved respectively by the SCC of VA and the PSC of DC.

Washington Gas continues to gather and evaluate field and laboratory evidence to determine the efficacy of HHC injections of the Cove Point gas in preventing additional leaks or impeding the rate at which additional leaks may occur in the gas distribution system if expanded volumes from the Cove Point terminal are introduced. In a report filed with the PSC of MD on June 30, 2008, Washington Gas reported a notable increase in leaks in mechanical couplings in a portion of its distribution system in Virginia where Cove Point gas injected with HHCs was introduced for a short period of time. Although this increase in leaks was significantly less than the increase experienced in the affected area of Prince George’s County, Maryland, the injection of HHCs into the Cove Point gas did not reduce the occurrence of coupling leaks to an acceptable level that would allow Washington Gas to safely accommodate the increased deliveries of revaporized LNG anticipated with the expansion of the Cove Point terminal. If we are unable to implement a satisfactory solution on a timely basis, additional operating expenses and capital expenditures may be necessary to contend with leaks that may accompany the receipt of increased volumes of vaporized LNG from the Cove Point terminal into Washington Gas’s distribution system. Such additional operating expenses and capital expenditures may not be timely enough to mitigate the challenges posed by increased volumes of Cove Point gas potentially resulting in leakage from mechanical couplings at a rate that could compromise the safety of our distribution system. Additional legal or regulatory remedies may be necessary to protect the Washington Gas distribution system and its customers from the adverse effects of unblended vaporized LNG (refer to the section entitled “*Request for FERC Action*” below for a further discussion).

Notwithstanding Washington Gas’s recovery of costs related to the construction of the injection facilities and HHC commodity costs through local regulatory commission action, Washington Gas is pursuing remedies to keep its customers from having to pay more than their appropriate share of the costs of the remediation to maintain the safety of the Washington Gas distribution system.

**Request for FERC Action Regarding Cove Point**

In November 2005, Washington Gas requested the FERC to invoke its authority to require Dominion to demonstrate that the increased volumes of the Cove Point gas resulting from the expansion would flow safely through the Washington Gas distribution system and would be consistent with the public interest. Washington Gas specifically requested that the proposed expansion of the Cove Point LNG terminal be denied until Dominion has shown that the Cove Point gas: (i) is of such quality that it is fully interchangeable with the domestically produced natural gas historically received by Washington Gas and (ii) will not cause harm to its customers or to the infrastructure of Washington Gas’s distribution system.



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On June 16, 2006, the FERC issued an order authorizing Dominion's request to expand the capacity and output of its Cove Point LNG terminal and, thereby, denying Washington Gas's request to require Dominion to demonstrate the safety of the Cove Point gas flowing through the Washington Gas distribution system. Washington Gas, the PSC of MD, Keyspan Corporation, the Maryland Office of People's Counsel (MD OPC) and other organizations all filed Requests for Rehearing with the FERC to seek modification of the FERC's June 16, 2006 order. These requests were all rejected by the FERC. On January 26, 2007, Washington Gas filed a notice of appeal with the United States Court of Appeals for the District of Columbia Circuit (the Court of Appeals). Washington Gas requested the Court of Appeals to reverse the June 16, 2006 FERC order that authorized the Cove Point expansion, as well as a January 4, 2007 FERC order that denied Washington Gas's rehearing request.

On July 18, 2008, the Court of Appeals issued an opinion vacating the FERC orders to the extent they approve the expansion. The opinion remanded the case to the FERC to address whether the expansion can go forward without causing unsafe leakage on Washington Gas Light Company's distribution system.

Although Washington Gas agrees with the portion of the Court of Appeals decision that states the FERC failed to address adequately the future safety concerns associated with increased deliveries of LNG into its system, Washington Gas does not agree with all of the findings of the Court of Appeals, including conclusions related to the cause of the leaks, and on September 2, 2008 filed a request for rehearing with the Court of Appeals. This request has been denied. The FERC held a technical conference on August 14, 2008 "to discuss the nature and progress of remedial measures taken to date, as well as the need and benefit of any other remedial measures that might be taken by WGL and Dominion Cove Point LNG, LP so that WGL's system can safely accommodate the increased amounts of regasified LNG from Cove Point's LNG terminal." Washington Gas filed initial Post Technical Conference Comments on August 19, 2008 and reply Post Technical Conference Comments on August 22, 2008. On October 7, 2008, the FERC issued its reauthorization of the expansion of the Cove Point terminal, allowing construction to continue; however, the FERC limited the amount of vaporized LNG that may flow from the Cove Point terminal into the Columbia Gas Transmission pipeline and ultimately into the distribution system of Washington Gas. On November 6, 2008, Washington Gas filed a Request for Rehearing with the FERC, citing numerous factual and legal errors in the October 7, 2008 reauthorization. The reauthorization fails to adequately address future safety concerns as directed by the Court of Appeals. Although this reauthorization limited the amount of vaporized LNG that may flow from the Cove Point terminal into Washington Gas's distribution system through the Columbia Gas Transmission pipeline, this limited amount far exceeds any amount of Cove Point gas that has been received by Columbia Gas Transmission to date. On January 15, 2009, the FERC issued an order denying Washington Gas's request for rehearing and affirmed its reauthorization of the expansion of the Cove Point terminal. On February 13, 2009, Washington Gas filed a request with the FERC for an emergency stay of the effectiveness of the orders the FERC issued on October 7, 2008 and January 15, 2009. On March 19, 2009, the FERC denied Washington Gas's request for a stay. On March 13, 2009, Washington Gas filed a Petition for Review in the Court of Appeals of the FERC's order on remand issued on October 7, 2008, and its order on rehearing of the October 7, 2008 order, issued January 15, 2009, that established a cap on the volume of LNG that could be delivered to the Columbia Gas interconnection with the Cove Point pipeline. The October 2008 decision did not fully address the concerns raised earlier by the Court of Appeals — that the Cove Point expansion should not proceed until FERC addressed the safety concerns raised by Washington Gas. On July 20, 2009 the Court of Appeals issued an order setting a briefing schedule with final briefs due on January 27, 2010. The date for oral argument has been set for March 11, 2010.

Washington Gas is committed to maintaining the safety of its distribution system for its customers and will continue to oppose the authorization of the Cove Point expansion until a long-term solution is determined that can address the safety issues associated with the expanded flows of vaporized LNG from the Cove Point terminal that flow into the interstate pipeline system that also serves Washington Gas.

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**Additional LNG Supply from the Elba Island Expansion**

On September 20, 2007, the FERC approved the expansion of the existing Elba Island LNG receiving terminal near Savannah, Georgia owned by Southern LNG, Inc. (Southern LNG). Concurrent with this approval, the FERC granted Southern LNG certificate authority to construct and operate a new interstate natural gas pipeline to transport regasified LNG from the Elba Island facility to Georgia and South Carolina. On March 31, 2009, Transcontinental Gas Pipe Line Corporation (Transco) filed with FERC for authority to construct and operate interconnections in Georgia and South Carolina between the Elba Island pipeline and the Transco pipeline. This expansion and the requested interconnections, expected to be completed in 2010, may result in the receipt of gas from the Elba Island facility into portions of Washington Gas's distribution system. The gas from the Elba Island facility is expected to contain a lower concentration of HHCs than domestically produced natural gas, and may result in increased leaks in Washington Gas's distribution system. Washington Gas is currently evaluating the potential effect of the introduction of Elba Island gas into our distribution system, and is evaluating potential preventative and remedial measures to mitigate any possible increase in leaks in the effected portions of Washington Gas's distribution system that may receive Elba Island gas. Washington Gas has filed with FERC to challenge Transco's interconnection request and has conditioned our support of such interconnection on Transco maintaining minimum HHC levels in the blended gas that would be delivered into the Washington Gas system. On September 17, 2009, the FERC issued an order granting Transco's request for authorization to construct the interconnections between the Elba Island facility and the Transco pipeline. The FERC stated that Washington Gas had not raised any new evidence to support claims of damage to the distribution system and that the Cove Point orders had addressed the same issues. The FERC also found it was unreasonable to impose restrictions on a long distance pipeline to accommodate the Washington Gas system. On October 19, 2009, Washington Gas filed a rehearing request of the FERC order with the FERC.

Washington Gas welcomes the opportunity to work with Dominion as well as the shippers who bring LNG into the Cove Point terminal and the interstate pipelines that deliver gas to Washington Gas in order to achieve and implement an appropriate solution to the issue of gas quality affecting its distribution system.

***CREDIT RISK***

***Wholesale Credit Risk***

Certain wholesale suppliers that sell natural gas to both Washington Gas and WGEServices either have relatively low credit ratings or are not rated by major credit rating agencies.

Washington Gas enters into transactions with wholesale counterparties for the purpose of meeting firm ratepayer commitments, to optimize the value of its long-term capacity assets, and for hedging natural gas costs. In the event of a counterparty's failure to deliver contracted volumes of gas or fulfill its payment obligations, Washington Gas may incur losses that would typically be passed through to its sales customers under the purchased gas cost adjustment mechanisms. Washington Gas may be at risk for financial loss to the extent these losses are not passed through to its customers. To manage these various credit risks, Washington Gas has a credit policy in place that is designed to mitigate these credit risks through a requirement for credit enhancements including, but not limited to, letters of credit, parent guarantees and cash collateral when deemed necessary. In accordance with this policy, Washington Gas has obtained credit enhancements from certain of its counterparties. Additionally, for certain counterparties or their guarantors that meet this policy's credit worthiness criteria, Washington Gas grants unsecured credit which is continuously monitored.

For WGEServices, depending on the ability of wholesale counterparties to deliver natural gas or electricity under existing contracts, WGEServices could be financially exposed for the difference between the price at which WGEServices has contracted to buy these commodities and their replacement cost from another supplier. To the extent that WGEServices sells natural gas to these wholesale counterparties, WGEServices may be exposed to payment risk if WGEServices is in a net receivable

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position. Additionally, WGEServices enters into contracts with third parties to hedge the costs of natural gas and electricity. Depending on the ability of the third parties to fulfill their commitments, WGEServices could be at risk for financial loss. WGEServices has an existing credit policy that is designed to mitigate credit risks through a requirement for credit enhancements including, but not limited to, letters of credit, parent guarantees and cash collateral when deemed necessary. In accordance with this policy, WGEServices has obtained credit enhancements from certain of its counterparties. If certain counterparties or their guarantors meet the policy’s credit worthiness criteria, WGEServices grants unsecured credit to those counterparties or their guarantors. The credit worthiness of all counterparties is continuously monitored.

WGEServices is also subject to the credit policy requirements of their counterparties which under certain circumstances require similar credit enhancements from WGEServices under these contracts. WGEServices credit risks may extend beyond the price or payment risk outlined above to the extent that cash collateral has been provided to the counterparty. At December 31, 2009, WGEServices had provided \$39.6 million in cash collateral to supplier counterparties.

The following table provides information on our credit exposure, net of collateral, to wholesale counterparties as of December 31, 2009 for both Washington Gas and WGEServices, separately.

<b>Credit Exposure to Wholesale Counterparties (In millions)</b>					
Rating (a)	Exposure Before Credit Collateral (b)	Offsetting Credit Collateral Held (c)	Net Exposure	Number of Counterparties Greater Than 10% (d)	Net Exposure of Counterparties Greater Than 10%
<b>Washington Gas</b>					
Investment Grade	\$ 18.3	\$ —	\$ 18.3	3	\$ 13.1
Non-Investment Grade	—	—	—	—	—
No External Ratings	3.7	0.4	3.3	1	2.5
<b>WGEServices</b>					
Investment Grade	\$ 1.4	\$ —	\$ 1.4	3	\$ 1.3
Non-Investment Grade	—	—	—	—	—
No External Ratings	0.1	—	0.1	—	—

(a) Included in “Investment Grade” are counterparties with a minimum Standard & Poor’s or Moody’s Investor Service rating of BBB- or Baa3, respectively. If a counterparty has provided a guarantee by a higher-rated entity (e.g., its parent), the guarantor’s rating is used in this table.

(b) Includes the net of all open positions on energy-related derivatives subject to mark-to-market accounting requirements, the net receivable/payable for realized transactions and net open positions for contracts designated as normal purchases and normal sales and not recorded on our balance sheet. Amounts due from counterparties are offset by liabilities payable to those counterparties to the extent that legally enforceable netting arrangements are in place.

(c) Represents cash deposits and letters of credit received from counterparties, not adjusted for probability of default.

(d) Using a percentage of the net exposure.

**Retail Credit Risk**

Washington Gas is exposed to the risk of non-payment of utility bills by certain of its customers. To manage this customer credit risk, Washington Gas may require cash deposits from its high risk customers to cover payment of their bills until the requirements for the deposit refunds are met.

WGEServices is also exposed to the risk of non-payment of invoiced sales by its retail customers. WGEServices manages this risk by evaluating the credit quality of new customers as well as by monitoring collections from existing customers. To the extent necessary, WGEServices can obtain collateral from, or terminate service to its existing customers based on credit quality criteria. The PSC of MD is currently reviewing and evaluating proposals by electric and gas utilities to purchase the receivables of competitive suppliers who render their charges through the utilities billing process. WGEServices bills the majority of its customers through utilities, and the shift to this new purchase of receivables may affect WGEServices billing practices and bad debt expense.

**MARKET RISK**

We are exposed to various forms of market risk including commodity price risk, weather risk and interest-rate risk. The following discussion describes these risks and our management of them.

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***Price Risk Related to the Regulated Utility Segment***

Washington Gas faces price risk associated with the purchase of natural gas. Washington Gas generally recovers the cost of the natural gas to serve customers through gas cost recovery mechanisms as approved in jurisdictional tariffs; therefore a change in the price of natural gas generally has no direct effect on Washington Gas's net income. However, Washington Gas is responsible for following competitive and reasonable practices in purchasing natural gas for its customers.

To manage price risk associated with its natural gas supply to its firm customers, Washington Gas: (i) actively manages its gas supply portfolio to balance sales and delivery obligations; (ii) injects natural gas into storage during the summer months when prices are historically lower, and withdraws that gas during the winter heating season when prices are historically higher and (iii) enters into hedging contracts and other contracts that qualify as derivative instruments related to the sale and purchase of natural gas.

Washington Gas has specific regulatory approval in the District of Columbia, Maryland and Virginia to use forward contracts and, except in Maryland, option contracts to hedge against potential price volatility for a limited portion of its natural gas purchases for firm customers. Specifically, Washington Gas has approval to: (i) buy gas in advance using forward contracts; (ii) purchase call options that lock in a maximum price when Washington Gas is ready to buy gas and (iii) use a combination of put and call options to limit price exposure within an acceptable range. Regulatory approval for Virginia is permanent. The regulatory approval in the District of Columbia is pursuant to a pilot program, and Washington Gas will be seeking to continue this program. The current Maryland authority stems from a March 2009 order directing Washington Gas to hedge 40% of its summer storage fill volumes at or below a certain price, but precluded the use of options. Additionally, in a July 2009 order, the PSC of MD authorized Washington Gas to hedge 25% of its expected 2009-2010 winter purchase volumes at or below a certain price.

Pursuant to a three-year pilot program that expired in the latter half of 2008, Washington Gas had specific regulatory approval in Virginia to hedge the cost of natural gas purchased for storage using financial transactions in the form of forwards, swaps and option contracts. Washington Gas has filed for the renewal of the program in Virginia and requested that the SCC of VA combine the existing permanent winter gas hedging program and the pilot summer storage gas financial hedging program and implement the combined program as a permanent part of Washington Gas's hedging program. On September 3, 2009, the SCC of VA granted Washington Gas regulatory approval in Virginia to implement the new combined hedging program. Pursuant to a three-year pilot program in the District of Columbia, Washington Gas has the ability to hedge the cost of natural gas for storage.

Washington Gas also executes commodity-related physical and financial contracts in the form of forwards, swaps and option contracts as part of an asset optimization program that is managed by its internal staff. These transactions are accounted for as derivatives. Under this program, Washington Gas realizes value from its long-term natural gas transportation and storage capacity resources when not fully being used to serve utility customers. Regulatory sharing mechanisms in all three jurisdictions allow the profit from these transactions to be shared between Washington Gas's customers and shareholders.

The following two tables summarize the changes in the fair value of our net assets (liabilities) associated with the regulated utility segment's energy-related derivatives during the three months ended December 31, 2009:

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**Regulated Utility Segment**  
**Changes in Fair Value of Energy-Related Derivatives**

<i>(In millions)</i>	
Net assets (liabilities) at September 30, 2009	\$ 5.6
Net fair value of contracts entered into during the period	0.4
Other changes in net fair value	(3.8)
Realized net settlement of derivatives	(6.0)
Net assets (liabilities) at December 31, 2009	\$(3.8)

**Regulated Utility Segment**  
**Roll Forward of Energy-Related Derivatives**

<i>(In millions)</i>	
Net assets (liabilities) at September 30, 2009	\$ 5.6
Recorded to income	1.5
Recorded to regulatory assets/liabilities	(4.9)
Realized net settlement of derivatives	(6.0)
Net assets (liabilities) at December 31, 2009	\$(3.8)

The maturity dates of our net assets (liabilities) associated with the regulated utility segment’s energy-related derivatives recorded at fair value at December 31, 2009, is summarized in the following table based on the level of the fair value calculation under ASC Topic 820:

**Regulated Utility Segment**  
**Maturity of Net Assets (Liabilities) Associated with our Energy-Related Derivatives**  
Years Ended September 30,

<i>(In millions)</i>	<b>Total</b>	Remainder 2010	2011	2012	2013	2014	Thereafter
Level 1 — Quoted prices in active markets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Level 2 — Significant other observable inputs	4.0	1.9	0.1	(0.1)	0.7	0.2	1.2
Level 3 — Significant unobservable inputs	(7.8)	(3.7)	(2.7)	(0.1)	(0.1)	(0.1)	(1.1)
Total net assets (liabilities) associated with our energy-related derivatives	\$(3.8)	\$ (1.8)	\$(2.6)	\$(0.2)	\$ 0.6	\$ 0.1	\$ 0.1

Refer to Notes 8 and 9 of the Notes to Consolidated Financial Statements in this quarterly report for a further discussion of our derivative activities and fair value measurements.

**Price Risk Related to the Retail Energy-Marketing Segment**

Our retail energy-marketing subsidiary, WGEServices, sells natural gas and electricity to retail customers at both fixed and indexed prices. WGEServices must manage daily and seasonal demand fluctuations for these products with its suppliers. Price risk exists to the extent WGEServices does not closely match the timing and volume of natural gas and electricity it purchases with the related fixed price or indexed sales commitments. WGEServices’ risk management policies and procedures are designed to minimize this risk.

**Natural Gas.** A portion of WGEServices’ annual natural gas sales volumes is subject to variations in customer demand associated with fluctuations in weather and other factors. Purchases of natural gas to fulfill retail sales commitments are generally made under fixed-volume contracts based on certain weather assumptions. If there is significant deviation from normal weather or other factors which affect customer usage, this may cause our purchase commitments to differ significantly from actual customer usage. To the extent that WGEServices cannot match its customer requirements and supply commitments, it may be exposed to commodity price and volume variances, which could negatively impact expected gross

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margins. WGEServices may manage these risks through the use of derivative instruments including financial products and wholesale supply contracts that provide for volumetric variability.

**Electricity.** WGEServices procures electricity supply under contract structures in which WGEServices assumes the responsibility of matching its customer requirements with its supply purchases. WGEServices assembles the various components of supply, including electric energy from various suppliers, and capacity, ancillary services and transmission service from the PJM Interconnection, a regional transmission organization, to match its customer requirements in accordance with its risk management policy.

To the extent WGEServices has not sufficiently matched its customer requirements with its supply commitments, it could be exposed to electricity commodity price risk. WGEServices may manage this risk through the use of derivative instruments, including financial products.

WGEServices’ electric business is also exposed to fluctuations in weather and varying customer usage. Purchases generally are made under fixed-price, fixed-volume contracts that are based on certain weather assumptions. If there are significant deviations in weather or usage from these assumptions, WGEServices may incur price and volume variances that could negatively impact expected gross margins (refer to the section entitled “Weather Risk” for a further discussion of our management of weather risk).

The following two tables summarize the changes in the fair value of our net assets (liabilities) associated with the retail energy-marketing segment’s energy-related derivatives for both natural gas and electricity during the three months ended December 31, 2009:

**Retail Energy-Marketing Segment**  
**Changes in Fair Value of Energy-Related Derivatives**

<i>(In millions)</i>	
Net assets (liabilities) at September 30, 2009	\$(25.5)
Net fair value of contracts entered into during the period	(5.3)
Other changes in net fair value	(1.2)
Realized net settlement of derivatives	0.7
Net assets (liabilities) at December 31, 2009	\$(31.3)

**Retail Energy-Marketing Segment**  
**Roll Forward of Energy-Related Derivatives**

<i>(In millions)</i>	
Net assets (liabilities) at September 30, 2009	\$(25.5)
Recorded to income	(0.6)
Recorded to accounts payable	(5.9)
Realized net settlement of derivatives	0.7
Net assets (liabilities) at December 31, 2009	\$(31.3)

The maturity dates of our net assets (liabilities) associated with the retail energy-marketing segment’s energy-related derivatives recorded at fair value at December 31, 2009, is summarized in the following table based on the level of the fair value calculation under ASC Topic 820:

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**Retail Energy Marketing Segment**  
**Maturity of Net Assets (Liabilities) Associated with our Energy-Related Derivatives**

<i>(In millions)</i>	Years Ended September 30,						
	Total	Remainder 2010	2011	2012	2013	2014	Thereafter
Level 1 — Quoted prices in active markets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Level 2 — Significant other observable inputs	(4.2)	(0.9)	(1.3)	(1.1)	(0.8)	(0.1)	—
Level 3 — Significant unobservable inputs	(27.1)	(8.8)	(12.5)	(6.4)	0.6	—	—
Total net assets (liabilities) associated with our energy-related derivatives	<b>\$(31.3)</b>	\$ (9.7)	\$(13.8)	\$(7.5)	\$(0.2)	\$(0.1)	\$ —

Refer to Note 8 and 9 of the Notes to Consolidated Financial Statements in this quarterly report for a further discussion of our derivative activities and fair value measurements.

**Value-at-Risk.** WGEServices measures the market risk of its energy commodity portfolio by determining its value-at-risk. Value-at-risk is an estimate of the maximum loss that can be expected at some level of probability if a portfolio is held for a given time period. The value-at-risk calculation for natural gas and electric portfolios include assumptions for normal weather, new customers and renewing customers for which supply commitments have been secured. Based on a 95% confidence interval for a one-day holding period, WGEServices' value-at-risk at December 31, 2009 was approximately \$126,000 and \$138,000, related to its natural gas and electric portfolios, respectively.

**Weather Risk**

We are exposed to various forms of weather risk in both our regulated utility and unregulated business segments. For Washington Gas, a large portion of its revenues is volume driven and its current rates are based upon an assumption of normal weather, however, billing adjustment mechanisms described below address variations from this assumption. Without weather protection strategies, variations from normal weather will cause our earnings to increase or decrease depending on the weather pattern. Washington Gas currently has a weather protection strategy that is designed to neutralize the estimated financial effects of weather on its net income, as discussed below.

The financial results of our non-regulated energy-marketing business, WGEServices, are also affected by variations from normal weather primarily in the winter relating to its natural gas sales, and throughout the fiscal year relating to its electricity sales. WGEServices manages these weather risks with, among other things, weather derivatives.

**Billing Adjustment Mechanisms.** In Maryland, Washington Gas has a revenue normalization agreement (RNA) billing mechanism that is designed to stabilize the level of net revenues collected from Maryland customers by eliminating the effect of deviations in customer usage caused by variations in weather from normal levels and other factors such as conservation. In Virginia, Washington Gas has a Weather Normalization Adjustment (WNA) mechanism which is a billing adjustment mechanism that is designed to eliminate the effect of variations in weather from normal levels on utility net revenues.

For both the RNA and the WNA mechanisms, periods of colder-than-normal weather generally would cause Washington Gas to record a reduction to its revenues and establish a refund liability to customers, while the opposite would generally result during periods of warmer-than-normal weather. However, factors such as volatile weather patterns and customer conservation may cause the RNA to function conversely because it adjusts billed revenues to provide a designed level of net revenue per meter.

**Weather Derivatives.** On September 21, 2009, Washington Gas executed an HDD derivative contract to manage its exposure to variations from normal weather in the District of Columbia during fiscal year 2010. Under this contract, Washington Gas purchased protection against net revenue shortfalls due

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to warmer-than-normal weather and sold cold weather benefits. This derivative contract resulted in a payment to Washington Gas of \$2.1 million.

WGEServices utilizes HDD derivatives from time to time to manage weather risks related to its natural gas and electricity sales. WGEServices also utilizes cooling degree day (CDD) derivatives to manage weather risks related to its electricity sales during the summer cooling season. These derivatives cover a portion of WGEServices' estimated revenue or energy-related cost exposure to variations in HDDs or CDDs. Refer to Note 8 of the Notes to Consolidated Financial Statements for a further discussion of the accounting for these weather-related instruments.

***Interest-Rate Risk***

We are exposed to interest-rate risk associated with our short-term and long-term financing. Washington Gas utilizes derivative instruments from time to time in order to minimize its exposure to the risk of interest-rate volatility. On July 6, 2009, Washington Gas entered into three interest-rate derivative transactions to mitigate a substantial portion of the risk of rising interest rates associated with future debt issuances (refer to the section entitled "*Long-Term Cash Requirements and Related Financing*" for further discussion of our interest-rate risk management activity).



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**WASHINGTON GAS LIGHT COMPANY**

This section of Management’s Discussion focuses on the financial position and results of operations of Washington Gas for the reported periods. In many cases, explanations for the changes in financial position and results of operations for both WGL Holdings and Washington Gas are substantially the same.

**RESULTS OF OPERATIONS — Three Months Ended December 31, 2009 vs. December 31, 2008**

The results of operations for the regulated utility segment and Washington Gas are substantially the same; therefore, this section primarily focuses on statistical information and other information that is not discussed in the results of operations for the regulated utility segment. Refer to the section entitled “Results of Operations-Regulated Utility” in Management’s Discussion for WGL Holdings for a detailed discussion of the results of operations for the regulated utility segment.

Washington Gas reported net income applicable to common stock of \$40.5 million for the three months ended December 31, 2009, compared to net income of \$53.6 million reported for the same three months of the prior fiscal year. The decrease in net income primarily reflects: (i) unrealized margins associated with our asset optimization program, (ii) the reversal in fiscal year 2009 of a reserve for disallowed natural gas costs in Maryland due to a February 5, 2009 order from the PSC of MD; (iii) a decrease in the recovery of storage carrying costs on lower average storage gas inventory balances and (iv) higher employee benefit expenses due to changes in plan asset values and obligation measurement assumptions. Partially offsetting this decrease were: (i) an increase in over 10,300 average active customer meters; (ii) favorable effects of changes in natural gas consumption patterns and (iii) lower interest expense related to lower weighted average interest rates associated with our borrowings.

Key gas delivery, weather and meter statistics are shown in the table below for the three months ended December 31, 2009 and 2008.

**Gas Deliveries, Weather and Meter Statistics**

	Three Months Ended		Increase/ (Decrease)
	2009	December 31, 2008	
<b>Gas Sales and Deliveries (millions of therms)</b>			
<b>Firm</b>			
Gas sold and delivered	269.9	295.4	(25.5)
Gas delivered for others	158.9	147.7	11.2
<b>Total firm</b>	<b>428.8</b>	<b>443.1</b>	<b>(14.3)</b>
<b>Interruptible</b>			
Gas sold and delivered	1.5	1.2	0.3
Gas delivered for others	77.5	78.5	(1.0)
<b>Total interruptible</b>	<b>79.0</b>	<b>79.7</b>	<b>(0.7)</b>
Electric generation—delivered for others	11.1	23.5	(12.4)
<b>Total deliveries</b>	<b>518.9</b>	<b>546.3</b>	<b>(27.4)</b>
<b>Degree Days</b>			
Actual	1,431	1,527	(96)
Normal	1,347	1,346	1
Percent colder (warmer) than normal	6.2 %	13.4 %	n/a
<b>Average active customer meters</b>	<b>1,069,533</b>	<b>1,059,163</b>	<b>10,370</b>
<b>New customer meters added</b>	<b>3,084</b>	<b>3,856</b>	<b>(772)</b>

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**Gas Service to Firm Customers.** The volume of gas delivered to firm customers is highly sensitive to weather variability as a large portion of the natural gas delivered by Washington Gas is used for space heating. Washington Gas's rates are based on an assumption of normal weather. The tariffs in the Maryland and Virginia jurisdictions include provisions that consider the effects of the RNA and WNA mechanisms, respectively, which are designed to, among other things, eliminate the effect on net revenues of variations in weather from normal levels (refer to the section entitled "*Weather Risk*" for further discussion of these mechanisms and other weather-related instruments included in our weather protection strategy). In addition to these mechanisms, the combination of declining block rates in the Maryland and Virginia jurisdictions and the existence of fixed demand charges in all jurisdictions to collect a portion of revenues reduce the effect that variations from normal weather have on net revenues.

During the quarter ended December 31, 2009, total gas deliveries to firm customers were 428.8 million therms compared to 443.1 million therms delivered in the same quarter of the prior fiscal year. This comparison in natural gas deliveries to firm customers reflects warmer weather in the current three-month period than in the same period of the prior fiscal year, partially offset by the favorable effects of changes in natural gas consumption patterns as well as an increase in average active customer meters of 10,370.

Weather, when measured by HDDs, was 6.2% colder than normal in the first quarter of fiscal year 2010, compared to 13.4% colder than normal for the same quarter of fiscal year 2009. Including the effects of our weather protection strategy, there were no material effects on net income attributed to colder or warmer weather on either the quarter ended December 31, 2009 or December 31, 2008.

**Gas Service to Interruptible Customers.** Washington Gas must curtail or interrupt service to this class of customer when the demand by firm customers exceeds specified levels. Therm deliveries to interruptible customers were 79.0 million therms during the first quarter of fiscal year 2010, compared to 79.7 million therms for the same quarter last year, reflecting decreased demand due to weather.

In the District of Columbia, the effect on net income of any changes in delivered volumes and prices to interruptible customers is limited by margin-sharing arrangements that are included in Washington Gas's rate designs in the District of Columbia. In the District of Columbia, Washington Gas shares a majority of the margins earned on interruptible gas sales and deliveries with firm customers. A portion of the fixed costs for servicing interruptible customers is collected through the firm customers' rate design. Rates for interruptible customers in Maryland and Virginia are based on a traditional cost of service approach. In Virginia, Washington Gas retains all revenues above a pre-approved margin threshold level. In Maryland, Washington Gas retains a defined amount of revenues based on a set threshold.

**Gas Service for Electric Generation.** Washington Gas delivers natural gas for use at two electric generation facilities in Maryland that are each owned by companies independent of WGL Holdings. During the three months ended December 31, 2009, deliveries to these customers decreased by 12.4 million therms, when compared to the same quarter of the prior fiscal year. Washington Gas shares with firm customers a significant majority of the margins earned from natural gas deliveries to these customers. Therefore, changes in the volume of interruptible gas deliveries to these customers do not materially affect either net revenues or net income.

#### **LIQUIDITY AND CAPITAL RESOURCES**

Liquidity and capital resources for Washington Gas are substantially the same as the liquidity and capital resources discussion included in the Management's Discussion of WGL Holdings (except for certain items and transactions that pertain to WGL Holdings and its unregulated subsidiaries). Those explanations are incorporated by reference into this discussion.

#### **RATES AND REGULATORY MATTERS**

Washington Gas determines its request to modify existing rates based on the level of net investment in plant and equipment, operating expenses and the need to earn a just and reasonable return on invested capital. The following is a discussion of significant current regulatory matters in each of Washington Gas's jurisdictions.

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***District of Columbia Jurisdiction***

**Recovery of HHC Costs.** On May 1, 2006, Washington Gas filed two tariff applications with the PSC of DC requesting approval of proposed revisions to the balancing charge provisions of its firm and interruptible delivery service tariffs that would permit the utility to recover from its delivery service customers the costs of HHCs that are being injected into Washington Gas’s natural gas distribution system to treat vaporized liquefied natural gas from the Dominion Cove Point Facility (refer to the section entitled “*Operating Issues Related to Cove Point Natural Gas Supply*” in Management’s Discussion). Washington Gas had been recovering the costs of HHCs from sales customers in the District of Columbia through its Purchased Gas Charge (PGC) provision in this jurisdiction. On October 2, 2006, the PSC of DC issued an order rejecting Washington Gas’s proposed tariff revisions until the PSC of MD issued a final order related to this matter. On October 12, 2006, Washington Gas filed a motion for clarification requesting that the PSC of DC affirm that Washington Gas can continue collecting HHC costs from sales customers through its PGC provision or to record such HHC costs incurred as a regulatory asset pending a ruling by the PSC of DC on future cost recovery. On May 11, 2007, the PSC of DC directed Washington Gas to cease prospective recovery of the cost of HHCs through the PGC provision, with future HHC costs to be recorded as a “pending” regulatory asset. On November 16, 2007 the PSC of MD issued a final order in the relevant case supporting full recovery of the HHC costs in Maryland. On March 25, 2008, the PSC of DC issued an order stating that the consideration of Washington Gas’s HHC strategy will move forward and directed interested parties to submit filings reflecting a proposed procedural schedule. On June 6, 2008, Washington Gas and the District of Columbia Office of the People’s Counsel filed a joint response to the order proposing a procedural schedule and a list of issues for consideration in the case. The PSC of DC adopted the proposed issues list and approved a procedural schedule. Washington Gas and other parties subsequently filed comments, conducted discovery and the parties filed reply comments. On April 30, 2009, the PSC of DC ruled that there were unresolved issues and directed that they should be addressed in evidentiary hearings. The PSC of DC issued an order establishing a procedural schedule to address these unresolved issues in the case. Initial testimony was filed May 29, 2009, and rebuttal testimony was filed on July 24, 2009.

On October 2, 2009, Washington Gas and the DC OPC filed a Joint Motion for Approval of Unanimous Agreement of Stipulation and Full Settlement with the PSC of DC (Stipulation). The parties to the Stipulation agreed that hexane commodity costs incurred by Washington Gas to condition liquefied natural gas received in Washington Gas’s natural gas system are recoverable expenses and that Washington Gas is authorized to achieve full cost recovery from sales and delivery service customers of hexane commodity costs incurred prior to September 30, 2009. Additionally, the Stipulation:

- (i) approves the recovery of hexane commodity costs incurred after September 30, 2009 from sales and delivery service customers, subject to review as a component of Washington Gas’s cost of gas;
- (ii) establishes the implementation of a coupling replacement and encapsulation program (program), wherein Washington Gas will replace or encapsulate a portion of its mechanically coupled pipe in the District of Columbia. The program is expected to conclude in approximately seven years with total spending not to exceed \$28.0 million;
- (iii) provides for the cost of the program to be recovered through an annual surcharge based on actual expenditures for coupling replacement and encapsulation that will become effective at the end of the existing base rate freeze (October 1, 2011). The cost will include both a return of and return on the cost of coupling replacement and encapsulation, computed in accordance with the terms of the rates currently in effect and
- (iv) establishes periodic reporting on the level of hexane injected at each of Washington Gas’s hexane facilities with the associated commodity costs, and continued filing of leak-related information with the PSC of DC.

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On October 16, 2009, the PSC of DC published a Notice of Public Interest Hearing, held on October 28, 2009. On December 16, 2009, the PSC of DC issued a final order approving the settlement agreement, including recovery of hexane commodity costs, provided the parties agree to change the September 30, 2009 date to the effective date of the newly approved tariffs. The parties filed the modified language consistent with the final order. Pursuant to the final order, Washington Gas established a regulatory asset by reversing hexane costs previously expensed of \$0.7 million into income.

As of December 31, 2009 Washington Gas has incurred cumulative total HHC costs of \$2.0 million related to the District of Columbia of which approximately \$0.5 million has been recovered and \$1.5 million has been deferred as a regulatory asset.

**Revenue Normalization Adjustment.** On December 21, 2009, Washington Gas filed a revised tariff application seeking approval of a RNA, a sales adjustment mechanism that decouples Washington Gas's non-gas revenues from actual delivered volumes of gas. On December 22, 2009, the DC OPC filed a motion requesting that the PSC of DC establish public hearing procedures to examine the merits of Washington Gas's RNA application. Washington Gas filed an opposition to the DC OPC's motion on January 4, 2010. The PSC of DC issued an order on January 19, 2010 granting the DC OPC's motion for evidentiary hearing and initiated a rate proceeding to consider issues surrounding Washington Gas's tariff application. A Commission decision on a procedural schedule is pending.

**Maryland Jurisdiction**

**Order on Previously Disallowed Purchased Gas Charges.** Each year, the PSC of MD reviews the annual gas costs collected from customers in Maryland to determine if Washington Gas's purchased gas costs are reasonable. On March 14, 2006, in connection with the PSC of MD's annual review of Washington Gas's gas costs that were billed to customers in Maryland from September 2003 through August 2004, a Hearing Examiner of the PSC of MD issued a proposed order approving purchased gas charges of Washington Gas for the twelve-month period ended August 2004, except for \$4.6 million of such charges that the Hearing Examiner recommended be disallowed because, in the opinion of the Hearing Examiner, they were not reasonably incurred. As a result, during the fiscal year ended September 30, 2006, Washington Gas accrued a liability of \$4.6 million related to the proposed disallowance of these purchased gas charges.

Washington Gas filed appeals with the PSC of MD asserting that the Hearing Examiner's recommendation was without merit. On February 5, 2009, the PSC of MD issued an order that granted the appeal and reversed the findings of the Hearing Examiner. Accordingly, the gas costs at issue were deemed recoverable from rate payers. The PSC of MD's order concluded that the responsibility for recovery of these costs should be assigned to the specific group of customers associated with unbundled firm delivery service, directing Washington Gas to bill such costs to those customers over a 24-month period and to provide a credit to firm bundled sales customers over the same period. As a result of this order, the liability recorded in fiscal year 2006 for this issue was reversed in the quarter ended December 31, 2008, and Washington Gas recorded income of \$4.6 million to "Operating revenues-utility." On February 25, 2009, Washington Gas filed its compliance plan with the PSC of MD which outlined the plan for returning these funds to its firm sales customers, as well as collecting funds from firm delivery service customers beginning with Washington Gas's May 2009 billing cycle and ending with its April 2011 billing cycle. On April 29, 2009, the PSC of MD approved Washington Gas's plan.

**Investigation of Asset Management and Gas Purchase Practices.** On July 24, 2008, the Office of Staff Counsel of the PSC of MD submitted a petition to the PSC of MD to establish an investigation into Washington Gas's asset management program as well as into the cost recovery of its gas purchases. On September 4, 2008, the PSC of MD issued a letter order docketing a new proceeding to consider the issues raised in the petition filed by the Office of Staff Counsel. In accordance with the procedural schedule, Washington Gas filed direct testimony on November 21, 2008; direct testimony by intervening

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parties was filed on February 4, 2009, and Washington Gas’s rebuttal testimony was filed March 11, 2009. A public hearing was held on March 19, 2009. Initial briefs were filed by Washington Gas and other parties on June 25, 2009. Reply briefs were filed on August 3, 2009.

On November 2, 2009, the Chief Hearing Examiner of the PSC of MD issued a proposed order of hearing examiner (POHE) which supports Washington Gas’s move to self-optimization of its gas assets, concluding that “the evidence on the record in this case is overwhelming that the Company’s decision to transition to self-management has in fact been prudent and resulted in substantial rate benefits...” The POHE also approves the Company’s proposal for the sharing of margins from asset optimization between the Company and customers based on a graduated, tiered approach. The POHE directs the Company to pass credits to customers through the PGC provision.

The POHE approves the Company’s current methodology for pricing storage injections. However, the POHE states that the parties will have 60 days from the date of a final order in the case to suggest any alternative pricing methods. The POHE also directs the Company to consult with the other parties to develop greater transparency and separate accounting or tracking of asset optimization activities and to provide a proposal or report within 60 days after a final order is issued.

The POHE directs the Company to include language in its tariff that would prevent losses from asset optimization activity over a full year from being passed on to ratepayers, but recognizes that timing differences or accounting adjustments, which may appear as a loss in a particular month, may occur.

On December 2, 2009, both the Staff of the PSC of MD and the Office of People’s Counsel filed Notices of Appeal of the POHE and on December 14, 2009, both filed a Memorandum on Appeal in support of their positions. On January 4, 2010, Washington Gas filed a Reply Memorandum in response to the Staff of the PSC of MD and the MD OPC’s Memoranda on Appeal. A Commission decision is pending.

**Investigation Into Operating Issues Related to Cove Point Natural Gas Supply.** On February 2, 2009, the PSC of MD issued an order reopening the evidentiary proceedings in a previously established case for the purpose of investigating and considering revised solutions to the gas distribution system leak problems (refer to the section entitled “*Operating Issues Related to Cove Point Natural Gas Supply*”). A technical conference was held on May 22, 2009, interested parties are currently engaged in discovery and status reports by the parties were filed with the Hearing Examiner on July 23, 2009, September 18, 2009 and November 5, 2009.

**Review of the Company’s 2009 — 2013 Gas Portfolio Plan.** On March 19, 2009, the PSC of MD issued a letter order docketing a review of the Company’s 2009 — 2013 Gas Portfolio Plan and specifically noting the Company’s plans to build an on-system peaking facility on the grounds of the decommissioned Chillum gas storage holders in Chillum, Maryland. The Commission noted that the proposed Chillum peaking facility is “... controversial, primarily because of its location...” Refer to the section entitled “*Chillum LNG Facility*” for a further discussion of this issue. A pre-hearing conference was held on April 15, 2009, at which time interventions were granted and a procedural schedule was established. The procedural schedule has been suspended pending the resolution of motions to compel discovery. Oral arguments on the discovery motions to compel were held on August 13, 2009. The Hearing Examiner issued rulings on the motions to compel on August 18, 2009. An additional motion to compel discovery, a motion to enforce ordered discovery and a motion to consolidate review of the Company’s next Gas Portfolio Plan with the current docket have been filed in the proceeding. A hearing on the motions to compel and to enforce ordered discovery was held on October 27, 2009. The Commission considered the motion to consolidate review of the Company’s next Gas Portfolio Plan with the current docket. Washington Gas filed its response on November 5, 2009 and the Maryland Office of People’s Counsel (MD OPC) filed its response on November 16, 2009. On January 6, 2010, the PSC of

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MD consolidated this proceeding with the Company's 2010 — 2014 Gas Portfolio Plan, which was filed on November 17, 2009.

**Virginia Jurisdiction**

**Application for Conservation and Ratemaking Efficiency Plan.** On September 29, 2009, Washington Gas filed with the SCC of VA an application which includes a portfolio of conservation and energy efficiency programs, an associated cost recovery provision and a decoupling mechanism which will adjust weather normalized non-gas distribution revenues for the impact of conservation or energy efficiency efforts. An evidentiary hearing in the proceeding is scheduled for February 9, 2010. The SCC of VA has six months from the date of the filing to issue an order.

**Performance-Based Rate Plans**

In rate case proceedings in all jurisdictions, Washington Gas requested permission to implement Performance-Based Rate (PBR) plans that include performance measures for customer service and an ESM that enables Washington Gas to share with shareholders and customers the earnings that exceed a target rate of return on equity.

Effective October 1, 2007, the SCC of VA approved the implementation of a PBR plan through the acceptance of a settlement stipulation, which includes: (i) a four-year base rate freeze; (ii) service quality measures to be determined in conjunction with the Staff of the SCC of VA and reported quarterly for maintaining a safe and reliable natural gas distribution system while striving to control operating costs; (iii) recovery of initial implementation costs associated with achieving Washington Gas's BPO initiatives over the four-year period of the PBR plan and (iv) an ESM that enables Washington Gas to share with shareholders and Virginia customers the earnings that exceed a target of 10.5% return on equity. The calculation of the ESM excludes \$2.4 million of asset management revenues that are being refunded to customers as part of a new margin sharing agreement in Virginia.

On May 4, 2009, the Staff of the SCC of VA issued a report, commenting on the amount of the ESM liability that had been reported for the fiscal year ending September 30, 2008. Washington Gas filed its response to the Staff report on June 18, 2009. On July 17, 2009, Washington Gas and the Staff of the SCC of VA filed a joint motion to approve stipulation and close proceeding with the SCC of VA whereby the Staff of the SCC of VA and Washington Gas agreed upon the appropriate refund to ratepayers under the ESM. The overall difference between the Staff position and Washington Gas's position was not material to the financial statements of Washington Gas. On July 24, 2009, the SCC of VA granted the joint motion and accepted the stipulation submitted by Washington Gas and the Staff of the SCC of VA in its final order approving the ESM liability for fiscal year 2008. At December 31, 2009, Washington Gas had accrued a customer liability of \$2.3 million for estimated sharing under the Virginia ESM related to fiscal year 2008. In accordance with the provisions of its VA tariff, Washington Gas began crediting customers' bills in April 2009 for the fiscal year 2008 ESM liability. The credits will continue through March, 2010. On January 28, 2010, Washington Gas filed its annual information filing confirming that there was no liability for fiscal year 2009 and that approximately \$0.5 million of previously expensed hexane cost were recoverable in rates. A decision on this filing is expected in the summer of 2010.

On an interim basis, Washington Gas records the effects of the ESM based on year-to-date earnings in relation to estimated annual earnings as calculated for regulatory purposes. For three months ended December 31, 2009, we did not incur expense related to the ESM.

On November 16, 2007, the PSC of MD issued a final order in a rate case, which established a phase-two proceeding to review Washington Gas's request to implement a PBR plan and issues raised by the parties associated with Washington Gas's BPO agreement. On September 4, 2008, a proposed order of Hearing Examiner was issued in this phase-two proceeding. Consistent with Washington Gas's current accounting methodology, the proposed order approved 10-year amortization accounting for initial implementation costs related to Washington Gas's BPO plan. At December 31, 2009 and September 30,

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2009, we had recorded a regulatory asset of \$7.2 million and \$7.4 million, respectively, net of amortization, related to initial implementation costs allocable to Maryland associated with our BPO plan. Washington Gas's application seeking approval of a PBR plan was denied. Additionally, the proposed order (i) directs Washington Gas to obtain an independent management audit related to issues raised in the phase-two proceeding and (ii) directs the initiation of a collaboration process in which Washington Gas is directed to engage in discussions with the Staff of the PSC of MD (MD Staff), the MD OPC and interested parties to develop appropriate customer service metrics and a periodic form for reporting results similar to the metrics filed by Washington Gas as part of the approved settlement in Virginia. This proposed order has been appealed by the MD Staff, the MD OPC and other parties. Washington Gas's reply memorandum on appeal was filed on November 5, 2008. A final decision by the PSC of MD is pending.

The final order issued by the PSC of DC on December 28, 2007 approved amortization accounting for initial implementation costs related to the BPO plan in approving the stipulated agreement filed in the proceeding. As part of that approved agreement, Washington Gas withdrew its application seeking approval of a PBR plan. Washington Gas is prohibited from seeking approval of a PBR plan in the District of Columbia until the filing of its next base rate case; however, the settling parties may not seek a change in rates during the rate case filing moratorium period under the terms of the approved rate settlement, with the exception of the implementation of a revenue normalization adjustment.

**Depreciation Study**

In October 2006, Washington Gas completed a depreciation rate study based on its property, plant and equipment balances as of December 31, 2005. The results of the depreciation study concluded that Washington Gas's depreciation rates should be reduced due to asset lives being extended beyond previously estimated lives. Under regulatory requirements, these depreciation rates must be approved before they are placed into effect.

On April 13, 2007, Washington Gas filed the portion of the depreciation study related to the Maryland jurisdiction. A separate proceeding was established on May 2, 2007, by the PSC of MD to review Washington Gas's request to implement new depreciation rates. On October 25, 2007, Washington Gas filed a 2007 technical update of the Maryland depreciation study based on property, plant and equipment balances as of December 31, 2006. Hearings were held May 12 and 13, 2008. Initial briefs were filed on July 16, 2008 and reply briefs were filed on August 6, 2008. On October 15, 2008, a proposed order of Hearing Examiner was issued in Maryland, which would reduce Washington Gas's annual depreciation expense related to the Maryland jurisdiction by approximately \$11.2 million when new depreciation rates are implemented, with a corresponding decrease in annual revenues on a prospective basis to be reflected in future billing rates. Reflected in this reduction in depreciation expense, among other things, are: (i) a change in methodology for calculating accrued asset removal costs and (ii) the designation of certain insurance and relocation reimbursements as salvage value. This reduction in depreciation expense will not impact annual operating income and will not prevent the recovery of our capital investment; however, it will have the effect of deferring full recovery of our capital investment into future years. On November 14, 2008, Washington Gas and the MD OPC noted appeals of the October 15, 2008 proposed order, thus suspending its effective date.

On February 5, 2010, the PSC of MD issued an order on appeal. The order affirmed the proposed order with two exceptions: (i) it directed the parties to confer and report on a prospective allocation method for reimbursements and (ii) it directed Washington Gas to amortize its \$13.3 million reserve deficiency imbalance over a 33.5 year time frame. We are currently assessing the requirements of the decision and the merits of an appeal. The PSC of MD's practice provides that the prospective impact of changes in depreciation rates from such an order will not be reflected on Washington Gas's accounts and records until a change in Washington Gas's distribution rates charged to customers takes effect. Implementation of revised depreciation rates and base rates is subject to approval by the PSC of MD.

**WGL Holdings, Inc.**  
**Washington Gas Light Company**  
Part I—Financial Information

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The following issues related to our market risks are included under Item 2, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and are incorporated by reference into this discussion.

- Price Risk Related to the Regulated Utility Segment
- Price Risk Related to the Retail Energy-Marketing Segment
- Weather Risk
- Interest-Rate Risk

**ITEM 4. CONTROLS AND PROCEDURES**

Senior management, including the Chairman and Chief Executive Officer, and the Vice President and Chief Financial Officer, evaluated the effectiveness of WGL Holdings' disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of December 31, 2009. Based on this evaluation process, the Chairman and Chief Executive Officer, and the Vice President and Chief Financial Officer have concluded that WGL Holdings' disclosure controls and procedures are effective. There have been no changes in the internal control over financial reporting of WGL Holdings during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of WGL Holdings.

**ITEM 4T. CONTROLS AND PROCEDURES**

Washington Gas is a non-accelerated filer; therefore, management has included this Item 4T as part of this combined report being filed by the two separate registrants: WGL Holdings and Washington Gas.

Senior management, including the Chairman and Chief Executive Officer, and the Vice President and Chief Financial Officer, evaluated the effectiveness of the disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) of Washington Gas as of December 31, 2009. Based on this evaluation process, the Chairman and Chief Executive Officer, and the Vice President and Chief Financial Officer have concluded that the disclosure controls and procedures of Washington Gas are effective. There have been no changes in the internal control over financial reporting of Washington Gas during the quarter ended December 31, 2009 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of Washington Gas.



**WGL Holdings, Inc.**  
**Washington Gas Light Company**  
Part II—Other Information  
Item 6—Exhibits

**ITEM 6. EXHIBITS**

**Exhibits:**

- 10.1 Form of Defined Contribution Supplemental Executive Retirement Plan.\*
- 10.2 Form of Defined Contribution Restoration Plan.\*
- 10.3 Form of Defined Benefit Restoration Plan.\*
- 31.1 Certification of Terry D. McCallister, the Chairman and Chief Executive Officer of WGL Holdings, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Vincent L. Ammann, Jr., the Vice President and Chief Financial Officer of WGL Holdings, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.3 Certification of Terry D. McCallister, the Chairman and Chief Executive Officer of Washington Gas Light Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.4 Certification of Vincent L. Ammann, Jr., the Vice President and Chief Financial Officer of Washington Gas Light Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certification of Terry D. McCallister, the Chairman and Chief Executive Officer, and Vincent L. Ammann, Jr., the Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Computation of Ratio of Earnings to Fixed Charges—WGL Holdings, Inc.
- 99.2 Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends—WGL Holdings, Inc.
- 99.3 Computation of Ratio of Earnings to Fixed Charges—Washington Gas Light Company.
- 99.4 Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends—Washington Gas Light Company.

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\* *This asterisk designates an agreement that is a compensatory plan or arrangement.*

**WGL Holdings, Inc.  
Washington Gas Light Company**

**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

WGL HOLDINGS, INC.  
and  
WASHINGTON GAS LIGHT COMPANY  
(Co-Registrants)

Date: February 5, 2010

/s/ Mark P. O'Flynn  
\_\_\_\_\_  
Mark P. O'Flynn  
Controller  
(Principal Accounting Officer)

WASHINGTON GAS LIGHT COMPANY  
DEFINED CONTRIBUTION  
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN  
Effective as of January 1, 2010

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**WASHINGTON GAS LIGHT COMPANY  
DEFINED CONTRIBUTION  
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN**

**ARTICLE I  
Purpose**

1.1 Establishment and Purpose. The Company established the Plan effective January 1, 2010 to provide a select group of management and highly compensated employees of the Company with supplemental retirement benefits. The Company intends that the Plan constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees within the meaning of ERISA sections 201(2), 301(a)(3) and 401(a)(1). All provisions of the Plan shall be interpreted and administered to the extent possible in a manner consistent with the stated intentions. Capitalized terms, unless otherwise defined herein, shall have the meaning provided in ARTICLE II.

**ARTICLE II  
Definitions**

For ease of reference, the following definitions will be used in the Plan:

2.1 Account. "Account" means the unfunded bookkeeping account maintained on the books of the Company used solely to calculate the amount payable to each Participant who is otherwise entitled to a benefit under ARTICLE V and shall not constitute a separate fund of assets.

2.2 Base Pay. "Base Pay" means a Participant's base salary as in effect from time to time during a Plan Year as shown on the Company's payroll records. Without limiting the generality of the foregoing, Base Pay does not include bonuses or incentive compensation, non-cash compensation or other non-base compensation.

2.3 Beneficiary(ies). "Beneficiary" or "Beneficiaries" means the person or persons designated by the Participant to receive payments under this Plan in the event of the Participant's death.

2.4 Board. "Board" means the Board of Directors of Washington Gas Light Company.

2.5 Change in Control. "Change in Control" means a Change in Control pursuant to the terms of the Washington Gas Light Company Change in Control Policy, which is incorporated by reference herein.

2.6 Code. "Code" means the Internal Revenue Code of 1986, as amended.

2.7 Company. “Company” means Washington Gas Light Company, a Virginia and District of Columbia corporation, and any successor to all, or substantially all, of the Company’s assets or business.

2.8 Company Credit. “Company Credit” means an amount credited by the Company to a Participant’s Account for the benefit of the Participant pursuant to Section 5.1.

2.9 Disability or Disabled. “Disability” means, to the extent consistent with Code section 409A, a physical or mental condition which prevents an Employee from engaging in any substantially gainful activity as determined by the Company’s Medical Director provided such disability is expected to result in death or can be expected to last for a continuous period of not less than 12 months.

2.10 Eligible Employee. “Eligible Employee” means any Employee who (i) is an executive, management or highly compensated Employee; (ii) is not a participant in the Washington Gas Light Company Supplemental Executive Retirement Plan; and (iii) is selected by the Board to participate in the Plan.

2.11 Employee. “Employee” means any person who receives salary, wages or commissions from the Company and whose wages from the Company are subject to withholding for purposes of federal income taxes and the Federal Insurance Contribution Act, as determined by the Plan Administrator.

2.12 ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

2.13 Incentive Compensation. “Incentive Compensation” means any short term incentive award under any incentive compensation plan maintained by the Company that is paid during the Plan Year.

2.14 Matching Credit. “Matching Credit” means an amount credited to a Participant’s Account by the Company for the benefit of the Participant pursuant to Section 5.2.

2.15 Measurement Funds. “Measurement Funds” means the investment alternatives offered under the Savings Plan unless the Plan Administrator takes an affirmative action, in its sole discretion, to discontinue, substitute, or modify such investment alternatives solely for purposes of this Plan. Notwithstanding the foregoing, the WGL Holdings, Inc. Stock Fund and the Stable Value Fund offered under the Savings Plan shall not constitute Measurement Funds for purposes of the Plan. Measurement Funds are used solely to calculate the notional earnings that are credited to each Participant’s Account(s) in accordance with Section 6.2 below, and do not represent any beneficial interest on the part of the Participant in any asset or other property of WGL Holdings, Inc., the Company or any affiliate thereof. Unless the Plan Administrator otherwise determines in its discretion, any addition, removal or replacement of investment funds under the Savings Plan shall automatically result in a corresponding change to the Measurement Funds hereunder.

2.16 Participant. “Participant” means an individual described in Section 4.1 or a former Employee who has an Account that is not fully distributed.

2.17 Plan. “Plan” means this Plan, entitled the Washington Gas Light Company Defined Contribution Supplemental Executive Retirement Plan, as amended from time to time hereafter.

2.18 Plan Administrator. “Plan Administrator” means the plan administrator appointed by the Board to administer the Plan pursuant to Section 3.1 (or, where the context so requires, any delegate of the Plan Administrator).

2.19 Plan Year. “Plan Year” means a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

2.20 Incentive Credit. “Incentive Credit” means an amount credited to a Participant’s Account by the Company for the benefit of the Participant pursuant to Section 5.3.

2.21 Savings Plan. “Savings Plan” means the Washington Gas Light Company Savings Plan, as amended from time to time.

2.22 Termination of Employment. “Termination of Employment” means a Participant’s “separation from service” with the Company within the meaning of Code section 409A and the regulations and rulings promulgated thereunder.

2.23 Total Pay. “Total Pay” means the aggregate of Base Pay and Incentive Compensation.

2.24 Unforeseeable Emergency. “Unforeseeable Emergency” means a severe financial hardship to a Participant or the Participant’s spouse, Beneficiary or dependents within the meaning of Code section 409A(a)(2)(B)(ii) and the regulations and rulings promulgated thereunder.

2.25 Years of Service. “Years of Service” means the total number of years that a Participant has been employed by the Company as determined in accordance with the Savings Plan and Treasury Regulation section 1.410(a)-7 as of any determination date.

### **ARTICLE III Administration**

3.1 Plan Administrator. The Plan shall be administered by a committee that is comprised of the members of the Retirement Board appointed by the Company’s Board of Directors with respect to the Washington Gas Light Company Employees’ Pension Plan, or such other committee or persons as are selected from time to time by the Board of Directors (the “Committee”). The Plan Administrator may delegate any of its duties to such other person or persons from time to time as it may designate. Members of the



Committee may participate in the Plan; however, any individual serving on the Committee shall not vote or act on any matter relating solely to himself or herself.

3.2 Duties. The Plan Administrator shall have the sole discretion to construe and interpret all provisions of the Plan and, to the extent permitted by Code section 409A, the Plan Administrator is authorized to remedy any errors, inconsistencies or omissions, to resolve any ambiguities, to adopt rules and practices concerning the administration of the Plan, and to make any determinations and calculations necessary or appropriate hereunder. Benefits under the Plan will be paid only if the Plan Administrator decides in its discretion that the Participant is entitled to them, except as reserved to the Human Resources Committee of the Board under Section 7.1(c). The Company shall pay all expenses and liabilities incurred in connection with Plan administration.

3.3 Agents. The Plan Administrator may engage the services of accountants, attorneys, actuaries, investment consultants, and such other professional personnel as are deemed necessary or advisable to assist in fulfilling the Plan Administrator's responsibilities. The Plan Administrator, the Company and the Board may rely upon the advice, opinions or valuations of any such persons.

3.4 Binding Effect of Decisions. The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan. Neither the Plan Administrator, its delegates, nor the Board shall be personally liable for any good faith action, determination or interpretation with respect to the Plan, and each shall be fully protected by the Company in respect of any such action, determination or interpretation.

#### **ARTICLE IV Participation**

4.1 Commencement of Participation. Each Eligible Employee shall become a Participant no earlier than the date the Board meets and designates the Employee as an Eligible Employee; Participation shall begin on the date the Board shall specify.

4.2 Termination of Participation. If the Board determines in good faith that a Participant is no longer an Eligible Employee, such Employee shall no longer be eligible to receive any Company Credits, Matching Credits or Incentive Credits, and the terms of this Plan shall continue to govern until amounts previously credited to Participant's Account are paid in full.

**ARTICLE V**  
**Benefits**

5.1 Company Credit. Eligible Employees shall be entitled to receive a Company Credit equal to 6% of the Participant's Total Pay for the pay period each pay period in the Plan Year.

5.2 Matching Credit. An Eligible Employee who has elected to defer any portion of his or her compensation under the Savings Plan as of the first day of a Plan Year shall be entitled to receive a Matching Credit each pay period equal to 4% of the Participant's Incentive Compensation for the pay period.

5.3 Incentive Credit. An Eligible Employee who is not currently accruing a benefit under the Washington Gas Light Company Employees' Pension Plan shall be entitled to receive a Incentive Credit each pay period in an amount equal to the percentage attributable to the Participant's Years of Service as of the December 31 of the previous Plan Year in accordance with the table set forth in this Section 5.3, multiplied by the Participant's Incentive Compensation for the pay period.

<b>Years of Service</b>	<b>Percentage of Annual Compensation</b>
Less than 5	4.00%
5 to 9	5.00%
10 to 14	5.50%
15 or more	6.00%

5.4 Vesting.

(a) General. Subject to Section 5.4(d) below and the right of the Company to amend or terminate the Plan, Participants shall vest in amounts credited to their Accounts as follows:

(i) At the time a Participant first becomes a Participant in the Plan

(A) The Participant shall become 10% vested for every period of 5 Years of Service completed prior to January 1 of the year in which he or she became a Participant. For this purpose, four complete Years of Service plus one day of service with the Company will be treated as 5 Years of Service; plus

(B) The Participant shall become 5% vested for every Year of Service prior to, and including, the year the Participant attained age 49.

(ii) Thereafter, a Participant shall vest an additional 10% each Plan Year that constitutes a Year of Service, up to a maximum of 100%.

(b) Disability. If a Participant becomes Disabled when the Participant is an Employee, the Participant shall become 100% vested in his Account.

(c) Change in Control. Upon a Change in Control, Participants shall become 100% vested in their Accounts.

(d) Exceptions.

(i) Company Initiated Termination. The provisions of Section 5.4(a) will not apply if a Participant's Termination of Employment occurs as a result of a Company-initiated action. In such event, the Participant's vested interest in his Account balance shall be calculated in accordance with the following schedule:

Years of Service	Vested Percentage
1	20%
2	40%
3	60%
4	80%
5	100%

(ii) Acceleration of Vesting. The Plan Administrator may waive all vesting requirements or permit accelerated vesting arrangements in any case which, in the Plan Administrator's discretion, represents special circumstances.

(iii) Misconduct. Notwithstanding any Plan provision to the contrary, if a Participant willfully performs any act or willfully fails to perform any act of material importance to the Company, that may result in material discredit or substantial detriment to the Company, then upon a majority vote of the Board, such Participant and any Beneficiary of such individual shall forfeit any benefit payments owing on and after the date fixed by the Board and the Company shall have no further obligation under this Plan to such Participant or any Beneficiary. If a Participant to which this Section applies received payment of his or her Account pursuant to Section 7.1, then the Participant or his Beneficiary shall return

to the Company a proportionate share of such payment calculated as follows:

The payment amount shall be multiplied by a fraction, the numerator of which is the number of full years and months which elapsed from the time of the payment to the time of the willful act or failure to act described above, and the denominator of which is the number of full years and months of the Participant's life expectancy determined as of the time of the payment.

## **ARTICLE VI Participant Account**

6.1 Establishment and Crediting of Account. The Plan Administrator will establish notional accounts for each Participant as the Plan Administrator deems necessary or advisable from time to time. The Plan Administrator will establish a Participant's Account at the time the Company first credits a Company Credit, a Matching Credit or a Incentive Credit to the Account. The Plan Administrator shall, to the extent possible, credit Company Credits, Matching Credits and Incentive Credits to Participant Accounts on a per pay period basis. Each Account shall be credited as appropriate with notional earnings and reduced for notional losses or distributions from the Account.

6.2 Investment of Accounts. Participants may allocate the credits to their Account among the various Measurement Funds under procedures adopted by the Plan Administrator. In default of such designation, credits to a Participant's Account shall be allocated to the Measurement Fund(s) that serves as the default investment option in the Savings Plan, unless the Plan Administrator makes an affirmative election otherwise in its sole discretion. A Participant's Account shall be credited with all deemed earnings (or losses) generated by the Measurement Funds, as elected by the Participant, on each business day for the sole purpose of determining the amount of earnings to be credited or debited to such Account as if the designated balance of the Account had been invested in the applicable Measurement Fund. Notwithstanding that the rates of return credited to a Participant's Accounts are based upon the actual performance of the corresponding Measurement Funds, the Company shall not be obligated to invest any amount credited to a Participant's Account under this Plan in such Measurement Funds or in any other investment funds. Upon notice to the Plan Administrator in the manner it prescribes, a Participant may reallocate the Measurement Funds to which his or her Account is deemed to be allocated.

6.3 Valuation of Account. The value of a Participant's Account as of any date shall equal the amounts theretofore credited to such Account, including any earnings (positive or negative) deemed to be earned on such Account in accordance with Section 6.2, less any amounts theretofore deducted from such Account.

6.4 Statement of Account. The Plan Administrator shall provide or make available to each Participant (including electronically), not less frequently than quarterly, a statement in such form as the Plan Administrator deems desirable setting forth the balance standing to the credit of his or her Account.

6.5 Separate Accounting. If and to the extent required for the proper administration of the Plan, the Plan Administrator may segregate a Participant's Account into subaccounts on the books and records of the Plan, all of which subaccounts shall, together, constitute the Participant's Account.

## **ARTICLE VII Payments to Participants**

7.1 Time and Form of Payment. The vested portion of a Participant's Account will be distributed upon the first to occur of the Participant's Separation from Service, Disability or the occurrence of an Unforeseeable Emergency.

(a) Separation from Service. Distributions due to Separation from Service will be paid in a lump sum to the Participant on the first day of the seventh month following the Participant's Termination of Employment, or, if earlier, within 30 days following the Participant's death. In the event of death, the vested portion of a Participant's Account shall be paid in a lump sum to the Participant's Beneficiary.

(b) Disability. Distributions due to a Disability will be paid in a lump sum 30 days following the occurrence of the Disability.

(c) Unforeseeable Emergency. In the event that the Human Resources Committee of the Board, upon written request of a Participant, determines that the Participant has suffered an Unforeseeable Emergency, the Participant will be paid from his or her Account, within 30 days following such determination, an amount necessary to meet the emergency (determined in a manner consistent with Section 409A), plus amounts necessary to pay taxes reasonably anticipated because of the distribution.

Notwithstanding the foregoing, if a payment is not made on the designated payment date, the payment shall be made by December 31 of the calendar year in which the designated payment date occurs or, if later, on or before the 15th day of the third month following the designated payment date. Any payment that complies with this Section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of payment.

7.2 Valuation of Payments. Benefits shall be payable in an amount equal to the balance credited to the Participant's Account as of the most recent business day immediately preceding the date of the actual distribution, with the Measurement Funds being deemed to have been liquidated on that date to make the payment.

7.3 Withholding Taxes. The Company may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Company is required by any law or regulation of any governmental authority, whether federal, state or local, to withhold in connection with any benefits under the Plan, including, but not limited to, the withholding of appropriate sums from any amount otherwise payable to the Participant (or his or her Beneficiary). Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

Notwithstanding the foregoing, to the extent permitted by Code section 409A, the Plan Administrator, in its sole discretion, may accelerate the time of payment if a Participant is subject to tax under the Federal Insurance Contribution Act (FICA) before distributions are to be made under the Plan to pay the FICA tax imposed under section 3101 of the Code, section 3121(a) of the Code, and section 3121(v)(2) of the Code, or to pay the income tax at source on wages imposed under section 3401 of the Code or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA amount, and to pay the additional income tax at source on wages attributable to the pyramiding section 3401 of the Code wages and taxes. Any payment distributed pursuant to this Section must not exceed the aggregate FICA and related tax amount permitted under section 409A of the Code.

7.4 Effect of Payment. The full payment of the vested portion of a Participant's Account shall completely discharge all obligations on the part of the Company to the Participant (and each Beneficiary) with respect to the operation of this Plan, and the Participant's (and Beneficiary's) rights under this Plan shall terminate.

7.5 Delay of Payment for Specified Employees. Notwithstanding any provision of this Plan to the contrary, in the case of any Participant who is a "specified employee" within the meaning of Code section 409A as of the date of such Participant's Termination of Employment, no distribution under this Plan may occur before the date which is six months after the date of such Participant's Termination of Employment (or, if earlier, the date of the Participant's death).

#### **ARTICLE VIII Claims Procedures**

8.1 Claim for Benefits. Any claim for benefits under this Plan shall be made in writing to the Plan Administrator. If a claim for benefits is wholly or partially denied, the Plan Administrator, or its delegate, shall so notify the claimant within 90 days after receipt of the claim. If the Plan Administrator determines that an extension is necessary, the Plan Administrator will notify the claimant within the initial 90-day period that the Plan Administrator needs up to an additional 90 days to review the claim. In the case of a claim for disability benefits, the Plan Administrator shall notify the claimant within 45 days after the claim is received unless the Plan Administrator determines that an extension of time for processing is required due to matters beyond the control of the Plan, in which case written notice of the extension shall be furnished to the claimant prior to

termination of the original 45-day period. Such extension shall not exceed 30 days from the end of the initial period. If, prior to the end of the first 30-day extension period, the Plan Administrator determines that, due to matters beyond the control of the Plan, an additional extension of time for processing is required, written notice of a second 30-day extension shall be furnished to the claimant prior to termination of the first 30-day extension.

8.2 Notice of Denial. The notice of denial shall be written in a manner calculated to be understood by the claimant and shall contain (a) the specific reason or reasons for denial of the claim, (b) specific references to the pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary to perfect the claim together with an explanation of why such material or information is necessary and (d) an explanation of the claims review procedure and time limits, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. In the case of a claim for disability benefits, the notification shall also advise the claimant whether the Plan Administrator's denial relied upon any specific rule, guideline, protocol or scientific or clinical judgment. The decision or action of the Plan Administrator shall be final, conclusive and binding on all persons having any interest in the Plan, unless a written appeal is filed as provided in Section 8.3 hereof.

8.3 Review of Claim. Within 60 days after the receipt by the claimant of notice of denial of a claim, the claimant may (a) file a request with the Plan Administrator that it conduct a full and fair review of the denial of the claim, (b) receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits, and (c) submit questions and comments to the Plan Administrator in writing.

8.4 Decision After Review. Within 60 days after the receipt of a request for review under Section 8.3, the Plan Administrator, or its delegate, shall deliver to the claimant a written decision with respect to the claim, except that if there are special circumstances which require more time for processing, the 60-day period shall be extended to 120 days upon notice to that effect to the claimant. The decision shall be written in a manner calculated to be understood by the claimant and shall (a) include the specific reason or reasons for the decision, (b) contain a specific reference to the pertinent Plan provisions upon which the decision is based, (c) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits, and (d) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA. In the case of a claim for disability benefits, the notice shall set forth: (1) whether the Plan Administrator's denial relied upon any specific rule, guideline, protocol or scientific or clinical judgment; and (2) the following statement: "You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

8.5 Legal Action. A claimant may not bring any legal action relating to a claim for benefits under the Plan unless and until the claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.

8.6 Discretion of the Plan Administrator. All interpretations, determinations and decisions of the Plan Administrator with respect to any claim shall be made in its sole discretion, and shall be final and conclusive.

#### **ARTICLE IX Miscellaneous**

9.1 Unfunded Status of Plan. The Plan is intended to constitute an “unfunded” deferred and supplemental retirement compensation plan for Participants, with all benefits payable hereunder constituting an unfunded contractual payment obligation of the Company. The Company shall reflect on its books the Participants’ interests hereunder, but no Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. A Participant’s right to receive payments under the Plan shall be no greater than the right of an unsecured general creditor of the Company.

9.2 Nonalienation of Benefits. None of the payments, benefits or rights of any Participant under the Plan shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee’s process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate commute, pledge, encumber or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under the Plan.

9.3 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant, or any person whosoever, the right to be retained in the service of the Company, and all Participants and other employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

9.4 No Limitation on Company Actions. Nothing contained in the Plan shall be construed to prevent the Company from taking any action which is deemed by it to be appropriate or in its best interest. No Participant, Beneficiary, or other person shall have any claim against the Company as a result of such action.

9.5 No Liability for Action or Omission. Neither the Company, the Plan Administrator nor any director, officer or employee of the Company shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any benefit or action taken or omitted in connection with the granting of benefits, the continuation of benefits, or the interpretation and administration of this Plan.



9.6 Designation of Beneficiary. Each Participant may designate in writing a Beneficiary or Beneficiaries (which Beneficiary may be an entity other than a natural person if approved by the Plan Administrator in its sole discretion) to receive any payments which may be made under the Plan following the Participant's death. No Beneficiary designation shall become effective until it is in writing and it is filed with the Plan Administrator. A Beneficiary designation under the Plan may be separate from all other retirement-type plans sponsored by the Company. Such designation may be changed or canceled by the Participant at any time without the consent of any such Beneficiary. Any such designation, change or cancellation must be made in a form approved by the Plan Administrator and shall not be effective until received by the Plan Administrator or its designee. If no Beneficiary has been named, or the designated Beneficiary or Beneficiaries have predeceased the Participant, the Beneficiary shall be the Participant's estate.

9.7 Payments to Minors, Etc.. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefore shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall be a complete discharge of any liability for such payment amount.

9.8 Code Section 409A. The Plan is intended to be a nonqualified deferred compensation plan within the meaning of Code section 409A and shall be interpreted to meet the requirements of Code section 409A. To the extent that any provision of the Plan would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Plan to fail to satisfy Code section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment to a Participant.

9.9 Applicable Law and Construction. This Plan shall be governed by, construed and administered in accordance with the applicable provisions of ERISA, and any other applicable Federal law, including Code section 409A, and to the extent not preempted by Federal law, this Plan shall be governed by, construed, and administered in accordance with the laws of the Commonwealth of Virginia, without reference to the principles of conflict of laws.

9.10 Severability of Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan Administrator may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid and unenforceable, had not been included.

9.11 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

9.12 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

9.13 Notice. Any notice or filing required or permitted under the Plan shall be sufficient if in writing and if (i) hand-delivered or sent by telecopy, (ii) sent by registered or certified mail, or (iii) sent by nationally-recognized overnight courier. Such notice shall be deemed given as of (i) the date of delivery if hand-delivered or sent by telecopy, (ii) as of the date shown on the postmark on the receipt for registration or certification, if delivery is by mail, or (iii) on the first business day after dispatch, if sent by nationally-recognized overnight courier.

9.14 Amendment and Termination. The Plan may be amended, suspended, or terminated at any time (in whole or in part) by the Company in its sole discretion; provided, however, that no such amendment, suspension or termination shall result in any reduction in the value of a Participant's Account determined as of the effective date of such amendment. In addition, the Plan, may be amended at any time and in any respect by the Company (and/or its operation modified by the Plan Administrator) if and to the extent recommended by Company counsel in order to conform to the requirements of Code section 409A and regulations thereunder or to any other Code section or regulation that bears on the tax-deferred character of the benefits provided hereunder. In the event of any suspension or termination of the Plan (or any portion thereof), payment of Participants' Accounts shall be made under and in accordance with the terms of the Plan (except that the Plan Administrator may determine, in its sole discretion, to accelerate payments to all Participants if and to the extent that such acceleration is permitted under Code section 409A and regulations thereunder).

9.15 Successors. This Plan shall bind any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

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**WASHINGTON GAS LIGHT COMPANY  
DEFINED CONTRIBUTION  
RESTORATION PLAN  
Effective as of January 1, 2010**

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**WASHINGTON GAS LIGHT COMPANY  
DEFINED CONTRIBUTION  
RESTORATION PLAN**

**ARTICLE I  
Purpose**

1.1 Establishment and Purpose. The Company established the Plan effective January 1, 2010 to provide a select group of management and highly compensated employees of the Company with supplemental retirement benefits. The Company intends that the Plan constitute an unfunded deferred compensation plan for a select group of management or highly compensated employees within the meaning of ERISA sections 201(2), 301(a)(3) and 401(a)(1). All provisions of the Plan shall be interpreted and administered to the extent possible in a manner consistent with the stated intentions. Capitalized terms, unless otherwise defined herein, shall have the meaning provided in Article II.

**ARTICLE II  
Definitions**

For ease of reference, the following definitions will be used in the Plan:

2.1 Account. "Account" means the unfunded bookkeeping account maintained on the books of the Company used solely to calculate the amount payable to each Participant who is otherwise entitled to a benefit under ARTICLE V and shall not constitute a separate fund of assets.

2.2 Base Pay. "Base Pay" means a Participant's base salary as in effect from time to time during a Plan Year as shown on the Company's payroll records. Without limiting the generality of the foregoing, Base Pay does not include bonuses or incentive compensation, non-cash compensation or other non-base compensation.

2.3 Base Pay Matching Credit. "Base Pay Matching Credit" means an amount credited to a Participant's Account by the Company for the benefit of the Participant pursuant to Section 5.1.

2.4 Base Pay Restoration Credit. "Base Pay Restoration Credit" means an amount credited to a Participant's Account by the Company for the benefit of the Participant pursuant to Section 5.2.

2.5 Beneficiary(ies). "Beneficiary" or "Beneficiaries" means the person or persons designated by the Participant to receive payments under this Plan in the event of the Participant's death.

2.6 Board. "Board" means the Board of Directors of Washington Gas Light Company.

2.7 Change in Control. “Change in Control” means a Change in Control pursuant to the terms of the Washington Gas Light Company Change in Control Policy, which is incorporated by reference herein.

2.8 Code. “Code” means the Internal Revenue Code of 1986, as amended.

2.9 Company. “Company” means Washington Gas Light Company, a Virginia and District of Columbia corporation, and any successor to all, or substantially all, of the Company’s assets or business.

2.10 Disability. “Disability” means, to the extent consistent with Code section 409A, a physical or mental condition which prevents an Employee from engaging in any substantially gainful activity as determined by the Company’s Medical Director provided such disability is expected to result in death or can be expected to last for a continuous period of not less than 12 months.

2.11 Eligible Employee. “Eligible Employee” means any Employee (i) who is not a participant in the Washington Gas Light Company Supplemental Executive Retirement Plan and (ii) whose Base Pay for a Plan Year exceeds the Code section 401(a)(17) limit.

2.12 Employee. “Employee” means any person who receives salary, wages or commissions from the Company and whose wages from the Company are subject to withholding for purposes of federal income taxes and the Federal Insurance Contribution Act, as determined by the Plan Administrator.

2.13 ERISA. “ERISA” means the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.

2.14 Measurement Funds. “Measurement Funds” means the investment alternatives offered under the Savings Plan unless the Plan Administrator takes an affirmative action, in its sole discretion, to discontinue, substitute, or modify such investment alternatives solely for purposes of this Plan. Notwithstanding the foregoing, the WGL Holdings, Inc. Stock Fund and the Stable Value Fund offered under the Savings Plan shall not constitute Measurement Funds for purposes of the Plan. Measurement Funds are used solely to calculate the notional earnings that are credited to each Participant’s Account(s) in accordance with Section 6.2 below, and do not represent any beneficial interest on the part of the Participant in any asset or other property of WGL Holdings, Inc., the Company or any affiliate thereof. Unless the Plan Administrator otherwise determines in its discretion, any addition, removal or replacement of investment funds under the Savings Plan shall automatically result in a corresponding change to the Measurement Funds hereunder.

2.15 Participant. “Participant” means an individual described in Section 4.1 or a former Employee who has an Account that is not fully distributed.

2.16 Plan. “Plan” means this Plan, entitled the Washington Gas Light Company Defined Contribution Restoration Plan, as amended from time to time hereafter.

2.17 Plan Administrator. “Plan Administrator” means the plan administrator appointed by the Board to administer the Plan pursuant to Section 3.1 (or, where the context so requires, any delegate of the Plan Administrator).

2.18 Plan Year. “Plan Year” means a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.

2.19 Savings Plan. “Savings Plan” means the Washington Gas Light Company Savings Plan, as amended from time to time.

2.20 Termination of Employment. “Termination of Employment” means a Participant’s “separation from service” with the Company within the meaning of Code section 409A and the regulations and rulings promulgated thereunder.

2.21 Unforeseeable Emergency. “Unforeseeable Emergency” means a severe financial hardship to a Participant or the Participant’s spouse, Beneficiary or dependents within the meaning of Code section 409A(a)(2)(B)(ii) and the regulations and rulings promulgated thereunder.

2.22 Years of Service. “Years of Service” means the total number of years that a Participant has been employed by the Company as determined in accordance with the Savings Plan and Treasury Regulation section 1.410(a)-7 as of any determination date.

### **ARTICLE III Administration**

3.1 Plan Administrator. The Plan shall be administered by a committee that is comprised of the members of the Retirement Board appointed by the Company’s Board of Directors with respect to the Washington Gas Light Company Employees’ Pension Plan, or such other committee or persons as are selected from time to time by the Board of Directors (the “Committee”). The Plan Administrator may delegate any of its duties to such other person or persons from time to time as it may designate. Members of the Committee may participate in the Plan; however, any individual serving on the Committee shall not vote or act on any matter relating solely to himself or herself.

3.2 Duties. The Plan Administrator shall have the sole discretion to construe and interpret all provisions of the Plan and, to the extent permitted by Code section 409A, the Plan Administrator is authorized to remedy any errors, inconsistencies or omissions, to resolve any ambiguities, to adopt rules and practices concerning the administration of the Plan, and to make any determinations and calculations necessary or appropriate hereunder. Benefits under the Plan will be paid only if the Plan Administrator decides in its discretion that the Participant is entitled to them, except as reserved to the Human



Resources Committee of the Board under Section 7.1(c). The Company shall pay all expenses and liabilities incurred in connection with Plan administration.

3.3 Agents. The Plan Administrator may engage the services of accountants, attorneys, actuaries, investment consultants, and such other professional personnel as are deemed necessary or advisable to assist in fulfilling the Plan Administrator's responsibilities. The Plan Administrator, the Company and the Board may rely upon the advice, opinions or valuations of any such persons.

3.4 Binding Effect of Decisions. The decision or action of the Plan Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final, conclusive and binding upon all persons having any interest in the Plan. Neither the Plan Administrator, its delegates, nor the Board shall be personally liable for any good faith action, determination or interpretation with respect to the Plan, and each shall be fully protected by the Company in respect of any such action, determination or interpretation.

#### **ARTICLE IV Participation**

4.1 Commencement of Participation. Each Eligible Employee shall become a Participant upon the date the Plan Administrator credits a Base Pay Matching Credit or a Base Pay Restoration Credit to an Account on behalf of the Eligible Employee.

4.2 Termination of Participation. If the Plan Administrator determines in good faith that a Participant is no longer an Eligible Employee, such Employee shall no longer be eligible to receive any Base Pay Matching Credits or Base Pay Restoration Credits, and the terms of this Plan shall continue to govern until amounts previously credited to the Participant's Account are paid in full.

#### **ARTICLE V Benefits**

5.1 Base Pay Matching Credit. An Eligible Employee who has elected to defer any portion of his or her Base Pay under the Savings Plan as of the first day of a Plan Year shall be entitled to receive a Base Pay Matching Credit commencing the first pay period that the aggregate amount of the Participant's Base Pay paid to date for the Plan Year exceeds the Code section 401(a)(17) limit and each pay period thereafter in the Plan Year. The Base Pay Matching Credit shall equal 4% of the portion of the Participant's Base Pay for the pay period that, when aggregated with Participant's Base Pay paid to date for the Plan Year, exceeds the Code section 401(a)(17) limit.

5.2 Base Pay Restoration Credit. An Eligible Employee who is not currently accruing a benefit in the Washington Gas Light Company Employees' Pension Plan shall

be entitled to receive a Base Pay Restoration Credit commencing the first pay period that the aggregate amount of the Participant's Base Pay paid to date for the Plan Year exceeds the Code section 401(a)(17) limit and each pay period thereafter in the Plan Year. The amount of the Base Pay Restoration Credit shall be calculated by multiplying the percentage attributable to the Participant's Years of Service as of the December 31 of the previous Plan Year in accordance with table set forth in this Section 5.2, by the portion of Participant's Base Pay for the pay period that, when aggregated with Participant's Base Pay paid to date for the Plan Year, exceeds the Code section 401(a)(17) limit.

Years of Service	Percentage of Annual Compensation
Less than 5	4.00%
5 to 9	5.00%
10 to 14	5.50%
15 or more	6.00%

5.3 Vesting.

(a) General. A Participant's Account shall be 100% vested at all times.

(b) Exceptions.

(i) Company Initiated Termination. The provisions of Section 5.3(a) shall not apply if a Participant's Termination of Employment occurs as a result of a Company-initiated action. In such event, the Participant's vested interest in his Account balance shall be calculated in accordance with the following schedule:

Years of Service	Vested Percentage
1	20%
2	40%
3	60%
4	80%
5	100%

(ii) Misconduct. Notwithstanding any Plan provision to the contrary, if a Participant willfully performs any act or willfully fails to perform any act of material importance to the Company, that may result in material discredit or substantial detriment to the Company, then upon a majority vote of the Board, such Participant and any Beneficiary of such individual shall forfeit any benefit payments owing on and after the date fixed by the Board and the Company shall have no further obligation under this Plan to such Participant or any Beneficiary. If a Participant to which this Section applies received payment of his or her Account pursuant to Section 7.1, then the Participant or his Beneficiary shall return to the Company a proportionate share of such payment calculated as follows:

The payment amount shall be multiplied by a fraction, the numerator of which is the number of full years and months which elapsed from the time of the payment to the time of the willful act or failure to act described above, and the denominator of which is the number of full years and months of the Participant's life expectancy determined as of the time of the payment.

## **ARTICLE VI Participant Account**

6.1 Establishment and Crediting of Account. The Plan Administrator will establish notional accounts for each Participant as the Plan Administrator deems necessary or advisable from time to time. The Plan Administrator will establish a Participant's Account at the time the Company first credits a Base Pay Matching Credit or a Base Pay Restoration Credit to the Account. The Plan Administrator shall, to the extent possible, credit Base Pay Matching Credits and Base Pay Restoration Credits to Participant Accounts on a per pay period basis. Each Account shall be credited as appropriate with notional earnings and reduced for notional losses or distributions from the Account.

6.2 Investment of Accounts. Participants may allocate the credits to their Account among the various Measurement Funds under procedures adopted by the Plan Administrator. In default of such designation, credits to a Participant's Account shall be allocated to the Measurement Fund(s) that serves as the default investment option in the Savings Plan, unless the Plan Administrator makes an affirmative election otherwise in its sole discretion. A Participant's Account shall be credited with all deemed earnings (or losses) generated by the Measurement Funds, as elected by the Participant, on each business day for the sole purpose of determining the amount of earnings to be credited or debited to such Account as if the designated balance of the Account had been invested in the applicable Measurement Fund. Notwithstanding that the rates of return credited to a Participant's Accounts are based upon the actual performance of the corresponding Measurement Funds, the Company shall not be obligated to invest any amount credited to a Participant's Account under this Plan in such Measurement Funds or in any other

investment funds. Upon notice to the Plan Administrator in the manner it prescribes, a Participant may reallocate the Measurement Funds to which his or her Account is deemed to be allocated.

6.3 Valuation of Account. The value of a Participant's Account as of any date shall equal the amounts theretofore credited to such Account, including any earnings (positive or negative) deemed to be earned on such Account in accordance with Section 6.2, less any amounts theretofore deducted from such Account.

6.4 Statement of Account. The Plan Administrator shall provide or make available to each Participant (including electronically), not less frequently than quarterly, a statement in such form as the Plan Administrator deems desirable setting forth the balance standing to the credit of his or her Account.

6.5 Separate Accounting. If and to the extent required for the proper administration of the Plan, the Plan Administrator may segregate a Participant's Account into subaccounts on the books and records of the Plan, all of which subaccounts shall, together, constitute the Participant's Account.

## **ARTICLE VII Payments to Participants**

7.1 Time and Form of Payment. The vested portion of a Participant's Account will be distributed upon the first to occur of the Participant's Separation from Service, Disability or the occurrence of an Unforeseeable Emergency.

(a) Separation from Service. Distributions due to Separation from Service will be paid in a lump sum to the Participant on the first day of the seventh month following the Participant's Termination of Employment, or, if earlier, within 30 days following the Participant's death. In the event of death, the vested portion of a Participant's Account shall be paid in a lump sum to the Participant's Beneficiary.

(b) Disability. Distributions due to a Disability will be paid in a lump sum 30 days following the occurrence of the Disability.

(c) Unforeseeable Emergency. In the event that the Human Resources Committee of the Board, upon written request of a Participant, determines that the Participant has suffered an Unforeseeable Emergency, the Participant will be paid from his or her Account, within 30 days following such determination, an amount necessary to meet the emergency (determined in a manner consistent with Section 409A), plus amounts necessary to pay taxes reasonably anticipated because of the distribution.

Notwithstanding the foregoing, if a payment is not made on the designated payment date, the payment shall be made by December 31 of the calendar year in which the designated payment date occurs or, if later, on or before the 15th day of the third month following

the designated payment date. Any payment that complies with this Section shall be deemed for all purposes to comply with the Plan requirements regarding the time and form of payment.

7.2 Valuation of Payments. Benefits shall be payable in an amount equal to the balance credited to the Participant's Account as of the most recent business day immediately preceding the date of the actual distribution, with the Measurement Funds being deemed to have been liquidated on that date to make the payment.

7.3 Withholding Taxes. The Company may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Company is required by any law or regulation of any governmental authority, whether federal, state or local, to withhold in connection with any benefits under the Plan, including, but not limited to, the withholding of appropriate sums from any amount otherwise payable to the Participant (or his or her Beneficiary). Each Participant, however, shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

Notwithstanding the foregoing, to the extent permitted by Code section 409A, the Plan Administrator, in its sole discretion, may accelerate the time of payment if a Participant is subject to tax under the Federal Insurance Contribution Act (FICA) before distributions are to be made under the Plan to pay the FICA tax imposed under section 3101 of the Code, section 3121(a) of the Code, and section 3121(v)(2) of the Code, or to pay the income tax at source on wages imposed under section 3401 of the Code or the corresponding withholding provisions of applicable state, local, or foreign tax laws as a result of the payment of the FICA amount, and to pay the additional income tax at source on wages attributable to the pyramiding section 3401 of the Code wages and taxes. Any payment distributed pursuant to this Section must not exceed the aggregate FICA and related tax amount permitted under section 409A of the Code.

7.4 Effect of Payment. The full payment of the vested portion of a Participant's Account shall completely discharge all obligations on the part of the Company to the Participant (and each Beneficiary) with respect to the operation of this Plan, and the Participant's (and Beneficiary's) rights under this Plan shall terminate.

7.5 Delay of Payment for Specified Employees. Notwithstanding any provision of this Plan to the contrary, in the case of any Participant who is a "specified employee" within the meaning of Code section 409A as of the date of such Participant's Termination of Employment, no distribution under this Plan may occur before the date which is six months after the date of such Participant's Termination of Employment (or, if earlier, the date of the Participant's death).

#### **ARTICLE VIII Claims Procedures**

8.1 Claim for Benefits. Any claim for benefits under this Plan shall be made in writing to the Plan Administrator. If a claim for benefits is wholly or partially denied,

the Plan Administrator, or its delegate, shall so notify the claimant within 90 days after receipt of the claim. If the Plan Administrator determines that an extension is necessary, the Plan Administrator will notify the claimant within the initial 90-day period that the Plan Administrator needs up to an additional 90 days to review the claim. In the case of a claim for disability benefits, the Plan Administrator shall notify the claimant within 45 days after the claim is received unless the Plan Administrator determines that an extension of time for processing is required due to matters beyond the control of the Plan, in which case written notice of the extension shall be furnished to the claimant prior to termination of the original 45-day period. Such extension shall not exceed 30 days from the end of the initial period. If, prior to the end of the first 30-day extension period, the Plan Administrator determines that, due to matters beyond the control of the Plan, an additional extension of time for processing is required, written notice of a second 30-day extension shall be furnished to the claimant prior to termination of the first 30-day extension.

8.2 Notice of Denial. The notice of denial shall be written in a manner calculated to be understood by the claimant and shall contain (a) the specific reason or reasons for denial of the claim, (b) specific references to the pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary to perfect the claim together with an explanation of why such material or information is necessary and (d) an explanation of the claims review procedure and time limits, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. In the case of a claim for disability benefits, the notification shall also advise the claimant whether the Plan Administrator's denial relied upon any specific rule, guideline, protocol or scientific or clinical judgment. The decision or action of the Plan Administrator shall be final, conclusive and binding on all persons having any interest in the Plan, unless a written appeal is filed as provided in Section 8.3 hereof.

8.3 Review of Claim. Within 60 days after the receipt by the claimant of notice of denial of a claim, the claimant may (a) file a request with the Plan Administrator that it conduct a full and fair review of the denial of the claim, (b) receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits, and (c) submit questions and comments to the Plan Administrator in writing.

8.4 Decision After Review. Within 60 days after the receipt of a request for review under Section 8.3, the Plan Administrator, or its delegate, shall deliver to the claimant a written decision with respect to the claim, except that if there are special circumstances which require more time for processing, the 60-day period shall be extended to 120 days upon notice to that effect to the claimant. The decision shall be written in a manner calculated to be understood by the claimant and shall (a) include the specific reason or reasons for the decision, (b) contain a specific reference to the pertinent Plan provisions upon which the decision is based, (c) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits, and (d) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA.

In the case of a claim for disability benefits, the notice shall set forth: (1) whether the Plan Administrator's denial relied upon any specific rule, guideline, protocol or scientific or clinical judgment; and (2) the following statement: "You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency."

8.5 Legal Action. A claimant may not bring any legal action relating to a claim for benefits under the Plan unless and until the claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.

8.6 Discretion of the Plan Administrator. All interpretations, determinations and decisions of the Plan Administrator with respect to any claim shall be made in its sole discretion, and shall be final and conclusive.

#### **ARTICLE IX Miscellaneous**

9.1 Unfunded Status of Plan. The Plan is intended to constitute an "unfunded" deferred and supplemental retirement compensation plan for Participants, with all benefits payable hereunder constituting an unfunded contractual payment obligation of the Company. The Company shall reflect on its books the Participants' interests hereunder, but no Participant or any other person shall under any circumstances acquire any property interest in any specific assets of the Company. A Participant's right to receive payments under the Plan shall be no greater than the right of an unsecured general creditor of the Company.

9.2 Nonalienation of Benefits. None of the payments, benefits or rights of any Participant under the Plan shall be subject to any claim of any creditor, and, in particular, to the fullest extent permitted by law, all such payments, benefits and rights shall be free from attachment, garnishment, trustee's process, or any other legal or equitable process available to any creditor of such Participant. No Participant shall have the right to alienate, anticipate commute, pledge, encumber or assign any of the benefits or payments which he or she may expect to receive, contingently or otherwise, under the Plan.

9.3 No Contract of Employment. Neither the establishment of the Plan, nor any modification thereof, nor the creation of any fund, trust or account, nor the payment of any benefits shall be construed as giving any Participant, or any person whosoever, the right to be retained in the service of the Company, and all Participants and other employees shall remain subject to discharge to the same extent as if the Plan had never been adopted.

9.4 No Limitation on Company Actions. Nothing contained in the Plan shall be construed to prevent the Company from taking any action which is deemed by it to be appropriate or in its best interest. No Participant, Beneficiary, or other person shall have any claim against the Company as a result of such action.

9.5 No Liability for Action or Omission. Neither the Company, the Plan Administrator nor any director, officer or employee of the Company shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any benefit or action taken or omitted in connection with the granting of benefits, the continuation of benefits, or the interpretation and administration of this Plan.

9.6 Designation of Beneficiary. Each Participant may designate in writing a Beneficiary or Beneficiaries (which Beneficiary may be an entity other than a natural person if approved by the Plan Administrator in its sole discretion) to receive any payments which may be made under the Plan following the Participant's death. No Beneficiary designation shall become effective until it is in writing and it is filed with the Plan Administrator. A Beneficiary designation under the Plan may be separate from all other retirement-type plans sponsored by the Company. Such designation may be changed or canceled by the Participant at any time without the consent of any such Beneficiary. Any such designation, change or cancellation must be made in a form approved by the Plan Administrator and shall not be effective until received by the Plan Administrator or its designee. If no Beneficiary has been named, or the designated Beneficiary or Beneficiaries have predeceased the Participant, the Beneficiary shall be the Participant's estate.

9.7 Payments to Minors, Etc. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefore shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall be a complete discharge of any liability for such payment amount.

9.8 Code Section 409A. The Plan is intended to be a nonqualified deferred compensation plan within the meaning of Code section 409A and shall be interpreted to meet the requirements of Code section 409A. To the extent that any provision of the Plan would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Plan to fail to satisfy Code section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment to a Participant.

9.9 Applicable Law and Construction. This Plan shall be governed by, construed and administered in accordance with the applicable provisions of ERISA, and any other applicable Federal law, including Code section 409A, and to the extent not preempted by Federal law, this Plan shall be governed by, construed, and administered in accordance with the laws of the Commonwealth of Virginia, without reference to the principles of conflict of laws.

9.10 Severability of Provisions. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan Administrator may elect in its sole discretion to construe such invalid or unenforceable provisions in a manner that conforms to applicable law or as if such provisions, to the extent invalid and unenforceable, had not been included.



9.11 Headings and Captions. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

9.12 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine; the plural shall include the singular and the singular shall include the plural.

9.13 Notice. Any notice or filing required or permitted under the Plan shall be sufficient if in writing and if (i) hand-delivered or sent by telecopy, (ii) sent by registered or certified mail, or (iii) sent by nationally-recognized overnight courier. Such notice shall be deemed given as of (i) the date of delivery if hand-delivered or sent by telecopy, (ii) as of the date shown on the postmark on the receipt for registration or certification, if delivery is by mail, or (iii) on the first business day after dispatch, if sent by nationally-recognized overnight courier.

9.14 Amendment and Termination. The Plan may be amended, suspended, or terminated at any time (in whole or in part) by the Company in its sole discretion; provided, however, that no such amendment, suspension or termination shall result in any reduction in the value of a Participant's Account determined as of the effective date of such amendment. In addition, the Plan, may be amended at any time and in any respect by the Company (and/or its operation modified by the Plan Administrator) if and to the extent recommended by Company counsel in order to conform to the requirements of Code section 409A and regulations thereunder or to any other Code section or regulation that bears on the tax-deferred character of the benefits provided hereunder. In the event of any suspension or termination of the Plan (or any portion thereof), payment of Participants' Accounts shall be made under and in accordance with the terms of the Plan (except that the Plan Administrator may determine, in its sole discretion, to accelerate payments to all Participants if and to the extent that such acceleration is permitted under Code section 409A and regulations thereunder).

9.15 Successors. This Plan shall bind any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

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**WASHINGTON GAS LIGHT COMPANY  
DEFINED BENEFIT  
RESTORATION PLAN  
Effective as of January 1, 2010**

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1. PURPOSE.

- 1.1 Purpose. Washington Gas Light Company (the “Company”) has established and maintains the Washington Gas Light Company Defined Benefit Restoration Plan (the “Plan”) for the purpose of providing supplemental pension and pension-related benefits to a select group of management and highly compensated employees of the Company and its affiliates.

It is intended that the Plan shall at all times be maintained on an unfunded basis for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the “Code”), and administered as a “top-hat” plan exempt from the substantive requirements of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

- 1.2 Effective Date. The Plan is effective January 1, 2010.

2. DEFINITIONS.

Except as otherwise stated herein, capitalized terms used in this Plan have the meanings set forth below:

- 2.1 “Accredited Service.” Accredited Service has the meaning set forth in the Washington Gas Light Company Employees’ Pension Plan.
- 2.2 “Accrued Benefit.” Accrued Benefit means, at any time, the benefit computed in accordance with Section 4.1, expressed as a single-life annuity commencing at Normal Retirement Date.
- 2.3 “Affiliate.” Affiliate means a parent or subsidiary of the Company.
- 2.4 “Beneficiary.” Beneficiary means the person or persons entitled to receive a Participant’s retirement benefits.
- 2.5 “Benefit Commencement Date.” Benefit Commencement Date means the date on which payment of a Participant’s retirement benefits commence under this Plan. Such date shall be the first day of the month immediately following the benefit commencement date under Section 4.1, Section 4.2, Section 4.3 or Section 4.4, or if later, the date elected under Section 3.2(b).
- 2.6 “Board of Directors.” Board of Directors means the Board of Directors of Washington Gas Light Company.
- 2.7 “Change in Control.” Change in Control means a Change in Control pursuant to the terms of the Washington Gas Light Company Change in Control Policy, which is incorporated by reference herein.
- 2.8 “Committee.” Committee means the committee established pursuant to Section 8 hereof, as it shall be constituted from time to time.

- 2.9 “Company.” Company means Washington Gas Light Company, a Virginia and District of Columbia corporation, and any successor to all, or substantially all, of the Company’s assets or business.
- 2.10 “Compensation.” Compensation means, for any calendar year, a Participant’s salary as of December 31 of the calendar year and any short term incentive award fully earned for the fiscal year that ends during the calendar year under any incentive compensation plan maintained by the Company, whether such award is paid during the calendar year or payment is deferred. If a Participant is on an approved leave of absence as of December 31 of any calendar year, his salary in effect at the beginning of such leave shall be deemed to be his salary for the year. If a Participant dies or is determined to have incurred a Disability prior to December 31 of his first year of Plan participation, his Compensation shall be determined as of the day preceding the date of death or determination of Disability.
- 2.11 “Death Benefit.” Death Benefit has the meaning set forth in Section 5 of the Plan.
- 2.12 “Disability.” Disability means, to the extent consistent with Code section 409A, a physical or mental condition which prevents an Employee from engaging in any substantially gainful activity as determined by the Company’s Medical Director provided such disability is expected to result in death or can be expected to last for a continuous period of not less than 12 months.
- 2.13 “Early Retirement Benefit.” Early Retirement Benefit means the benefit described in Section 4.2.
- 2.14 “Eligible Employee.” Eligible Employee means any Employee who (i) is an executive, management or highly compensated Employee; (ii) is a participant in the Washington Gas Light Company Employees’ Pension Plan; (iii) is not a participant in the Washington Gas Light Company Supplemental Executive Retirement Plan; and (iv) is selected by the Board of Directors to participate in the Plan.
- 2.15 “Employee.” Employee means a person who receives salary, wages or commissions from the Company or an Affiliate and whose wages from the Company or an Affiliate are subject to withholding for purposes of federal income taxes and the Federal Insurance Contribution Act, as determined by the Committee.
- 2.16 “ERISA.” ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time.
- 2.17 “Final Average Compensation.” Final Average Compensation means the average of the total amount of Compensation for the three calendar years of Accredited Service preceding the Participant’s termination of employment. In the event the Participant has less than three years of Compensation prior to his termination of employment, his total amount of Compensation for his years of service shall be averaged and such average shall be his Final Average Compensation.

- 2.18 "Normal Retirement Benefit." Normal Retirement Benefit means the benefit described in Section 4.1.
- 2.19 "Normal Retirement Date." Normal Retirement Date has the meaning set forth in the Washington Gas Light Company Employees' Pension Plan.
- 2.20 "Participant." Participant means an individual described in Section 3, unless expressly provided herein to the contrary or the context dictates otherwise, a Participant shall include any person who is entitled to a benefit under this Plan.
- 2.21 "Plan." Plan means the Washington Gas Light Company Defined Benefit Restoration Plan as set forth in this document and in any amendments from time to time made hereto.
- 2.22 "Specified Employee." means any employee who, at any time during the 12-month period ending on the identification date, is a "specified employee" under Code section 409A. The determination of Specified Employees, including the number and identity of persons considered Specified Employees and the identification date, shall be made by the Human Resources Committee of the Board of Directors of WGL Holdings, Inc. or its delegate in accordance with the provisions of Code sections 416(i) and 409A and the regulations issued thereunder.
- 2.23 "Surviving Spouse." Surviving Spouse refers to the person who is legally married to the Participant at the time of his death and for the full one year (365 days) period immediately prior to his death.
- 2.24 "Vested Percentage." Vested Percentage means a Participant's nonforfeitable interest in his Accrued Benefit determined in accordance with Section 6.
- 2.25 "Washington Gas Light Company Employees' Pension Plan." Washington Gas Light Company Employees' Pension Plan means the Washington Gas Light Company Employees' Pension Plan, originally adopted January 1, 1945, as amended and restated January 1, 2008 and as amended thereafter from time to time.
- 2.26 "Year of Vesting Service." Year of Vesting Service means each calendar year as a Participant in which the Participant completes at least 1,000 Hours of Service including all Hours of Service completed in the year in which an individual first becomes a Participant, regardless of whether earned before or after first becoming a Participant. For purposes of this Section 2.28, an "Hour of Service" shall have the meaning assigned to such term under the Washington Gas Light Company Employees' Pension Plan.
3. PARTICIPATION
- 3.1 Commencement of Participation. Each Eligible Employee shall become a Participant no earlier than the date the Board of Directors meets and designates the



Employee as an Eligible Employee; Participation shall begin on the date the Board of Directors shall specify.

3.2 Participant Elections.

- (a) Initial Elections. A Participant may, within 30 days of first becoming a Participant in this Plan (provided the Participant is not then a participant in any plan required to be aggregated with this Plan for purposes of Code section 409A), and consistent with Code section 409A and applicable regulations, make an election with respect to retirement benefits described in Sections 4.1, 4.2 and 4.3 to receive his benefits in one of the optional forms of distribution described in Section 4.6.

Elections under Section 3.2(a) shall be made in a form authorized by the Committee. Except as provided in Section 3.2(b), below, such elections shall be irrevocable.

- (b) Second Elections. A Participant may, consistent with Code section 409A and applicable regulations, subsequently elect to defer the commencement of distributions of his or her retirement benefits or change the form of the Participant's distribution, provided (i) the subsequent election is not effective for 12 months after it is made, and (ii) to the extent required by Code section 409A, under the subsequent election, the distribution may not commence until a date that is at least 5 years later than the earliest date the distribution would otherwise have commenced.

- 3.3 Termination. In the event a Participant's employment with the Company is terminated for whatever reason or in the event the Board of Directors withdraws or rescinds its designation of Participant status with respect to an Employee, such terminated or current Employee, as applicable, shall thereafter accrue no additional benefits under this Plan and shall have, with respect to previously accrued benefits, only such rights as are provided herein. Benefits payable to such terminated or current Employee, if any, shall be paid in accordance with the terms of the Plan.

4. RETIREMENT BENEFITS

- 4.1 Normal Retirement Benefit. Upon termination of employment on or after attainment of his Normal Retirement Date a Participant shall be entitled to a monthly benefit equal to his Vested Percentage of an amount calculated as 1/12 of the excess of (a) over (b) where:

- (a) equals the Normal Retirement Pension determined under the Washington Gas Light Company Employees' Pension Plan (i) using the definitions of Compensation and Final Average Compensation set forth in this Plan instead of the definition of Annual Basic Compensation and Final Average Compensation used in the Washington Gas Light Company Employees' Pension Plan and (ii) without application of Code section 401(a)(17), and

(b) equals the Normal Retirement Pension determined under the Washington Gas Light Company Employees' Pension Plan.

The benefit payable under this Section 4.1 shall be paid 30 days after the Participant's termination of employment.

4.2 Early Retirement Benefit. A Participant who terminates employment within the 10 year period before his Normal Retirement Date and is fully vested in his Accrued Benefit at such termination shall receive a retirement benefit commencing as of his termination of employment equal to the Participant's Accrued Benefit at termination of employment subject to an early retirement reduction determined in accordance with Exhibit A. The benefit payable under this Section 4.2 shall be paid 30 days after the Participant's termination of employment.

4.3 Terminated Vested Benefit. A Participant who terminates employment before attaining age 55 shall commence receiving a benefit upon attaining age 55 equal to the Vested Percentage of the Participant's Accrued Benefit subject to an early retirement reduction determined in accordance with Exhibit A. The Terminated Vested Benefit shall be determined by (1) first applying to the amount determined in Section 4.1(a) the applicable Vested Percentage and adjustment factors to reflect the age of the Participant at the Benefit Commencement Date, (2) determining the offsets under Section 4.1(b) adjusted to reflect the vested percentage and age of the of the Participant at the Benefit Commencement Date, and (3) subtracting the amount determined in (2) from the amount determined in (1). Any adjustments to the resulting benefit to reflect a payment form other than a life annuity are applied to the result of step (3). The benefit payable under this Section 4.3 shall be paid 30 days after the Participant's attainment of age 55.

4.4 Disability Retirement Benefit. A Participant who (i) has years of Accredited Service that are at least half the number of years measured from his Employment Commencement Date as defined under the Washington Gas Light Company Employees' Pension Plan and the date on which the Participant will attain age 65 and (ii) has incurred a Disability shall receive a benefit equal to the excess of (a) over (b) where:

(a) equals the percentage of his Normal Retirement Benefit under this Plan determined in accordance with Exhibit B; and

(b) equals the Disability Pension payable to the Participant under the Washington Gas Light Company Employees' Pension Plan.

The benefit under this Section 4.4 shall be reduced by any benefits payable to the Participant under the Company's long term disability plan. The benefit under this Section 4.4 shall be paid 30 days following the occurrence of the Disability.

4.5 Normal Form of Benefit. The normal form of a Participant's retirement benefit shall be payments in equal monthly installments for his lifetime; provided the normal form of benefit for a Participant who is married on his Benefit

Commencement Date shall be equal monthly installments for the lifetime of the Participant with 50% of the amount payable to the Participant continued thereafter for the lifetime of the Surviving Spouse. The benefit payment to a Participant who is married on his Benefit Commencement Date shall be the actuarial equivalent of a single life annuity for the lifetime of the Participant determined using the Actuarial Factors as defined under the Washington Gas Light Company Employees' Pension Plan. Notwithstanding, a Participant may elect, in accordance with Section 3.2 of the Plan, to have his retirement benefit paid in one of the optional forms of benefits described in Section 4.6. The benefit election of a Participant who is married on his Benefit Commencement Date is not subject to spousal consent.

- 4.6 Optional Forms of Distribution. Each of the optional forms of distribution listed below shall be the actuarial equivalent of a single life annuity for the lifetime of the Participant, using the Actuarial Factors as defined under the Washington Gas Light Company Employees' Pension Plan.
- (a) Lump Sum. The Participant may elect to have all or a portion of his Accrued Benefit paid in a lump sum, the amount of which shall be calculated on the basis specified in Exhibit C. If a Participant elects to have less than all of his Accrued Benefit paid in a lump sum, the remaining portion of the Participant's Accrued Benefit will be paid in the normal form of benefit unless the Participant has elected otherwise.
  - (b) Single Life Option. The Participant may elect to have his Accrued Benefit paid in equal monthly installments for his lifetime.
  - (c) Contingent Annuitant Option. A Participant may elect to have his benefit paid in equal monthly installments for the lifetime of the Participant with 50%, 75% or 100% of the amount payable to the Participant continued thereafter for the lifetime of the Surviving Spouse or any other designated Beneficiary.
  - (d) Guaranteed Fixed Period and Life Thereafter Option. The Participant may elect to have the Participant's benefits paid in monthly payments for his life; provided if the Participant dies within the fixed period that he so designates in his election for this option made in accordance with Section 3.2, the monthly pension benefit that the Participant was receiving shall continue to the Participant's Surviving Spouse or other designated Beneficiary for the remainder of the fixed period elected by the Participant.
  - (e) Social Security Adjustment Option. A Participant whose Benefit Commencement Date occurs before the Participant's Social Security benefit first becomes available by reason of age and who has elected to receive benefits in a form other than a lump sum, may elect to have his monthly benefit increased until the Participant's Social Security benefit first becomes available, and reduced thereafter, so that the Participant receives,

as far as practicable, an approximately level income both before and after the Social Security benefit first becomes available to the Participant.

Notwithstanding any other provision to the contrary, if payment is to be made on the basis of a combination of the Social Security Adjustment Option and any other option involving payment after the death of the Participant, an adjustment on account of such other option shall first be made, and the adjusted amount shall then be further adjusted for the Social Security Adjustment Option. Moreover, any benefits payable after the death of the Participant, the amount of which is to be determined on the basis of the amount that was payable to the Participant, shall be determined on the basis of the Participant's adjusted amount before it was adjusted for the Social Security Adjustment Option.

Although this section of the Plan makes references to "Social Security" benefits, the benefits provided by this option are independent of any benefits provided under the Social Security Act whether the Participant applies for, receives or will be eligible for any such benefits at any time. The estimated Social Security benefit used in determining such level income is not to be changed subsequently if the actual Social Security benefit proves to be different from the estimated amount.

- (f) Pop-up Option. A Participant may elect to have a contingent annuitant option (including the joint and survivor form of benefit that is the normal form of benefit for a Participant who is married on his Benefit Commencement Date) revert to a single-life annuity in the event the Surviving Spouse or other designated Beneficiary dies within 5 years of the Benefit Commencement Date, subject to an additional actuarial reduction of the Participant's benefit and an actuarial adjustment to the benefit payable for the life of the Surviving Spouse or such other designated Beneficiary in the event the Surviving Spouse or other designated Beneficiary survives the 5-year period beginning on the Participant's Benefit Commencement Date.
- 4.7 Benefit Computation. A Participant's retirement benefits shall be computed under the Plan in effect as of the date of the Participant's termination of employment with the Company and shall not be recomputed, increased or decreased after such termination, except for supplemental increases, if any, as may be granted by the Board of Directors.
- 4.8 Special Distribution Rules for Specified Employees. Notwithstanding any provision of the Plan to the contrary, if a Participant who is a Specified Employee becomes entitled to receive a distribution of his retirement benefits on account of termination of employment under Section 4.1, 4.2 or 4.3, distribution of such benefits may not begin earlier than six months following the date of the Participant's termination of employment, as required by Code section 409A and the regulations thereunder. At the expiration of the six-month period, the amounts that would otherwise have been distributable to the Participant during the period

shall be immediately paid to the Participant. If the Participant dies during such six-month period, the amounts that would otherwise have been distributable to the Participant during such six-month period shall be paid to the Participant's Beneficiary on or around 90 days after the date of the Participant's death. In no event shall interest be paid on any distribution delayed pursuant to this Section 4.8.

- 4.9 Hardship Distribution. In the event that the Human Resources Committee of the Company's Board of Directors, upon written request of a Participant, Surviving Spouse or the Beneficiary of any survivor death benefit payable pursuant to the form of a Participant's retirement benefit in accordance with Section 4.5, determines, in its sole discretion, that the Participant, Surviving Spouse or Beneficiary has suffered an unforeseeable financial emergency, the Company shall pay to the Participant, Surviving Spouse or Beneficiary, within 30 days following such determination, an amount equal to the lesser of: (i) the amount necessary to meet the emergency, including amounts for any and all taxes as may be required pursuant to Section 11.2 or (ii) the value of the Vested Percentage of Participant's Accrued Benefit expressed as a lump sum, using the "applicable interest rate" and "applicable mortality table" under Code section 417(e)(3) as such terms are used in the Washington Gas Light Company Employees' Pension Plan for purposes of determining lump sum distributions for small benefit amounts. For purposes of this Section 4.9, an unforeseeable financial emergency is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence. Cash needs arising from foreseeable events such as the purchase of a house or education expenses for children shall not be considered to be the result of an unforeseeable financial emergency. With respect to that portion of the retirement benefit which is distributed to a Participant, Surviving Spouse or a Beneficiary as hardship distribution under this Section 4.9, no further benefit shall be payable to the Participant, Surviving Spouse or Beneficiary. It is intended that the Human Resources Committee's determination as to whether a Participant, Surviving Spouse or Beneficiary has suffered an "unforeseeable financial emergency" shall be made consistent with the requirements under section 409A of the Code and applicable regulations.

## 5. DEATH BENEFIT

- 5.1 General. Except for the Surviving Spouse's annuity described in Sections 5.2 and 5.3, and any survivor death benefit payable pursuant to the form of payment of a Participants' retirement benefits in accordance with Section 4.5, no death benefits shall be payable under this Plan and a Participant shall forfeit all rights to any benefits hereunder upon his death.
- 5.2 Surviving Spouse of an Active Participant. The Surviving Spouse of a Participant who dies while an Employee shall receive a monthly annuity in an amount equal to 50% of the deceased Participant's Accrued Benefit (without regard to vesting) determined on the basis of (i) the Participant's Final Average Compensation at the date of his death, and (ii) the Accredited Service the Participant would have had if his Company employment had continued until his Normal Retirement Date, and (iii) no reduction for benefit commencement before age 65. This benefit shall

continue for the lifetime of the Surviving Spouse. Payment of this benefit shall commence 30 days following the Participant's death.

- 5.3 Surviving Spouse of Former Vested Participant. If a Participant who is not an Employee and is not receiving a benefit under this Plan dies, the Surviving Spouse of such Participant shall receive a benefit of an amount equal to 50% of the annuity that would have been paid to the former Participant under Section 4.3. The benefit payable to the Surviving Spouse shall be distributed in the form in which the benefit would have been paid to the former Participant under Section 4.3. If the Participant dies before the year he would have attained age 55, then benefits will commence at the time the Participant would have reached age 55 or, if the Participant had in place a valid election under Section 3.2(b) for a later commencement date, at such later commencement date. If the Participant dies after the year he reaches age 55, the benefit shall commence 30 days following the Participant's death and shall continue for the lifetime of the Surviving Spouse.

## 6. VESTING

### 6.1 Vested Percentage.

- (a) General: Subject to Section 6.2 below and the right of the Company to amend or terminate the Plan, a Participant shall vest in his Accrued Benefit in accordance with the following schedule:

Years of Vesting Service	Nonforfeitable Percentage
Less than 5	0%
5 or more	100%

- (b) Early or Normal Retirement. Notwithstanding the preceding or anything in this Plan to the contrary, a Participant shall be 100% vested in his Accrued Benefit upon the attainment of eligibility for an Early Retirement Benefit and, if not already vested, upon attainment of his or her Normal Retirement Date.
- (c) Disability Benefits. Upon Disability of a Participant, the Participant is 100% vested in his Accrued Benefit.
- (d) Change in Control. Upon a Change in Control, Participants are 100% vested in their Accrued Benefit.

### 6.2 Vested Percentage — Exceptions.

- (a) Company Initiated Termination. The provisions of Section 6.1(a) will not apply if a Participant's termination of employment occurs as a result of a Company-initiated action or if his designation of Participant status is withdrawn or rescinded by the Company. In such event, the Participant's

vested interest in his Accrued Benefit shall be calculated in accordance with the following schedule:

Years of Vesting Service	Vested Percentage
1	20%
2	40%
3	60%
4	80%
5	100%

- (b) Acceleration of Vesting. The Committee may waive all vesting requirements or permit accelerated vesting arrangements in any case which, in the Committee's discretion, represents special circumstances;
- (c) Misconduct. Notwithstanding any Plan provision to the contrary, if a Participant willfully performs any act or willfully fails to perform any act of material importance to the Company, that may result in material discredit or substantial detriment to the Company, then upon a majority vote of the Board of Directors, such Participant and any Beneficiary of such individual shall forfeit any benefit payments owing on and after the date fixed by the Board of Directors and the Company shall have no further obligation under this Plan to such Participant or any Beneficiary. If a Participant to which this Section applies received a lump-sum benefit pursuant to Section 4.6, then the Participant or his Beneficiary shall return to the Company a proportionate share of such lump-sum payment calculated as follows:

The lump-sum payment amount shall be multiplied by a fraction, the numerator of which is the number of full years and months which elapsed from the time of the payment to the time of the willful act or failure to act described above, and the denominator of which is the number of full years and months of the Participant's life expectancy determined as of the time of the lump-sum payment.

#### 7. FUNDING NATURE OF THE PLAN

The funds used for payment of benefits under this Plan and of the expenses incurred in the administration thereof shall, until such actual payment, continue to be a part of the general funds of the Company and no person other than the Company shall, by virtue of this Plan, have any interest in any such funds. Nothing contained herein shall be deemed to create a trust of any kind or create any fiduciary relationship. To the extent that any person acquires a right to receive payments from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

## 8. ADMINISTRATION OF THE PLAN

The Plan shall be administered by a committee that is comprised of the members of the Retirement Board appointed by the Company's Board of Directors with respect to the Washington Gas Light Company Employees' Pension Plan, or such other committee or persons as are selected from time to time by the Board of Directors (the "Committee"). The Committee shall have the exclusive authority and responsibility for all matters in connection with the operation and administration of the Plan, except for the determination for Hardship Distributions reserved under Section 4.9 to the Human Resources Committee of the Company's Board of Directors. The Committee's powers and duties shall include, but shall not be limited to, the following: (a) responsibility for the compilation and maintenance of all records necessary in connection with the Plan; (b) authorizing the payment of all benefits and expenses of the Plan as they become payable under the Plan; (c) reducing or otherwise adjusting amounts payable under the Plan if payments are made in error; and (d) authority to engage such legal, accounting, and other professional services as it may deem proper. Benefits under the Plan will be paid only if the Committee decides in its discretion that the Participant is entitled to them, except as reserved to the Human Resources Committee under Section 4.9 of the Plan. The decisions of the Committee shall be made in the sole discretion of the Committee and shall be final and binding upon all parties, including without limitation, the Company, Participants and Beneficiaries.

The Committee, from time to time, may allocate to one or more of its members or to any other person or persons or organizations any of its rights, powers, and duties with respect to the operation and administration of the Plan. Any such allocation shall be reviewed from time to time by the Committee and shall be terminable upon such notice as the Committee, in its sole discretion, deems reasonable and prudent under the circumstances.

The members of the Committee shall serve without compensation, but all benefits payable under the Plan and all expenses properly incurred in the administration of the Plan, including all expenses properly incurred by the Committee in exercising its duties under the Plan, shall be borne by the Company.

## 9. AMENDMENTS AND TERMINATION

The Board of Directors reserves the power at any time to terminate this Plan and to otherwise amend or suspend any portion of the Plan, provided however, that no such action shall reduce any Accrued Benefit (or any benefit hereunder based thereon) or Vested Percentage on the date of such action. In the event of any suspension or termination of the Plan (or any portion thereof), benefits shall be paid in accordance with the terms of the Plan (except that the Committee may determine, in its sole discretion, to accelerate payments to all Participants if and to the extent that such acceleration is permitted under Code section 409A and regulations thereunder).

## 10. CLAIMS PROCEDURES.

- 10.1 Claim for Benefits. Any claim for benefits under this Plan shall be made in writing to the Committee. If a claim for benefits is wholly or partially denied, the Committee, or its delegate, shall so notify the claimant within 90 days after receipt of the claim. If the Committee determines that an extension is necessary, the Committee will notify the claimant within the initial 90-day period that the



Committee needs up to an additional 90 days to review the claim. In the case of a claim for disability benefits, the Committee shall notify the claimant within 45 days after the claim is received unless the Committee determines that an extension of time for processing is required due to matters beyond the control of the Plan, in which case written notice of the extension shall be furnished to the claimant prior to termination of the original 45-day period. Such extension shall not exceed 30 days from the end of the initial period. If, prior to the end of the first 30-day extension period, the Committee determines that, due to matters beyond the control of the Plan, an additional extension of time for processing is required, written notice of a second 30-day extension shall be furnished to the claimant prior to termination of the first 30-day extension.

- 10.2 Notice of Denial. The notice of denial shall be written in a manner calculated to be understood by the claimant and shall contain (a) the specific reason or reasons for denial of the claim, (b) specific references to the pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary to perfect the claim together with an explanation of why such material or information is necessary and (d) an explanation of the claims review procedure and time limits, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on review. In the case of a claim for disability benefits, the notification shall also advise the claimant whether the Committee's denial relied upon any specific rule, guideline, protocol or scientific or clinical judgment. The decision or action of the Committee shall be final, conclusive and binding on all persons having any interest in the Plan, unless a written appeal is filed as provided in Section 10.3 hereof.
- 10.3 Review of Claim. Within 60 days after the receipt by the claimant of notice of denial of a claim, the claimant may (a) file a request with the Committee that it conduct a full and fair review of the denial of the claim, (b) receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits, and (c) submit questions and comments to the Committee in writing.
- 10.4 Decision After Review. Within 60 days after the receipt of a request for review under Section 10.3, the Committee, or its delegate, shall deliver to the claimant a written decision with respect to the claim, except that if there are special circumstances which require more time for processing, the 60-day period shall be extended to 120 days upon notice to that effect to the claimant. The decision shall be written in a manner calculated to be understood by the claimant and shall (a) include the specific reason or reasons for the decision, (b) contain a specific reference to the pertinent Plan provisions upon which the decision is based, (c) a statement that the claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to the claim for benefits, and (d) a statement of the claimant's right to bring a civil action under section 502(a) of ERISA. In the case of a claim for disability benefits, the notice shall set forth: (1) whether the Committee's denial

relied upon any specific rule, guideline, protocol or scientific or clinical judgment; and (2) the following statement: “You and your Plan may have other voluntary alternative dispute resolution options, such as mediation. One way to find out what may be available is to contact your local U.S. Department of Labor Office and your State insurance regulatory agency.”

- 10.5 Legal Action. A claimant may not bring any legal action relating to a claim for benefits under the Plan unless and until the claimant has followed the claims procedures under the Plan and exhausted his or her administrative remedies under such claims procedures.
- 10.6 Discretion of the Committee. All interpretations, determinations and decisions of the Committee with respect to any claim shall be made in its sole discretion, and shall be final and conclusive.

#### 11. MISCELLANEOUS

- 11.1 Construction. The headings and subheadings of this instrument are inserted for convenience of reference only and are not to be considered in the construction of this Plan. Wherever appropriate, words used in the singular may include the plural, plural may be read as the singular and the masculine may include the feminine.
  - 11.2 Taxes. The Company will deduct from Plan payments or from other compensation payable to a Participant, Surviving Spouse or Beneficiary any amounts required to be withheld for federal, state or local taxes with respect to benefits under this Plan.
  - 11.3 Governing Law. The instrument creating the Plan shall be construed, administered, and governed in all respects in accordance with the laws of the Commonwealth of Virginia to the extent not preempted by ERISA. If any provision of this Plan shall be held by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions shall continue to be fully effective.
  - 11.4 No Right of Employment. Participation in this Plan shall not give to any Employee the right to be retained in the employ of the Company or any right or interest in this Plan other than is herein specifically provided.
  - 11.5 Payment in Satisfaction of Claims. Any payment to a Participant, Surviving Spouse or Beneficiary or the legal representative of the aforesaid, in accordance with the terms of this Plan shall to the extent thereof be in full satisfaction of all claims such person may have against the Company hereunder, which may require such payee, as a condition to such payment, to execute a receipt and release therefor in such form as shall be determined by the Company.
  - 11.6 ERISA. This Plan is intended to qualify for exemption from Parts II, III, and IV of ERISA, as amended, as an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly
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compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of such Act, and shall be so interpreted.

- 11.7 No Alienation of Benefits. Benefits under this Plan shall not be alienated, hypothecated or otherwise encumbered, and to the maximum extent permitted by law such benefits shall not in any way be subject to claim of creditors or liable to attachment, execution or other process of law.
- 11.8 Incapacity. If an individual entitled to receive retirement benefits is determined by a court, or if not by a court by the Committee, to be legally incapable of giving valid receipt and discharge for such benefits, they shall be paid to the duly appointed and acting guardian, if any, and if no such guardian is appointed and acting, to such person as the Committee may designate. Such payment shall, to the extent made, be deemed a complete discharge for such payments under this Plan.
- 11.9 Adjustment. To the extent permitted under Code section 409A, if the Committee is unable to make the determinations required under this Plan in sufficient time for payments to be made when due, the Committee shall make the payments upon the completion of such determinations with interest at a reasonable rate from the due date and may, at its option, make provisional payments, subject to adjustment, pending such determination.
- 11.10 Code Section 409A. The Plan is intended to comply with the applicable requirements of Code section 409A and its corresponding regulations and related guidance, and shall be maintained and administrated in accordance with Code section 409A to the extent Code section 409A applies to the Plan. Notwithstanding anything in the Plan to the contrary, distributions from the Plan may only be made in a manner, and upon an event, permitted by Code section 409A.

Notwithstanding anything in the Plan to the contrary, distributions to be made upon a termination of employment may only be made upon a Code section 409A "separation from service" or other event permitted by Code section 409A, and in a manner permitted by Code section 409A or an applicable exemption. In accordance with section 1.409A-3(d) of the Treasury Regulations, a distribution under this Plan will be treated as made on the designated payment date if the payment is made (i) at such date or a later date within the same calendar year, or if later, by the 15th day of the third month following the designated date (provided the Participant, or in the event of the death of the Participant, his or her Beneficiary, may not, directly or indirectly, designate the year of payment), or (ii) at a date no earlier than 30 days before the designated payment date and the Participant (or, in the event of the death of the Participant, his or her Beneficiary) may not directly or indirectly designate the taxable year of the payment.

To the extent that any provision of the Plan would cause a conflict with the requirements of Code section 409A, or would cause the administration of the Plan to fail to satisfy Code section 409A, such provision shall be deemed null and void to the extent permitted by applicable law. Nothing herein shall be construed as a guarantee of any particular tax treatment to a Participant.

11.11 Successors. This Plan shall bind any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company, in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place.

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**Exhibit A**  
Early Retirement Benefit Reduction Formula

Age *	All Service Levels
65	100%
64	98
63	96
62	94
61	92
60	90
59	85
58	80
57	75
56	70
55	65

\* Nearest Age of Participant (or Former Vested Participant) on date benefits commence.

**Exhibit B**

**Actuarial Equivalent Reduction Factors for Disability Benefits  
Commencing Prior to Age 65**

Nearest Age at Commencement	Disability Pension in Percent of Normal Retirement Pension
55	65%
56	70%
57	75%
58	80%
59	85%
60	90%
61	92%
62	94%
63	96%
64	98%

Notwithstanding the preceding, a Participant shall be eligible for a Disability Pension equal to 100% of his Normal Retirement Pension if (1) he is age 55 or older and the total of his year of Accredited Service and age equals 90 or more, or (2) he has 30 years of Accredited Service.

**Exhibit C**

**Lump-Sum Calculation Procedure**

1. Determine the participant's life expectancy as of the lump-sum payment date using the mortality table applicable under Code section 417(e) referenced in Internal Revenue Service ("IRS") Revenue Ruling 2001-62, or such other table as the IRS shall indicate as a replacement for such table. Round the result up to the next higher whole number of years.
2. Determine the annual life annuity benefit, payable as of the lump-sum payment date that is to be converted into an actuarially equivalent lump-sum.
3. Assuming mid-year payment of the amount in Step (2), for each year of the Participant's future life expectancy, discount each year's payment back to the lump-sum payment date using the yield on the zero-coupon US Treasury security with maturity equal to the maturity of each year's payment. The amount of the lump-sum payment shall equal the sum of the discounted payments. The U.S. Treasury yields shall be those published for the date six months prior to the lump-sum payment date. If such date falls on a day when U.S. Treasury securities are not traded, yields for the next following business day shall be used.

## CERTIFICATION OF WGL HOLDINGS, INC.

I, Terry D. McCallister, certify that:

1. I have reviewed this quarterly report on Form 10-Q of WGL Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2010

/s/ Terry D. McCallister

Terry D. McCallister  
Chairman and Chief Executive Officer



## CERTIFICATION OF WGL HOLDINGS, INC.

I, Vincent L. Ammann, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of WGL Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2010

/s/ Vincent L. Ammann, Jr.

Vincent L. Ammann, Jr.

Vice President and Chief Financial Officer

## CERTIFICATION OF WASHINGTON GAS LIGHT COMPANY

I, Terry D. McCallister, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Gas Light Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2010

/s/ Terry D. McCallister

Terry D. McCallister  
Chairman and Chief Executive Officer

## CERTIFICATION OF WASHINGTON GAS LIGHT COMPANY

I, Vincent L. Ammann, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Washington Gas Light Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2010

/s/ Vincent L. Ammann, Jr.

Vincent L. Ammann, Jr.

Vice President and Chief Financial Officer

**CERTIFICATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER  
AND THE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the combined Quarterly Report of WGL Holdings, Inc. and Washington Gas Light Company (the "Companies") on Form 10-Q for the quarterly period ended December 31, 2009 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Terry D. McCallister, Chairman and Chief Executive Officer of the Companies, and Vincent L. Ammann, Jr., Vice President and Chief Financial Officer of the Companies, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of their knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

This certification is being made for the exclusive purpose of compliance by the Chairman and Chief Executive Officer and the Vice President and Chief Financial Officer of the Companies with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed, or used by any person for any reason other than as specifically required by law.

/s/ Terry D. McCallister

Terry D. McCallister  
Chairman and Chief Executive Officer

/s/ Vincent L. Ammann, Jr.

Vincent L. Ammann, Jr.  
Vice President and Chief Financial Officer

February 5, 2010

**WGL HOLDINGS, INC. AND SUBSIDIARIES**  
 Computation of Ratio of Earnings to Fixed Charges (Unaudited)

<i>(\$ in thousands)</i>	Twelve Months Ended December 31, 2009
<b>FIXED CHARGES:</b>	
Interest Expense	\$ 41,635
Amortization of Debt Premium, Discount and Expense	463
Interest Component of Rentals	1,539
Total Fixed Charges	\$ 43,637
<b>EARNINGS:</b>	
Net Income before Dividends on Preferred Stock	\$ 114,709
Add:	
Income Taxes	72,650
Total Fixed Charges	43,637
Total Earnings	\$ 230,996
<b>Ratio of Earnings to Fixed Charges</b>	<b>5.3</b>

## WGL HOLDINGS, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges  
and Preferred Stock Dividends (Unaudited)

<i>(\$ in thousands)</i>	Twelve Months Ended December 31, 2009
<b>FIXED CHARGES AND PRE-TAX PREFERRED STOCK DIVIDENDS:</b>	
Preferred Stock Dividends	\$ 1,320
Effective Income Tax Rate	0.3878
Complement of Effective Income Tax Rate (1-Tax Rate)	0.6122
Pre-Tax Preferred Stock Dividends	\$ 2,156
<b>FIXED CHARGES:</b>	
Interest Expense	\$ 41,635
Amortization of Debt Premium, Discount and Expense	463
Interest Component of Rentals	1,539
Total Fixed Charges	43,637
Pre-Tax Preferred Stock Dividends	2,156
Total Fixed Charges and Preferred Stock Dividends	\$ 45,793
<b>EARNINGS:</b>	
Net Income before Dividends on Preferred Stock	\$ 114,709
Add:	
Income Taxes	72,650
Total Fixed Charges	43,637
Total Earnings	\$ 230,996
<b>Ratio of Earnings to Fixed Charges and Preferred Stock Dividends</b>	<b>5.0</b>

**WASHINGTON GAS LIGHT COMPANY**  
Computation of Ratio of Earnings to Fixed Charges (Unaudited)

<i>(\$ in thousands)</i>	Twelve Months Ended December 31, 2009
<b>FIXED CHARGES:</b>	
Interest Expense	\$ 41,212
Amortization of Debt Premium, Discount and Expense	463
Interest Component of Rentals	1,239
Total Fixed Charges	\$ 42,914
<b>EARNINGS:</b>	
Net Income before Dividends on Preferred Stock	\$ 93,507
Add:	
Income Taxes	57,329
Total Fixed Charges	42,914
Total Earnings	\$ 193,750
<b>Ratio of Earnings to Fixed Charges</b>	<b>4.5</b>

## WASHINGTON GAS LIGHT COMPANY

Computation of Ratio of Earnings to Fixed Charges  
and Preferred Stock Dividends (Unaudited)

<i>(\$ in thousands)</i>	Twelve Months Ended December 31, 2009
<b>FIXED CHARGES AND PRE-TAX PREFERRED STOCK DIVIDENDS:</b>	
Preferred Stock Dividends	\$ 1,320
Effective Income Tax Rate	0.3801
Complement of Effective Income Tax Rate (1-Tax Rate)	0.6199
Pre-Tax Preferred Stock Dividends	\$ 2,129
<b>FIXED CHARGES:</b>	
Interest Expense	\$ 41,212
Amortization of Debt Premium, Discount and Expense	463
Interest Component of Rentals	1,239
Total Fixed Charges	42,914
Pre-Tax Preferred Stock Dividends	2,129
Total Fixed Charges and Preferred Stock Dividends	\$ 45,043
<b>EARNINGS:</b>	
Net Income before Dividends on Preferred Stock	\$ 93,507
Add:	
Income Taxes	57,329
Total Fixed Charges	42,914
Total Earnings	\$ 193,750
<b>Ratio of Earnings to Fixed Charges and Preferred Stock Dividends</b>	<b>4.3</b>