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, 2008

OR

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

Commission File Number	*Exact name of registrant as specified in its charter and principal office address and telephone number*	*State of Incorporation*	*I.R.S. Employer Identification No.*
1-16163	**WGL Holdings, Inc.** 101 Constitution Ave., N.W. Washington, D.C. 20080 (703) 750-2000	Virginia	52-2210912
0-49807	**Washington Gas Light Company** 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 the 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 ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Washington Gas Light Company:

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑ (Do not check if a smaller reporting company) 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 31, 2009: 50,124,429 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 31, 2009.

WGL Holdings, Inc.
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For the Quarter Ended December 31, 2008

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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. Also included are the Notes to Consolidated Financial Statements that are presented on a combined 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 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 in economic, competitive, political and regulatory conditions and developments;
- 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;
- 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 God;
- 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

(In thousands)	**December 31, 2008**	September 30, 2008
ASSETS		
Property, Plant and Equipment		
At original cost	**$ 3,212,895**	$ 3,184,247
Accumulated depreciation and amortization	**(993,268)**	(975,945)
Net property, plant and equipment	**2,219,627**	2,208,302
Current Assets		
Cash and cash equivalents	**8,835**	6,164
Receivables		
Accounts receivable	**385,931**	190,589
Gas costs and other regulatory assets	**21,521**	26,543
Unbilled revenues	**207,921**	50,134
Allowance for doubtful accounts	**(14,164)**	(17,101)
Net receivables	**601,209**	250,165
Materials and supplies—principally at average cost	**22,425**	21,117
Storage gas—at cost (first-in, first-out)	**343,495**	406,629
Deferred income taxes	**13,348**	7,616
Other prepayments	**54,387**	32,290
Other	**31,436**	18,368
Total current assets	**1,075,135**	742,349
Deferred Charges and Other Assets		
Regulatory assets		
Gas costs	**95,859**	50,797
Pension and other post-retirement benefits	**133,637**	133,989
Other	**59,510**	58,417
Prepaid qualified pension benefits	**25,396**	24,683
Other	**28,278**	25,006
Total deferred charges and other assets	**342,680**	292,892
Total Assets	**$ 3,637,442**	$ 3,243,543
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholders' equity	**$ 1,089,004**	$ 1,047,564
Washington Gas Light Company preferred stock	**28,173**	28,173
Long-term debt	**657,659**	603,738
Total capitalization	**1,774,836**	1,679,475
Current Liabilities		
Current maturities of long-term debt	**50,088**	75,994
Notes payable	**365,287**	270,955
Accounts payable and other accrued liabilities	**326,852**	243,123
Wages payable	**16,000**	14,106
Accrued interest	**13,141**	4,200
Dividends declared	**18,120**	18,070
Customer deposits and advance payments	**45,530**	46,074
Gas costs and other regulatory liabilities	**107,489**	12,180
Accrued taxes	**21,597**	12,129
Other	**49,860**	51,648
Total current liabilities	**1,013,964**	748,479
Deferred Credits		
Unamortized investment tax credits	**11,444**	11,360
Deferred income taxes	**306,221**	272,227
Accrued pensions and benefits	**128,233**	131,097
Asset retirement obligations	**30,837**	30,388
Regulatory liabilities		
Accrued asset removal costs	**310,625**	306,014
Other	**14,565**	14,974
Other	**46,717**	49,529
Total deferred credits	**848,642**	815,589
Commitments and Contingencies (Note 12)		
Total Capitalization and Liabilities	**$ 3,637,442**	$ 3,243,543

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,	
(In thousands, except per share data)	**2008**	2007
OPERATING REVENUES		
Utility	**$522,481**	$461,950
Non-utility	**303,607**	289,676
Total Operating Revenues	**826,088**	751,626
OPERATING EXPENSES		
Utility cost of gas	**306,784**	265,801
Non-utility cost of energy-related sales	**292,238**	275,543
Operation and maintenance	**70,334**	68,849
Depreciation and amortization	**24,081**	24,255
General taxes and other assessments	**30,427**	27,243
Total Operating Expenses	**723,864**	661,691
OPERATING INCOME	**102,224**	89,935
Other Income (Expenses)—Net	**17**	588
Interest Expense		
Interest on long-term debt	**9,952**	9,980
Other—net	**2,227**	2,757
Total Interest Expense	**12,179**	12,737
Dividends on Washington Gas preferred stock	**330**	330
INCOME BEFORE INCOME TAXES	**89,732**	77,456
INCOME TAX EXPENSE	**35,107**	30,259
NET INCOME APPLICABLE TO COMMON STOCK	**$ 54,625**	47,197
AVERAGE COMMON SHARES OUTSTANDING		
Basic	**50,022**	49,416
Diluted	**50,208**	49,645
EARNINGS PER AVERAGE COMMON SHARE		
Basic	**1.09**	0.96
Diluted	**1.09**	0.95
DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.3550**	$ 0.3425

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)

(In thousands)	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007
OPERATING ACTIVITIES		
Net income applicable to common stock	**$ 54,625**	$ 47,197
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	**24,081**	24,255
Amortization of:		
Other regulatory assets and liabilities—net	**744**	653
Debt related costs	**194**	227
Deferred income taxes—net	**28,486**	29,990
Accrued/deferred pension cost	**(1,040)**	(1,128)
Compensation expense related to equity awards	**189**	1,290
Other non-cash charges (credits)—net	**(299)**	(470)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable and unbilled revenues—net	**(356,066)**	(334,975)
Gas costs and other regulatory assets/liabilities—net	**100,331**	69,925
Storage gas	**63,134**	41,436
Other prepayments	**(28,311)**	(13,344)
Accounts payable and other accrued liabilities	**88,170**	116,111
Wages payable	**1,894**	2,406
Customer deposits and advance payments	**(544)**	9,810
Accrued taxes	**9,468**	7,702
Accrued interest	**8,941**	9,285
Other current assets	**(14,376)**	(650)
Other current liabilities	**(1,788)**	(552)
Deferred gas costs—net	**(45,062)**	(72,259)
Deferred assets—other	**(4,188)**	(1,635)
Deferred liabilities—other	**(3,393)**	8,132
Other—net	**1,441**	497
Net Cash Used in Operating Activities	**(73,369)**	(56,097)
FINANCING ACTIVITIES		
Common stock issued	**4,194**	1,837
Long-term debt issued	**53,642**	3,092
Long-term debt retired	**(26,012)**	(1,011)
Notes payable issued (retired)—net	**94,332**	117,110
Dividends on common stock	**(17,739)**	(16,916)
Other financing activities—net	**(803)**	(746)
Net Cash Provided by Financing Activities	**107,614**	103,366
INVESTING ACTIVITIES		
Capital expenditures (excluding Allowance for Funds Used During Construction)	**(31,574)**	(30,110)
Other investing activities—net	**—**	(3,062)
Net Cash Used in Investing Activities	**(31,574)**	(33,172)
INCREASE IN CASH AND CASH EQUIVALENTS	**2,671**	14,097
Cash and Cash Equivalents at Beginning of Year	**6,164**	4,870
Cash and Cash Equivalents at End of Year	**$ 8,835**	$ 18,967
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	**$ 1,869**	$ 14,020
Interest paid	**$ 2,791**	$ 3,553
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital expenditures included in accounts payable and other accrued liabilities	**$ (4,441)**	$ (1,613)

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)

(In thousands)	**December 31, 2008**	September 30, 2008
ASSETS		
Property, Plant and Equipment		
At original cost	**$ 3,178,998**	$ 3,152,259
Accumulated depreciation and amortization	**(971,832)**	(954,974)
Net property, plant and equipment	**2,207,166**	2,197,285
Current Assets		
Cash and cash equivalents	**4,491**	3,680
Receivables		
Accounts receivable	**239,844**	105,132
Gas costs and other regulatory assets	**21,521**	26,543
Unbilled revenues	**145,796**	18,584
Allowance for doubtful accounts	**(12,582)**	(15,736)
Net receivables	**394,579**	134,523
Materials and supplies—principally at average cost	**22,373**	21,065
Storage gas—at cost (first-in, first-out)	**281,175**	322,617
Deferred income taxes	**8,007**	8,429
Other prepayments	**27,508**	34,375
Receivables from associated companies	**5,722**	4,636
Other	**14,728**	4,833
Total current assets	**758,583**	534,158
Deferred Charges and Other Assets		
Regulatory assets		
Gas costs	**95,859**	50,797
Pension and other post-retirement benefits	**132,980**	133,326
Other	**59,493**	58,400
Prepaid qualified pension benefits	**25,321**	24,612
Other	**26,916**	24,188
Total deferred charges and other assets	**340,569**	291,323
Total Assets	**$ 3,306,318**	$ 3,022,766
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholder's equity	**$ 970,628**	$ 935,049
Preferred stock	**28,173**	28,173
Long-term debt	**657,659**	603,745
Total capitalization	**1,656,460**	1,566,967
Current Liabilities		
Current maturities of long-term debt	**50,088**	75,000
Notes payable	**251,306**	231,013
Accounts payable and other accrued liabilities	**220,288**	166,060
Wages payable	**15,412**	13,638
Accrued interest	**13,141**	4,200
Dividends declared	**17,744**	17,695
Customer deposits and advance payments	**45,530**	46,074
Gas costs and other regulatory liabilities	**107,489**	12,180
Accrued taxes	**20,423**	11,281
Payables to associated companies	**35,436**	22,746
Other	**33,061**	38,249
Total current liabilities	**809,918**	638,136
Deferred Credits		
Unamortized investment tax credits	**11,132**	11,355
Deferred income taxes	**307,359**	279,818
Accrued pensions and benefits	**127,627**	130,478
Asset retirement obligations	**29,905**	29,469
Regulatory liabilities		
Accrued asset removal costs	**310,631**	306,014
Other	**14,565**	14,973
Other	**38,721**	45,556
Total deferred credits	**839,940**	817,663
Commitments and Contingencies (Note 12)		
Total Capitalization and Liabilities	**$ 3,306,318**	$ 3,022,766

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,	
(In thousands, except per share data)	**2008**	**2007**
OPERATING REVENUES		
Utility	**$530,640**	$464,428
Non-utility	**2**	15
Total Operating Revenues	**530,642**	464,443
OPERATING EXPENSES		
Utility cost of gas	**314,943**	268,279
Operation and maintenance	**62,284**	62,070
Depreciation and amortization	**23,621**	23,798
General taxes and other assessments	**29,524**	26,277
Total Operating Expenses	**430,372**	380,424
OPERATING INCOME	**100,270**	84,019
Other Income (Expenses)—Net	**(199)**	512
Interest Expense		
Interest on long-term debt	**9,945**	9,969
Other—net	**1,831**	2,171
Total Interest Expense	**11,776**	12,140
INCOME BEFORE INCOME TAXES	**88,295**	72,391
INCOME TAX EXPENSE	**34,367**	28,091
NET INCOME BEFORE PREFERRED STOCK DIVIDENDS	**$ 53,928**	$ 44,300
Dividends on preferred stock	**330**	330
NET INCOME APPLICABLE TO COMMON STOCK	**$ 53,598**	$ 43,970

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)

	Three Months Ended December 31,	
(In thousands)	**2008**	2007
OPERATING ACTIVITIES		
Net income before preferred stock dividends	**$ 53,928**	$ 44,300
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH USED IN OPERATING ACTIVITIES		
Depreciation and amortization	**23,621**	23,798
Amortization of:		
Other regulatory assets and liabilities—net	**744**	653
Debt related costs	**187**	216
Deferred income taxes—net	**28,290**	33,595
Accrued/deferred pension cost	**(1,035)**	(1,128)
Compensation expense related to equity awards	**175**	1,243
Other non-cash charges (credits)—net	**(606)**	(470)
CHANGES IN ASSETS AND LIABILITIES		
Accounts receivable, unbilled revenues and receivables from associated companies—net	**(266,164)**	(259,123)
Gas costs and other regulatory assets/liabilities—net	**100,331**	69,925
Storage gas	**41,442**	17,519
Other prepayments	**653**	(18,348)
Accounts payable and other accrued liabilities, including payables to associated companies	**70,982**	101,709
Wages payable	**1,774**	1,563
Customer deposits and advance payments	**(544)**	9,910
Accrued taxes	**9,142**	6,997
Accrued interest	**8,941**	9,285
Other current assets	**(11,203)**	708
Other current liabilities	**(5,188)**	(1,388)
Deferred gas costs—net	**(45,062)**	(72,259)
Deferred assets—other	**(3,651)**	(2,378)
Deferred liabilities—other	**(8,526)**	7,140
Other—net	**1,437**	513
Net Cash Used in Operating Activities	**(332)**	(26,020)
FINANCING ACTIVITIES		
Long-term debt issued	**53,642**	3,092
Long-term debt retired	**(25,018)**	(17)
Notes payable issued (retired)—net	**20,293**	85,964
Dividends on common stock and preferred stock	**(17,695)**	(17,246)
Other financing activities—net	**(791)**	(724)
Net Cash Provided by Financing Activities	**30,431**	71,069
INVESTING ACTIVITIES		
Capital expenditures (excluding Allowance for Funds Used During Construction)	**(29,288)**	(29,889)
Other investing activities—net	**—**	(3,062)
Net Cash Used in Investing Activities	**(29,288)**	(32,951)
INCREASE IN CASH AND CASH EQUIVALENTS	**811**	12,098
Cash and Cash Equivalents at Beginning of Year	**3,680**	4,157
Cash and Cash Equivalents at End of Year	**4,491**	16,255
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid	**$ 1,460**	$ 13,470
Interest paid	**$ 2,397**	$ 2,966
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Capital expenditures included in accounts payable and other accrued liabilities	**$ (4,064)**	$ (1,551)

The accompanying notes are an integral part of these statements.

NOTE 1. ACCOUNTING POLICIES

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 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 footnote 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, 2008. Due to the seasonal nature of Washington Gas's and WGEServices' businesses, the results of operations for the periods presented in this report do not necessarily represent the expected and actual results for the full fiscal years ending September 30, 2009 and 2008 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, 2008. See *"Accounting Standards Adopted in the Current Period"* below for changes to these policies subsequent to September 30, 2008.

Asset Optimization Program

Washington Gas optimizes the value of its long-term natural gas transportation and storage capacity resources by entering into physical and financial transactions in the form of forwards, swaps and option contracts when these resources are not fully being used for direct service to 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 customer portion is credited to customer billings and does not affect earnings.

As part of its asset optimization program, Washington Gas enters into derivative contracts related to the sale and purchase of natural gas at a future price to lock-in operating margins that Washington Gas will ultimately realize. The derivatives used under this program may cause significant period-to-period volatility in earnings for the portion of net profits retained for shareholders; however, this volatility will not change the margins that Washington Gas will ultimately realize from these transactions.

In accordance with Emerging Issues Task Force (EITF) Issue No. 02-3, *Issues involved in Accounting for Derivative Contracts held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities (EITF 02-3),* all financially and physically settled contracts under our asset optimization program are reported on a net basis in the statements of income in "Utility cost of gas", prior to the effects of sharing. During the quarter ended December 31, 2008, a total of $162.1 million of natural gas was sold, with a cost of $158.3 million, under contracts that were physically settled as part of Washington Gas's internally managed asset optimization program. During the quarter ended December 31, 2007, a total of $77.1 million of natural gas was sold, with a cost of $72.8 million, under contracts that were physically settled as part of Washington Gas's internally managed asset optimization program.

We recorded pre-tax unrealized gains of $10.3 million and pre-tax unrealized losses of $2.7 million to earnings for the three months ended December 31, 2008 and 2007, respectively, associated with our asset optimization program. Pre-tax realized margins recorded to earnings related to our asset optimization program were $1.4 million and $5.0 for the quarters ended December 31, 2008 and 2007, respectively.

Accounting Standards Adopted in the Current Period

Fair Value. Effective October 1, 2008, we adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, as amended, for our financial assets and liabilities. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit assets or liabilities to be measured at fair value, and does not require any new fair value measurements. Additionally, SFAS No. 157 requires retrospective application to financial instruments that were measured at fair value upon initial recognition at the transaction price, in accordance with EITF 02-3. Upon adoption, the differences between the carrying amounts and the fair values of these instruments were recognized as a cumulative-effect adjustment to the opening balance of retained earnings or other appropriate components of net assets. As a result, WGL Holdings recorded a pre-tax $1.7 million cumulative-effect adjustment ($1.0 million after-tax) to increase the opening balance of retained earnings. Additionally, Washington Gas recorded a $4.7 million cumulative effect adjustment to the opening balance of regulatory assets, as these differences relate to gas costs that will be recoverable from customers. Refer to Note 9—*Fair Value of Financial Instruments* for the required disclosures under this standard.

Derivative Instruments. In April 2007, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FIN 39-1, *Amendment of FASB Interpretation No. 39*. This FSP amends FIN 39, *Offsetting of Amounts Related to Certain Contracts*, to replace the terms "conditional contracts" and "exchange contracts" with the term "derivative instruments" as defined in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended (SFAS No. 133). Additionally, it permits a reporting entity to offset the fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against fair value amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. The guidance in this FSP was effective for us on October 1, 2008. As a result of the implementation of this standard, we will net the fair value recorded for each of our cash collateral positions against the net fair value amounts recorded for the associated derivative instruments executed under the same master netting arrangement. Refer to Note 8—*Derivative and Weather-Related Instruments* for the required disclosures under this standard.

Other Newly Issued Accounting Standards

Fair Value. In February 2008, the FASB issued FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

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). FSP FAS 132(R)-1 contains amendments to FASB Statement 132(R) that are intended to improve disclosures of postretirement benefit plan assets. This FSP 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.

Derivative Instruments. In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133*. SFAS No. 161 establishes, among other things, the disclosure requirements for derivative instruments and for hedging activities. This statement requires qualitative disclosures about fair value amounts, gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. SFAS No. 161 is effective for us on January 1, 2009. This standard will expand our derivative disclosures beginning with our March 31, 2009 fiscal quarter.

Other. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*. SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for us on October 1, 2009. 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.

WGL Holdings, Inc.

(In thousands)	**Dec. 31, 2008**	Sept. 30, 2008
Accounts payable — trade	**$ 297,680**	$ 204,283
Employee benefits and payroll accruals	**13,898**	22,823
Other accrued liabilities	**15,274**	16,017
Total	**$ 326,852**	$ 243,123

Washington Gas Light Company

(In thousands)	**Dec. 31, 2008**	Sept. 30, 2008
Accounts payable — trade	**$ 195,065**	$ 131,630
Employee benefits and payroll accruals	**13,432**	20,631
Other accrued liabilities	**11,791**	13,799
Total	**$ 220,288**	$ 166,060

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 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, 2008.

Committed Credit Available *(In millions)*

Committed credit agreements	WGL Holdings	Washington Gas
Unsecured revolving credit facility, expires August 3, 2012 *(a)*	$ 400.0	$ 300.0
Unsecured credit agreements, expire February 28, 2009	—	25.0
Unsecured credit agreement, expires May 27, 2009	—	75.0
Unsecured credit agreement, expires May 29, 2009	—	15.0
Unsecured credit agreement, expires September 19, 2009	—	10.0
Total committed credit agreements	$ 400.0	$ 425.0
Less: Commercial Paper	(114.0)	(251.3)
Net committed credit available	$ 286.0	$ 173.7

(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.*

At December 31, 2008 and September 30, 2008, WGL Holdings and its subsidiaries had outstanding notes payable in the form of commercial paper and bank loans from revolving credit facilities of $365.3 million and $271.0 million, respectively, at a weighted average interest rate of 0.95 percent and 2.92 percent, respectively. At December 31, 2008 and September 30, 2008, the weighted average interest rate on Washington Gas's borrowings was 0.90 percent and 2.75 percent, respectively.

Of the outstanding notes payable balance at December 31, 2008, $114.0 million and $251.3 million was commercial paper issued by WGL Holdings and Washington Gas, respectively. As of December 31, 2008, there were no outstanding borrowings under WGL Holdings or Washington Gas's credit agreements. Of the outstanding notes payable balance at September 30, 2008, $23.0 million and $231.0 million was commercial paper issued by WGL Holdings and Washington Gas, respectively. As of September 30, 2008, WGL Holdings had $17.0 million in outstanding borrowings under its revolving credit facility and there were no outstanding borrowings under Washington Gas's credit agreements.

NOTE 4. LONG-TERM DEBT

UNSECURED MEDIUM-TERM NOTES

Washington Gas issues unsecured Medium-Term Notes (MTNs) 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. At December 31, 2008, Washington Gas had the capacity, under a shelf registration that was declared effective by the Securities and Exchange Commission on June 8, 2006, to issue up to $200.0 million of additional MTNs. At December 31, 2008 and September 30, 2008, outstanding MTNs were $689.0 million and $664.0 million, respectively. At December 31, 2008 and September 30, 2008, the weighted average interest rate on all outstanding MTNs was 6.03 percent and 5.95 percent, respectively.

In October 2008, Washington Gas retired $25.0 million of 5.49 percent MTNs. On December 5, 2008, Washington Gas issued $50.0 million of 7.46 percent fixed rate MTNs due December 5, 2018. Proceeds from this MTN were used by Washington Gas to replace matured MTNs and for general corporate purposes, including funding capital expenditures and working capital needs, and repaying commercial paper.

In the latter half of fiscal year 2009, $50 million of MTNs will mature and may be repaid by proceeds from the sale of new MTNs, the sale of commercial paper, bank loans or a combination of those sources of funds. Washington Gas maintains adequate access to capital markets to meet its liquidity requirements.

NOTE 5. COMMON SHAREHOLDERS' EQUITY

The tables below reflect the components of "Common shareholders' equity" for WGL Holdings and Washington Gas as of December 31, 2008 and September 30, 2008.

WGL Holdings, Inc.
Components of Common Shareholders' Equity

(In thousands, except shares)	**Dec. 31, 2008**	Sept. 30, 2008
Common stock, no par value, 120,000,000 shares authorized, 50,111,829 and 49,916,883 shares issued, respectively	**$ 513,551**	$ 507,105
Paid-in capital	**11,495**	14,398
Retained earnings	**565,660**	527,812
Accumulated other comprehensive loss, net of taxes	**(1,702)**	(1,751)
Total	**$1,089,004**	$1,047,564

Washington Gas Light Company
Components of Common Shareholder's Equity

(In thousands, except shares)	**Dec. 31, 2008**	Sept. 30, 2008
Common stock, $1 par value, 80,000,000 shares authorized, 46,479,536 shares issued	**$ 46,479**	$ 46,479
Paid-in capital	**467,108**	467,761
Retained earnings	**458,743**	422,560
Accumulated other comprehensive loss, net of taxes	**(1,702)**	(1,751)
Total	**$ 970,628**	$ 935,049

NOTE 6. COMPREHENSIVE INCOME

The tables below reflect the components of "Comprehensive income" for the three months ended December 31, 2008 and 2007 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

	Three Months Ended December 31,	
(In thousands)	**2008**	2007
Net income applicable to common stock	**$ 54,625**	$ 47,197
Other comprehensive income, net of taxes *(a)*	**49**	118
Comprehensive income	**$ 54,674**	$ 47,315

(a) *Amounts relate to postretirement benefits.*

Washington Gas Light Company
Components of Comprehensive Income

	Three Months Ended December 31,	
(In thousands)	**2008**	2007
Net income before preferred stock dividends	**$ 53,928**	$ 44,300
Other comprehensive income, net of taxes *(a)*	**49**	118
Comprehensive income	**$ 53,977**	$ 44,418

(a) *Amounts relate to postretirement benefits.*

NOTE 7. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net income 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, 2008 and 2007.

Basic and Diluted EPS

(In thousands, except per share data)	Net Income	Shares	Per Share Amount
Three Months Ended December 31, 2008			
Basic EPS	**$ 54,625**	**50,022**	**$ 1.09**
Stock-based compensation plans	**—**	**186**	
Diluted EPS	**$ 54,625**	**50,208**	**$ 1.09**
Three Months Ended December 31, 2007			
Basic EPS	$ 47,197	49,416	$ 0.96
Stock-based compensation plans	—	229	
Diluted EPS	$ 47,197	49,645	$ 0.95

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. For the three months ended December 31, 2007, we did not exclude any weighted average outstanding stock options from the calculation of diluted EPS.

NOTE 8. DERIVATIVE AND WEATHER-RELATED INSTRUMENTS

DERIVATIVE INSTRUMENTS

Regulated Utility Operations

Washington Gas enters into certain contracts related to the sale and purchase of natural gas that qualify as derivative instruments and are accounted for under SFAS No. 133. These derivative instruments are recorded at fair value on our balance sheets. These contracts relate primarily to Washington Gas's asset optimization program, as well as certain contracts related to the purchase of gas to serve utility customers. Washington Gas does not designate these derivatives as hedges under SFAS No. 133; 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. In connection with these derivative instruments, Washington Gas recorded to earnings pre-tax gains of $12.2 million and $258,000 for the three months ended December 31, 2008 and 2007, respectively. These amounts are principally reflected in "Utility cost of gas", with amounts shared with Maryland customers reflected in "Operating revenues — utility". Refer to Note 1—*Accounting Policies* for a further discussion of our asset optimization program.

Non-Utility Operations

Our non-regulated retail energy-marketing subsidiary, WGEServices, enters into certain contracts related to the sale and purchase of natural gas and electricity that qualify as derivative instruments, and are accounted for under SFAS No. 133. These derivative instruments are recorded at fair value on our consolidated balance sheets. WGEServices does not designate these derivatives as hedges under SFAS No. 133; therefore, changes in the fair value of these derivative instruments are reflected in the earnings of our retail energy-marketing segment. In connection with these derivative instruments, WGEServices recorded pre-tax losses of $14.0 million and $1.7 million for the three months ended December 31, 2008 and 2007, respectively. These amounts are recorded in the line items "Non-utility cost of energy-related sales" and "Operating revenues— non-utility."

Consolidated Operations

The following table summarizes the balance sheet classification for all derivative instruments with open positions for both WGL Holdings and Washington Gas. Reflected in the table for WGL Holdings are derivative instruments for both Washington Gas and WGEServices.

WGL Holdings, Inc.
Balance Sheet Classification of Open Positions on Derivative Instruments

	December 31, 2008			September 30, 2008		
(In millions)	Derivative Positions	Netting of Collateral	Total	Derivative Positions	Netting of Collateral	Total
Assets						
Other current assets	$ 23.4	$ —	$23.4	$ 12.0	$ —	$12.0
Deferred charges and other assets—other	5.0	—	5.0	5.9	—	5.9
Total assets	$ 28.4	$ —	$28.4	$ 17.9	$ —	$17.9
Liabilities						
Other current liabilities	$ 43.0	$ (1.9)	$41.1	$ 43.7	$ —	$43.7
Deferred credits — other	11.2	(0.1)	11.1	13.2	—	13.2
Total liabilities	$ 54.2	$ (2.0)	$52.2	$ 56.9	$ —	$56.9

Washington Gas Light Company
Balance Sheet Classification of Open Positions on Derivative Instruments

	December 31, 2008			September 30, 2008		
(In millions)	Derivative Positions	Netting of Collateral	Total	Derivative Positions	Netting of Collateral	Total
Assets						
Other current assets	$ 14.7	$ —	$14.7	$ 4.9	$ —	$ 4.9
Deferred charges and other assets—other	4.3	—	4.3	5.4	—	5.4
Total assets	$ 19.0	$ —	$19.0	$ 10.3	$ —	$10.3
Liabilities						
Other current liabilities	$ 25.7	$ —	$25.7	$ 32.7	$ —	$32.7
Deferred credits — other	9.1	—	9.1	13.2	—	13.2
Total liabilities	$ 34.8	$ —	$34.8	$ 45.9	$ —	$45.9

At December 31, 2008 and September 30, 2008, WGL Holdings had collateral receivables totaling $29.9 million and $400,000, respectively, which were not eligible to be offset under master netting arrangements. WGL Holdings had no collateral payables outstanding at either December 31, 2008 or September 30, 2008. Washington Gas had no collateral receivables or payables under master netting arrangements at either December 31, 2008 or September 30, 2008.

WEATHER-RELATED INSTRUMENTS

Regulated Utility Operations

On October 1, 2008, Washington Gas purchased heating degree day (HDD) derivatives to protect against variations from normal weather in the District of Columbia from October 1, 2008 through September 30, 2009. During fiscal year 2008, Washington Gas had weather insurance to protect against warmer-than normal weather in the District of Columbia.

Our weather protection instruments are accounted for under EITF Issue No. 99-2, *Accounting for Weather Derivatives*. 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. 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 quarter ended December 31, 2008, Washington Gas recorded a pre-tax loss of $1.8 million, including amortization expense, related to its weather derivatives as a result of colder-than-normal weather during the period. For the same quarter of the prior year, Washington Gas recorded a $118,000 benefit, net of premium costs, related to its insurance policy as a result of the warmer-than-normal weather experienced in that period. 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 may pay WGEServices a fixed-dollar amount for every degree day over or under specific levels during the calculation period depending upon the type of contract executed. Similar to Washington Gas's weather instruments, these contracts are accounted for under the guidelines in EITF Issue No. 99-2. For the three months ended December 31, 2008 and 2007, WGEServices recorded pre-tax amortization expense of $448,000 and $403,000, respectively, related to these derivatives.

NOTE 9. FAIR VALUE MEASUREMENTS

Effective October 1, 2008, we adopted SFAS No. 157 for our financial assets and liabilities that are required to be measured at fair value on a recurring basis. These financial assets and liabilities primarily consist of energy-related derivatives recorded on our balance sheet under SFAS No. 133 as well as long-term debt and preferred stock outstanding that are required to be disclosed at fair value on an annual basis. Under SFAS No. 157, fair value is defined as the exit price, representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To value our financial instruments, we use market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about credit risk (both our own credit risk and the counterparty's credit risk) and the risks inherent in the inputs to our valuation technique, the income approach.

We enter into derivative contracts in the over-the-counter (OTC) wholesale and retail markets. These markets are the principal markets for the respective wholesale and retail contracts. We have determined that all of our existing counterparties and others who have participated in energy transactions at our delivery points are the relevant market participants. These participants have access to the same market data as WGL Holdings. We value our derivative contracts based on an "in-exchange" premise and valuations are generally based on pricing service data or indicative broker quotes depending on the market location. We measure the net credit exposure at a counterparty level where the right to set-off exists. The net exposure is determined using the mark-to-market exposure adjusted for collateral, letters of credit and parent guarantees. We use published default rates from Standard & Poor's Ratings Services and Moody's Investors Service as inputs for the determination of credit adjustments.

SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under SFAS No. 157 are described below:

Level 1. Level 1 of the fair value hierarchy consists of assets or liabilities that are valued using observable inputs based upon unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date. Level 1 assets and liabilities primarily include exchange traded derivatives and securities. At December 31, 2008, we do not have any financial assets or liabilities in this category.

Level 2. Level 2 of the fair value hierarchy consists of assets or liabilities that are valued using directly or indirectly observable inputs that are corroborated with market data or based on exchange traded market data. Level 2 includes fair values based on industry-standard valuation techniques that consider various assumptions including: *(i)* quoted forward prices for commodities, including the use of mid-market pricing within a bid/ask spread; *(ii)* discount rates; *(iii)* implied volatility and *(iv)* other economic factors. Substantially all of these assumptions are observable throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the relevant market. At December 31, 2008, level 2 financial assets and liabilities included non-exchange traded energy-related derivatives such as financial swaps and options and physical forward contracts for deliveries at active market locations.

Level 3. Level 3 of the fair value hierarchy consists of assets or liabilities that are valued using significant unobservable inputs at the reporting date. These unobservable assumptions reflect our assumptions about estimates that market participants would use in pricing the asset or liability, including historical volatility and pricing data when delivery is to inactive market locations. These inputs may be used with industry standard valuation methodologies that result in our best estimate of fair value for the assets or liabilities at the reporting date. At December 31, 2008, OTC derivative assets and liabilities in this category included: *(i)* physical contracts valued with significant basis adjustments to observable market data when delivery is to inactive market locations; *(ii)* long-dated positions where observable pricing is not available over the life of the contract; *(iii)* contracts valued using historical volatility assumptions and *(iv)* valuations using indicative broker quotes for inactive market locations.

The following table sets forth financial instruments recorded at fair value on a recurring basis as of December 31, 2008. 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, 2008
Energy-Related Derivative Assets and Liabilities

(In millions)	WGL Holdings		Washington Gas	
	Assets	Liabilities	Assets	Liabilities
Level 1	$ —	$ —	$ —	$ —
Level 2	55.0	(78.6)	52.8	(61.9)
Level 3	26.8	(29.0)	16.6	(23.3)
Counterparty and cash collateral netting	(53.4)	55.4	(50.4)	50.4
Total	**$ 28.4**	**$ (52.2)**	**$ 19.0**	**$ (34.8)**

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 SFAS No. 157 using significant Level 3 inputs during the three month period ended December 31, 2008.

Reconciliation of Fair Value Measurements Using Significant Level 3 Inputs

(In millions)	WGL Holdings	Washington Gas
Balance at October 1, 2008	$ (9.1)	$ (17.0)
Realized and unrealized gains (losses)		
Recorded to income	2.6	4.7
Recorded to regulatory assets — gas costs	4.6	4.6
Transfers in and/or out of Level 3	—	—
Purchases and settlements, net	(0.3)	1.0
Balance at December 31, 2008	**$ (2.2)**	**$ (6.7)**

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, 2008, related to fair value measurements using significant level 3 inputs.

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

(In millions)	WGL Holdings	Washington Gas
Operating revenues — non-utility	$ 4.5	$ —
Utility cost of gas	4.7	4.7
Non-utility cost of energy-related sales	(6.6)	—
Total	**$ 2.6**	**$ 4.7**

Unrealized gains (losses) for the three months ended December 31, 2008 attributable to derivative assets and liabilities measured using significant Level 3 inputs at December 31, 2008 were recorded as follows:

Unrealized Gains (Losses) Recorded for Level 3 Measurements

(In millions)	WGL Holdings	Washington Gas
Recorded to income		
Operating revenues — non-utility	$ 3.9	$ —
Utility cost of gas	4.6	4.6
Non-utility cost of energy-related sales	(5.2)	—
Recorded to regulatory assets — gas costs	4.2	4.2
Total	**$ 7.5**	**$ 8.8**

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 91 percent 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. In addition to the regulated operations of Washington Gas, the regulated utility segment includes the operations of Hampshire, an underground natural gas storage company that is regulated under a cost of service tariff by the Federal Energy Regulatory Commission (FERC) and 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.

The same accounting policies applied in preparing our consolidated financial statements also apply to the reported segments. While net income or loss 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, 2008 and 2007.

Operating Segment Financial Information

(In thousands)	Regulated Utility	Non-Utility Operations: Retail Energy-Marketing	Non-Utility Operations: Design-Build Energy Systerms	Non-Utility Operations: Other Activities	Eliminations	Consolidated
Three Months Ended December 31, 2008						
Operating Revenues *(a)*	**$ 530,640**	**$ 293,845**	**$ 9,778**	**$ (16)**	**$ (8,159)**	**$ 826,088**
Operating Expenses:						
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**
General Taxes and Other Assessments:						
Revenue Taxes	**17,278**	**129**	**—**	**—**	**—**	**17,407**
Other	**12,305**	**678**	**29**	**8**	**—**	**13,020**
Total Operating Expenses	**430,130**	**292,784**	**8,493**	**616**	**(8,159)**	**723,864**
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**
Dividends on Washington Gas Preferred Stock	**330**	**—**	**—**	**—**	**—**	**330**
Income Tax Expense (Benefit)	**34,446**	**331**	**528**	**(198)**	**—**	**35,107**
Net Income (Loss) Applicable to Common Stock	**$ 53,717**	**$ 450**	**$ 832**	**$ (374)**	**$ —**	**$ 54,625**
Total Assets	**$3,299,148**	**$ 346,371**	**$ 23,583**	**$ 138,221**	**$(169,881)**	**$3,637,442**
Capital Expenditures/Investments	**$ 30,392**	**$ 1,167**	**$ 14**	**$ 1**	**$ —**	**$ 31,574**
Three Months Ended December 31, 2007						
Operating Revenues *(a)*	$ 464,428	$ 285,267	$ 4,414	$ (5)	$ (2,478)	$ 751,626
Operating Expenses:						
Cost of Energy-Related Sales	268,279	271,877	3,666	—	(2,478)	541,344
Operation	50,867	6,321	384	767	—	58,339
Maintenance	10,510	—	—	—	—	10,510
Depreciation and Amortization	24,046	199	10	—	—	24,255
General Taxes and Other Assessments:						
Revenue Taxes	15,453	137	—	—	—	15,590
Other	10,882	739	23	9	—	11,653
Total Operating Expenses	380,037	279,273	4,083	776	(2,478)	661,691
Operating Income (Loss)	84,391	5,994	331	(781)	—	89,935
Other Income (Expenses)—Net	536	—	114	506	(568)	588
Interest Expense	12,151	564	—	590	(568)	12,737
Dividends on Washington Gas Preferred Stock	330	—	—	—	—	330
Income Tax Expense (Benefit)	28,244	2,149	172	(306)	—	30,259
Net Income (Loss) Applicable to Common Stock	$ 44,202	$ 3,281	$ 273	$ (559)	$ —	$ 47,197
Total Assets	$3,199,390	$ 299,971	$ 14,814	$ 102,678	$(157,965)	$3,458,888
Capital Expenditures/Investments	$ 29,957	$ 70	$ 83	$ —	$ —	$ 30,110

(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*

NOTE 11. RELATED PARTY TRANSACTIONS

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, 2008 and September 30, 2008, the Washington Gas Balance Sheets reflected a receivable from associated companies of $5.7 million and $4.6 million, respectively. At December 31, 2008 and September 30, 2008, the Washington Gas Balance Sheets reflected a payable to associated companies of $35.4 million and $22.7 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, $8.2 million and $2.5 million for the three months ended December 31, 2008 and 2007, 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 $10.7 million and $5.4 million at December 31, 2008 and September 30, 2008, respectively, related to an imbalance in gas volumes. Due to regulatory treatment, these receivables are not eliminated in the consolidated financial statements of WGL Holdings. These imbalances are typically settled by adjusting natural gas deliveries in subsequent periods.

NOTE 12. COMMITMENTS AND CONTINGENCIES

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.

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 have filed initial comments, discovery has been held and Washington Gas filed its reply comments on November 10, 2008.

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 (pre-tax) 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 (pre-tax) 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 and directed 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 (pre-tax) to "Operating revenues-utility".

Performance-Based Rate Plans

In recent 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 Virginia State Corporation Commission (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 percent 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 an interim basis, we record the effects of the ESM based on year-to-date earnings in relation to estimated annual earnings as calculated for regulatory purposes. At December 31, 2008, Washington Gas had accrued a customer liability of $4.5 million for estimated sharing under the Virginia ESM related to fiscal year 2008 and the first quarter of fiscal year 2009.

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, 2008, we had recorded a regulatory asset of $7.4 million, 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, however, 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, and we are currently awaiting a final decision by the PSC of MD.

Although 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, Washington Gas's application seeking approval of a PBR plan was withdrawn. 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.

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.

In December 2006, the Staff of the SCC of VA approved the reduction in Washington Gas's depreciation rates. In accordance with Virginia regulatory policy, Washington Gas implemented the lower depreciation rates retroactive to January 1, 2006 which coincides with the measurement date of the approved depreciation study.

Washington Gas included the portion of the depreciation study related to the District of Columbia in the rate application filed with the PSC of DC on December 21, 2006. Washington Gas's proposed new depreciation rates were placed into effect pursuant to the Final Order issued by the PSC of DC on December 28, 2007.

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 MD OPC noted appeals of the October 15, 2008 Proposed Order, thus suspending its effective date. Both Washington Gas and the MD OPC filed Memoranda on Appeal on November 24, 2008. Washington Gas, the MD OPC and the Staff of the PSC of MD filed Reply Memoranda on December 15, 2008. The PSC of MD will issue a final order after considering all of the arguments by the parties.

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 then assigns these customer payment streams to the lender. As the lender funds the construction project, Washington Gas establishes a note receivable representing its customers' obligations to remit principal and interest and a long-term note payable to the lender. When these projects are formally "accepted" by the customer as completed, Washington Gas transfers the ownership of the note receivable to the lender and removes both the note receivable and the long-term financing from its financial statements. As of December 31, 2008, work on these construction projects that was not completed or accepted by customers was valued at $18.4 million, which is recorded on the balance sheet as a note 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, 2008, these guarantees totaled $461.2 million. The amount of such guarantees is periodically adjusted to reflect changes in the level of financial exposure related to these purchase commitments. WGL Holdings also issued guarantees totaling $3.0 million at December 31, 2008 that were made on behalf of certain of our non-utility subsidiaries associated with their banking transactions. Of the total guarantees of $464.2 million, $60,000 expired on January 31, 2009 and $8.0 million and $9.0 million are due to expire on June 30, 2009 and December 31, 2009, respectively. 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, 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.

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, 2008 and 2007:

Components of Net Periodic Benefit Costs (Income)

	Three Months Ended December 31,			
	2008		2007	
(In thousands)	**Pension Benefits**	**Health and Life Benefits**	Pension Benefits	Health and Life Benefits
Components of net periodic benefit costs (income)				
Service cost	**$ 2,117**	**$ 1,278**	$ 2,448	$ 2,201
Interest cost	**10,678**	**6,257**	9,920	6,258
Expected return on plan assets	**(12,888)**	**(4,492)**	(13,232)	(4,368)
Amortization of prior service cost	**429**	**(1,005)**	458	—
Amortization of actuarial loss	**104**	**1,231**	204	1,972
Amortization of transition obligation	**—**	**271**	—	310
Net periodic benefit cost (income)	**440**	**3,540**	(202)	6,373
Amount allocated to construction projects	**30**	**(499)**	114	(642)
Amount deferred as regulatory asset/liability—net	**(990)**	**800**	(873)	378
Other	**(25)**	**5**	(46)	6
Amount charged (credited) to expense	**$ (545)**	**$ 3,846**	$ (1,007)	$ 6,115

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.

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, 2008 (2008 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.

Both of the major sections of Management's Discussion—WGL Holdings and Washington Gas—are designed to provide an understanding of our operations and financial performance. Management's Discussion also should be read in conjunction with the respective company's financial statements and the combined Notes to Consolidated Financial Statements.

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 91 percent 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.

In its rates charged to utility customers, Washington Gas generally does not earn a profit or incur a loss associated with the sale of the natural gas commodity because regulation requires Washington Gas to bill these customers for the natural gas commodity at the same cost that Washington Gas incurs. However, Washington Gas has an asset optimization program which 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 therms delivered related to our asset optimization program.

Hampshire, a wholly owned subsidiary of WGL Holdings, is regulated by the Federal Energy Regulatory Commission (FERC). Hampshire owns full and partial interests in, and operates 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 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, 2008, WGEServices contracted for and completed the construction of a renewable-energy generating facility which includes ownership of the operational asset. Other than this facility, 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.

Key Indicators of Financial Condition and Operating Performance

We have determined that the following are key indicators for monitoring our financial condition and operating performance:

Net Income and Diluted Earnings Per Share. In our review of overall operating results for both WGL Holdings on a consolidated basis and for each segment, we analyze net income and diluted earnings per share as calculated under Generally Accepted Accounting Principles in the United States of America (GAAP).

Return on Average Common Equity. This measure is calculated by dividing twelve months ended net income by average common shareholders' equity. For Washington Gas, we compare the actual return on common equity with the return on common equity that is allowed to be earned by regulators and the return on equity that is necessary for us to compensate investors sufficiently and to continue to attract capital.

Common Equity Ratio. This ratio is calculated by dividing total common shareholders' equity by the sum of common shareholders' equity, preferred stock and long-term debt (including current maturities). Maintaining this ratio in the mid-50 percent range affords us financial flexibility and access to long-term capital at relatively low costs. Refer to the section entitled *"Liquidity and Capital Resources—General Factors Affecting Liquidity"* for additional comments about our capital structure.

Utility Net Revenues and Gross Margins. 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 or gross cost of energy 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 operating income or 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.

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;
- 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 a further discussion of the factors listed above, refer to Management's Discussion within the 2008 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 rules 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-utility 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 and cost of gas recognition;
- accounting for regulatory operations — regulatory assets and liabilities;
- accounting for income taxes;
- accounting for contingencies;
- accounting for derivative instruments and
- accounting for pension and other post-retirement benefit plans.

For a description of these critical accounting policies, refer to Management's Discussion within the 2008 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.

WGL HOLDINGS, INC.

RESULTS OF OPERATIONS — Three Months Ended December 31, 2008 vs. December 31, 2007

Summary Results

WGL Holdings reported net income of $54.6 million, or $1.09 per share, for the three months ended December 31, 2008, an increase of $7.4 million, or $0.14 per share over net income of $47.2 million, or $0.95 per share, reported for the three months ended December 31, 2007. For the twelve-month periods ended December 31, 2008 and 2007, we earned a return on average common equity of 11.8 and 11.2 percent, respectively.

The comparison of results for the three month period ended December 31, 2008 compared to the same period of the prior fiscal year primarily reflects increased earnings from our regulated utility segment, partially offset by decreased 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, 2008 and 2007.

Net Income (Loss) by Operating Segment

(In millions)	Three Months Ended December 31, **2008**	2007	Increase/ (Decrease)
Regulated Utility	**$ 53.7**	$ 44.2	$ 9.5
Non-utility operations:			
Retail energy-marketing	**0.5**	3.3	(2.8)
Design-Build Energy Systems	**0.8**	0.3	0.5
Other, principally non-utility activities	**(0.4)**	(0.6)	0.2
Total non-utility	**0.9**	3.0	(2.1)
Net Income	**$ 54.6**	$ 47.2	$ 7.4

Regulated Utility Operating Results

The following table summarizes the regulated utility segment's operating results for the three months ended December 31, 2008 and 2007.

Regulated Utility Operating Results

(In millions)	Three Months Ended December 31, 2008	2007	Increase/ (Decrease)
Utility net revenues:			
Operating revenues	**$ 530.6**	$ 464.4	$ 66.2
Less: Cost of gas	**314.9**	268.3	46.6
Revenue taxes	**17.3**	15.4	1.9
Total utility net revenues	**198.4**	180.7	17.7
Operation and maintenance	**61.7**	61.4	0.3
Depreciation and amortization	**23.9**	24.0	(0.1)
General taxes and other assessments—other	**12.3**	10.9	1.4
Operating income	**100.5**	84.4	16.1
Interest expense	**11.8**	12.2	(0.4)
Other (income) expenses-net, including preferred stock dividends	**0.6**	(0.2)	0.8
Income tax expense	**34.4**	28.2	6.2
Net income	**$ 53.7**	$ 44.2	$ 9.5

The regulated utility segment's net income was $53.7 million for the three months ended December 31, 2008, an increase of $9.5 million over net income of $44.2 million for the same three-month period of the prior fiscal year. This increase in net income primarily reflects: *(i)* an increase in unrealized mark-to-market valuations associated with our asset optimization program, partially offset by a decrease in realized margins associated with this program; *(ii)* an increase of 7,590 average active customer meters from the prior quarter; *(iii)* an increase in the recovery of carrying costs on higher average storage gas inventory balances and *(iv)* the reversal 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). Partially offsetting these improvements were the negative effects of changes in natural gas consumption patterns and the timing of prior year rate relief in Maryland.

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, 2008 and 2007.

Composition of Changes in Utility Net Revenues

(In millions)	Increase / (Decrease)
Customer growth	$ 2.0
Estimated Weather effects — Offset by weather insurance and derivative products	3.5
Estimated change in natural gas consumption patterns	(3.9)
Timing of prior year Maryland rate relief	(4.3)
Gas administrative charge (GAC)	1.9
Asset optimization:	
Realized margins	(3.6)
Unrealized mark-to-market valuations	13.0
Lower of cost or market adjustment	0.9
Storage carrying costs	3.0
Reversal of reserve for natural gas costs	4.6
Earnings Sharing Mechanism (ESM)	1.0
Regulatory adjustment	(1.1)
Other	0.7
Total	$ 17.7

Customer growth — Average active customer meters increased 7,590 for the three months ended December 31, 2008 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). As part of this strategy, on October 1, 2008, Washington Gas purchased weather derivatives to protect against variations from normal weather in the District of Columbia. Washington Gas had weather insurance in fiscal year 2008 related to the District of Columbia, which allowed us to retain the benefits of colder-than-normal weather. Both the effects of weather insurance and weather derivatives are recorded to "Operation and maintenance expenses".

Weather, when measured by heating degree days (HDDs), was 13.4 percent colder than normal in the first quarter of fiscal year 2009, as compared to 8.5 percent warmer than normal for the same quarter of fiscal year 2008. Including the effects of our weather protection strategy, there were no estimated effects on net income from weather during the quarters ended December 31, 2008 or December 31, 2007.

Estimated change in natural gas consumption patterns — Changes in natural gas consumption patterns 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.

Timing of prior year Maryland rate relief — New rates went into effect in Maryland on November 27, 2007. Concurrently, we implemented new Revenue Normalization Adjustment (RNA) factors that allow us, in combination with our approved base rates, to recover anticipated revenues from customers regardless of changes in weather and customer usage. Individual monthly revenues that we can collect from our customers under the RNA reflect the pattern of customer usage during the test year used to set the new base rates. As results for the first quarter of fiscal year 2008 reflect a combination of customer usage patterns from two different test years, the RNA contributed incremental revenue in the first quarter of fiscal year 2008 as compared to the same period in fiscal year 2009.

GAC — Represents a regulatory mechanism in all jurisdictions that partially offsets uncollectible accounts expense related to gas costs that is included in operation and maintenance expenses.

Asset optimization — We recorded pre-tax unrealized gains of $10.3 million and pre-tax unrealized losses of $2.7 million for the three months ended December 31, 2008 and 2007, respectively, associated with our energy-related derivatives. When these derivatives settle, any unrealized amounts will ultimately be reversed, and Washington Gas will realize favorable margins as a result of these transactions. Pre-tax realized margins related to our asset optimization program were $1.4 million and $5.0 for the quarter ended December 31, 2008 and 2007, respectively. Included in realized margins for the three months ended December 31, 2008 was a $1.2 million loss (pre-tax) for settled derivatives related to the optimization of Washington Gas's system storage capacity assets. No such activity occurred in the first quarter of the prior year. (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 comparison of fiscal year 2009 to 2008 reflects higher average storage gas inventory balances in fiscal year 2009 due to a significant increase in gas prices during the spring and summer of 2008.

Reversal of reserve for natural gas costs — In the quarter ended December 31, 2008, Washington Gas recorded a $4.6 million (pre-tax) reversal of a 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 a further discussion of this matter.

Earnings Sharing Mechanism (ESM)— Washington Gas has an ESM in Virginia which enables the sharing of earnings that exceed a target rate of return on equity with shareholders and customers. For the three months ended December 31, 2008, we recorded $293,000 of income related to the ESM, which includes a $1.2 million (pre-tax) reduction to Washington Gas's estimated liability for fiscal year 2008. For the three months ended December 31, 2007, Washington Gas recorded $743,000 (pre-tax) of expense related to the ESM. 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.

Regulatory adjustment — Represents an adjustment of $1.1 million (pre-tax) made in fiscal year 2008 applicable to prior fiscal years as a result of an interpretive change in the calculation of interruptible revenue sharing in the District of Columbia.

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, 2008 compared to 2007.

Composition of Changes in Operation and Maintenance Expenses

(in millions)	Increase/ (Decrease)
Weather insurance and derivative products	
Benefit/loss	$ 3.5
Cost	(1.6)
Business Process Outsourcing (BPO)	(1.5)
Labor and incentive plans	(1.0)
Employee benefits	(0.7)
Reversal of costs related to BPO	1.9
Other regulatary adjustment	0.9
Other operating expenses	(1.2)
Total	$ 0.3

Weather insurance and derivative products — During the quarter ended December 31, 2008, Washington Gas recorded a loss of $1.7 million (pre-tax) related to its weather derivatives as a result of colder-than-normal weather during the period. For the same quarter of the prior year, Washington Gas recorded a $1.8 million benefit, related to its insurance policy as a result of the warmer-than-normal weather experienced in that period. The effect of these weather-related instruments are offset in utility net revenues. Additionally, Washington Gas incurred a cost of $105,000 related to its weather derivatives during the quarter ended December 31, 2008 compared to premium expense of $1.7 million for its weather derivatives for the prior fiscal quarter.

Business Process Outsourcing — This favorable comparison of the quarter ended December 31, 2008 to 2007, reflects reduced labor and benefits as well as improved cost efficiencies from implementing the outsourcing initiative, partially offset by increases in recurring costs paid to the service provider and amortization expense related to the regulatory asset established for initial BPO implementation costs.

Labor and incentive plans and employee benefits — The period to period comparison excludes labor, incentive and benefit costs for departments affected by the BPO. The cost comparison for these departments is included in "Business Process Outsourcing" above.

The decrease in labor and incentive plans primarily reflects the increase in the forfeiture rate due to the planned retirement of certain executive officers, including our chairman and chief executive officer. Also reflected in the decrease was a revision to Washington Gas's regulatory practice associated with the capitalization of internal labor costs related to its construction activities.

This revision went into effect on January 1, 2008. The decrease in employee benefits is primarily due to a plan amendment that reduced Washington Gas's other post retirement benefits.

Reversal of costs related to BPO - Represents the reversal of expenses that were incurred in prior fiscal years for initial implementation costs allocable to the District of Columbia associated with BPO. These costs were recorded to a regulatory asset in the first quarter of fiscal year 2008 upon approval of 10-year amortization accounting by the Public Service Commission of the District of Columbia (PSC of DC) in a December 28, 2007 Final Order.

Other regulatory adjustment - Represents a favorable regulatory adjustment made during the first quarter of fiscal year 2008 applicable to prior fiscal years due to a November 16, 2007 Final Order from the PSC of MD which allowed Washington Gas full cost recovery of the injections of heavy hydrocarbons (HHCs) related to Maryland sales and delivery service customers. Refer to the section entitled *"Operating Issues Related to Cove Point Natural Gas Supply"* for a further discussion of HHCs.

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 $908,000 for the three months ended December 31, 2008, compared to net income of $3.0 million for the same three-month period of the prior fiscal year. This comparison primarily reflects decreased earnings from our retail energy-marketing segment.

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, 2008	2007	Increase / (Decrease)
Operating Results *(In millions)*			
Gross margins:			
Operating revenues	**$ 293.8**	$ 285.3	$ 8.5
Less: Cost of energy	**284.9**	271.9	13.0
Revenue taxes	**0.1**	0.1	—
Total gross margins	**8.8**	13.3	(4.5)
Operation expenses	**6.8**	6.3	0.5
Depreciation and amortization	**0.2**	0.2	—
General taxes and other assessments—other	**0.7**	0.8	(0.1)
Operating income	**1.1**	6.0	(4.9)
Interest expense	**0.3**	0.6	(0.3)
Income tax expense	**0.3**	2.1	(1.8)
Net income	**$ 0.5**	$ 3.3	$ (2.8)
Analysis of gross margins *(In millions)*			
Natural gas			
Realized margins	**$ 7.1**	$ 4.3	$ 2.8
Unrealized mark-to-market gains (losses)	**(3.3)**	(0.2)	(3.1)
Total gross margins — natural gas	**3.8**	4.1	(0.3)
Electricity Realized margins	**10.4**	10.6	(0.2)
Unrealized mark-to-market gains (losses)	**(5.4)**	(1.4)	(4.0)
Total gross margins — electricity	**5.0**	9.2	(4.2)
Total gross margins	**$ 8.8**	$ 13.3	$ (4.5)
Other Retail-Energy Marketing Statistics			
Natural gas			
Therm sales *(millions of therms)*	**189.5**	196.5	(7.0)
Number of customers *(end of period)*	**135,800**	140,700	(4,900)
Electricity			
Electricity sales *(millions of kWhs)*	**845.3**	899.5	(54.2)
Number of accounts *(end of period)*	**63,900**	67,100	(3,200)

WGEServices reported net income of $450,000 for the three months ended December 31, 2008, compared to net income of $3.3 million reported for the same three-month period of the prior fiscal year.

The quarter-to-quarter comparison primarily reflects lower gross margins from both natural gas and electric sales. Period-to-period comparisons of quarterly gross margins for this segment can vary significantly and are not representative of expected annualized results.

Gross margins from electric sales in the current quarter decreased $4.2 million from the same quarter of the prior period. This decrease reflects a $4.0 million (pre-tax) increase in unrealized mark-to-market losses associated with energy-related derivatives, coupled with lower realized margins primarily due to a reduction in the number of customers.

Gross margins from natural gas sales decreased $253,000 in the first quarter of fiscal year 2009 compared to the same quarter of fiscal year 2008. This decrease primarily reflects a $3.1 million (pre-tax) increase in unrealized mark-to-market losses associated with energy-related derivatives mostly offset by higher realized margins due to an increase in the margin per therm sold.

Design-Build Energy Systems. The design-build energy systems segment reported net income of $832,000 for first quarter of fiscal year 2009, an increase of $559,000 over net income of $273,000 reported for the same period of fiscal year 2008. This increase primarily reflects higher revenues and lower cost of sales associated with design-build projects.

Interest Expense

The following table depicts the components of the change in interest expense from the quarter ended December 31, 2008 compared to 2007.

Composition of Interest Expense Changes

(In millions)	Increase / (Decrease)
Long-term debt	$ —
Short-term debt	(1.1)
Other (includes AFUDC[a])	0.5
Total	$ (0.6)

[a] *Represents Allowance for Funds Used During Construction.*

WGL Holdings' interest expense of $12.2 million for the first quarter of fiscal year 2009 decreased $558,000 from the same quarter of last year. Lower interest expense for the period primarily reflects a decrease in the weighted average interest rate incurred on these borrowings due to recent actions of the Federal Reserve to lower interest rates, partially offset by a higher average short-term debt balance.

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 adversely affect our access to sources of liquidity and capital, as well as our borrowing costs. 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. Although the credit markets tightened in the latter half of 2008, we have maintained our ability to meet our liquidity needs at reasonable costs through: *(i)* the issuance of commercial paper by WGL Holdings and Washington Gas; *(ii)* loans made under the WGL Holdings committed bank credit facility and *(iii)* the issuance of Medium-Term Notes (MTNs) 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 percent 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 is 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, 2008, total consolidated capitalization, including current maturities of long-term debt and excluding notes payable, comprised 59.6 percent common equity, 1.5 percent preferred stock and 38.9 percent 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, 2008, 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 75 percent 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. Washington Gas generally collects the cost of its gas under cost recovery mechanisms. 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, WGL Holdings may be required to post collateral on behalf of WGEServices for certain purchases.

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, 2008.

Committed Credit Available *(In millions)*

Committed credit agreements	WGL Holdings	Washington Gas
Unsecured revolving credit facility, expires August 3, 2012 *(a)*	$ 400.0	$ 300.0
Unsecured credit agreements, expire February 28, 2009	—	25.0
Unsecured credit agreement, expires May 27, 2009	—	75.0
Unsecured credit agreement, expires May 29, 2009	—	15.0
Unsecured credit agreement, expires September 19, 2009	—	10.0
Total committed credit agreements	$ 400.0	$ 425.0
Less: Commercial Paper	(114.0)	(251.3)
Net committed credit available	$ 286.0	$ 173.7

(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; however, due to the recent tightening of the credit markets, WGL Holdings borrowed from its committed credit facility to meet its liquidity needs during the quarter ended December 31, 2008. WGL Holdings was able to pay off these loans through the issuance of lower cost commercial paper and as of December 31, 2008, there were no outstanding borrowings under the credit facility for WGL Holdings. At December 31, 2008 there were no outstanding borrowings under our credit agreements for Washington Gas (refer to Note 3 of the Notes to the Consolidated Financial Statements in this quarterly report for further information).

At December 31, 2008 and September 30, 2008, WGL Holdings and its subsidiaries had outstanding notes payable in the form of commercial paper and bank loans from revolving credit facilities of $365.3 million and $271.0 million, respectively. Of the outstanding notes payable balance at December 31, 2008, $114.0 million and $251.3 million was commercial paper issued by WGL Holdings and Washington Gas, respectively. As of December 31, 2008, there were no outstanding borrowings under WGL Holdings or Washington Gas’s credit agreements. Of the outstanding notes payable balance at September 30, 2008, $23.0 million and $231.0 million was commercial paper issued by WGL Holdings and Washington Gas, respectively. As of September 30, 2008, WGL Holdings had $17.0 million in outstanding borrowings under its revolving credit facility and there were no outstanding borrowings under Washington Gas’s credit agreements.

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, 2008 and September 30, 2008, “Customer deposits and advance payments” totaled $45.5 million and $46.1 million, respectively. For both periods, substantially all 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, any 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’ would pay interest to the counterparty on these deposits in accordance with its contractual obligations. Refer to the section entitled “*Credit Risk”* for a 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 2008 Annual Report for a further discussion of our capital expenditures forecast and our long-term debt maturities.

At December 31, 2008, Washington Gas had the capacity under a shelf registration that was declared effective by the Securities and Exchange Commission on June 8, 2006, to issue up to $200.0 million of additional MTNs.

In October 2008, Washington Gas retired $25.0 million of 5.49 percent MTNs. On December 5, 2008, Washington Gas issued $50.0 million of 7.46 percent fixed rate MTNs due December 5, 2018. Proceeds from this MTN were used by Washington Gas to replace the matured MTNs and for general corporate purposes, including funding capital expenditures and working capital needs, and repaying commercial paper.

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.

Credit Ratings for Outstanding Debt Instruments

	WGL Holdings		**Washington Gas**	
Rating Service	Unsecured Medium-Term Notes (Indicative)*(a)*	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 *(b)*	AA-	A-1	AA-	A-1

(a) *Indicates the ratings that may be applicable if WGL Holdings were to issue unsecured MTNs.*

(b) *The long-term debt rating issued by Standard & Poor's Ratings Services for WGL Holdings and Washington Gas is stable.*

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 fees based on the long-term debt credit ratings range from four basis points to 19 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 percent). 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, 2008, 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 preset threshold amount, or if Washington Gas's credit rating declines, then the counterparty may require additional credit support. At December 31, 2008, 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 WGEServices (refer to our 2008 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, 2008, WGEServices would not be required to provide additional credit support for these arrangements if the long-term debt rating of WGL Holdings were to be downgraded one rating level.

Cash Flows 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 used in operating activities totaled $73.4 million for the three months ended December 31, 2008. Net cash used in operating activities reflects net income applicable to common stock, as adjusted for non-cash earnings and charges, as well as changes in working capital. Certain changes in working capital from September 30, 2008 to December 31, 2008 are described below:

- Accounts receivable and unbilled revenues—net increased $356.1 million from September 30, 2008. This increase is 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 $63.1 million from September 30, 2008 due to seasonal physical withdrawals.
- Gas costs and other regulatory liabilities increased $100.3 million from September 30, 2008 due to an increase in unbilled gas costs resulting from higher sales volumes delivered to customers as a result of the winter heating season.
- Accounts payable and other accrued liabilities increased $88.2 million, largely attributable to the sharp rise in natural gas prices and increased volumes of natural gas purchased for both deliveries to customers during the 2008-2009 winter heating season and Washington Gas's asset optimization program.
- Other prepayments increased $28.3 million from September 30, 2008 due to an increase in collateral receivables for transactions with wholesale counterparties for the purchase of energy for our retail-energy marketing segment. This increase in collateral reflects lower 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 $107.6 million for the three months ended December 31, 2008. This total primarily reflects an increase in our notes payable by a net amount of $94.3 million due to increased working capital requirements, and common stock dividend payments totaling $17.7 million.

Cash Flows Used in Investing Activities

During the three months ended December 31, 2008, cash flows used in investing activities totaled $31.6 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 BPO program.

Reference is made to the *"Contractual Obligations, Off-Balance Sheet Arrangements and Other Commercial Commitments"* section of Management's Discussion in our 2008 Annual Report for a detailed discussion of our contractual obligations. Note 5 of the Notes to Consolidated Financial Statements in our 2008 Annual Report includes a discussion of long-term debt, including debt maturities. Reference is made to Note 14 of the Notes to Consolidated Financial Statements in our 2008 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 then assigns these customer payment streams to the lender. As the lender funds the construction project, Washington Gas establishes a note receivable representing its customers' obligations to remit principal and interest and a long-term note payable to the lender. When these projects are formally "accepted" by the customer as completed, Washington Gas transfers the ownership of the note receivable to the lender and removes both the note receivable and the long-term financing from its financial statements. As of December 31, 2008, work on these construction projects that was not completed or accepted by customers was valued at $18.4 million, which is recorded on the balance sheet as a note 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, 2008, these guarantees totaled $461.2 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 June 30, 2008 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 liquefied natural gas (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 2012-2013 winter heating season at an estimated cost of $159 million, subject to certain zoning and other legal challenges. 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 believes 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 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. Until the legal challenges are resolved and 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 are expected to be completed by fiscal year 2012 and which provide for adequate system performance based on projected needs through at least November 2012.

Operating Issues Related To Cove Point Natural Gas Supply

In late fiscal year 2003, Dominion reactivated its Cove Point LNG terminal. 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 imported Cove Point gas contains a lower concentration of HHCs than domestically produced 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. As described below, ongoing field testing will determine the success of applying this resolution more broadly.

Through a pipeline replacement project and the construction of a HHC injection facility at the 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)* additional pipeline replacement programs; *(ii)* the construction of additional HHC injection facilities; *(iii)* isolating or separating its interstate pipeline receipt points, where possible, from pipelines that transport Cove Point gas and *(iv)* 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 has completed the construction of a second HHC injection facility that became operational in December 2007 at a cost of approximately $4 million and is currently constructing a third HHC injection facility. The third HHC injection facility is estimated to cost approximately $4 million. Assuming current gas flow patterns with the current pipeline supply configurations, the strategic placement of the three HHC injection facilities will inject HHCs into the natural gas supplied to over 95 percent 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 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.

The estimated 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 Virginia and Maryland, and have requested cost recovery for both past and future HHC 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 $33.0 million, which includes $8.0 million per year 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.

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 retarding 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 recently introduced. 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 HCCs 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, then additional operating expenses and capital expenditures may be necessary to contend with 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 and could result in leakage in 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 through local regulatory commission action of costs related to the construction of the HHC injection facilities, 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

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.

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 import 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.

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.

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 and storage assets, and for hedging natural gas costs. In the event of a supplier'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 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.

The following table provides information on our credit exposure, net of collateral, to wholesale counterparties as of December 31, 2008 for both Washington Gas and WGEServices, separately.

Credit Exposure to Wholesale Counterparties *(In millions)*

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%
Washington Gas					
Investment Grade	$ 16.7	$ —	$ 16.7	—	$ —
Non-Investment Grade	0.1	—	0.1	—	—
No External Ratings	17.0	5.0	12.0	1	10.1
WGEServices					
Investment Grade	$ 1.2	$ —	$ 1.2	1	$ 1.2
Non-Investment Grade	—	—	—	—	—
No External Ratings	—	—	—	—	—

(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 certain of 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 a credit quality criteria.

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.

Price Risk Related to the Regulated Utility Segment

Washington Gas faces price risk associated with the purchase of natural gas. Washington Gas 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 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 approvals in the District of Columbia and Maryland are pursuant to pilot programs, and Washington Gas is seeking to continue these programs. Additionally, pursuant to a three-year pilot program that expired in the latter half of 2008, Washington Gas had specific regulatory approval in Maryland and 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 is planning to file for renewal of these programs. Additionally, 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, 2008:

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

(In millions)	
Net assets (liabilities) at September 30, 2008	$(35.6)
Net fair value of contracts entered into during the period	3.5
Other changes in net fair value	17.7
Realized net settlement of derivatives	(1.4)
Net assets (liabilities) at December 31, 2008	$(15.8)

Regulated Utility Segment
Roll Forward of Energy-Related Derivatives

(In millions)	
Net assets (liabilities) at September 30, 2008	$(35.6)
Recorded to income	12.2
Recorded to regulatory assets/liabilities	9.0
Net option premium payments	—
Realized net settlement of derivatives	(1.4)
Net assets (liabilities) at December 31, 2008	$(15.8)

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, 2008, is summarized in the following table based on the approach used to determine fair value:

Regulated Utility Segment
Maturity of Net Assets (Liabilities) Associated with our Energy-Related Derivatives

		Years Ended September 30,					
(In millions)	**Total**	Remainder 2009	2010	2011	2012	2013	Thereafter
Level 1 — Quoted prices in active markets	**$ —**	$ —	$ —	$ —	$ —	$ —	$ —
Level 2 — Significant other observable inputs	**(9.1)**	(15.5)	4.4	0.6	0.2	—	1.2
Level 3 — Significant unobservable inputs	**(6.7)**	(0.4)	(4.0)	(3.4)	0.4	0.3	0.4
Total net assets (liabilities) associated with our energy-related derivatives	**$ (15.8)**	**$ (15.9)**	**$ 0.4**	**$ (2.8)**	**$ 0.6**	**$ 0.3**	**$ 1.6**

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 are subject to variations in customer demand associated with fluctuations in weather and customer usage. Purchases of natural gas to fulfill retail sales commitments are generally made under fixed-volume contracts. If there is a significant deviation from normal weather or other factors which affect customer usage that may cause our purchase commitments to differ significantly from actual customer usage, WGEServices may be required to purchase incremental natural gas or sell excess natural gas at prices that negatively impact gross margins. WGEServices may manage price risk through the use of derivative instruments including financial products and wholesale supply contracts that provide for volumetric variability. WGEServices also uses derivative instruments to mitigate the price risks associated with purchasing natural gas wholesale and reselling natural gas to retail customers at prices that are generally fixed.

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, 2008:

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

(In millions)	
Net assets (liabilities) at September 30, 2008	$ (3.4)
Net fair value of contracts entered into during the period	(5.0)
Other changes in net fair value	(6.8)
Realized net settlement of derivatives	5.2
Net assets (liabilities) at December 31, 2008	$(10.0)

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

(In millions)	
Net assets (liabilities) at September 30, 2008	$ (3.4)
Recorded to income	(14.0)
Recorded to accounts payable *(a)*	0.5
Recorded to retained earnings *(b)*	1.7
Net option premium payments	—
Realized net settlement of derivatives	5.2
Net assets (liabilities) at December 31, 2008	$(10.0)

(a) *Represents the amount to be paid for future Financial Transmission Rights related to electricity for WGEServices.*

(b) *Represents the cumulative-effect adjustment to the opening balance of retained earnings or other appropriate components of net assets upon adoption of SFAS No. 157, Fair Value Measurements.*

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, 2008, is summarized in the following table based on the approach used to determine fair value:

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

		Years Ended September 30,					
(In millions)	**Total**	Remainder 2009	2010	2011	2012	2013	Thereafter
Level 1 — Quoted prices in active markets	**$ —**	$ —	$ —	$ —	$ —	$ —	$ —
Level 2 — Significant other observable inputs	**(14.5)**	(13.8)	(0.7)	—	—	—	—
Level 3 — Significant unobservable inputs	**4.5**	5.9	(1.0)	(0.4)	—	—	—
Total net assets (liabilities) associated with our energy-related derivatives	**$ (10.0)**	$ (7.9)	$ (1.7)	$ (0.4)	$ —	$ —	$ —

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 percent confidence interval for a one-day holding period, WGEServices' value-at-risk at December 31, 2008 was approximately $26,000 and $27,000, 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 negative financial effects of warmer-than-normal 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 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 October 1, 2008, Washington Gas purchased HDD derivative contracts to manage variations from normal weather in the District of Columbia. Washington Gas will receive $11,000 for every HDD below 3,835 during the period of October 1, 2008 through September 30, 2009. The maximum amount that Washington Gas can receive under this arrangement is $5.3 million. To minimize the cost of weather protection, Washington Gas sold two HDD derivatives where Washington Gas will pay a total of $10,000 for every HDD between 3,835 and 3,995 and $5,000 for every HDD between 3,995 and 4,425. The maximum amount that Washington Gas will pay out is $3.8 million for these two derivatives. The net pre-tax premium cost of this strategy for Washington Gas is $250,000 plus fees of $44,000. As a result of the colder-than-normal weather during fiscal year 2009, the pre-tax loss for these derivatives was $1.8 million, including amortization expense.

WGEServices utilizes HDD derivatives for managing weather risks related to its natural gas 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 debt financing costs. Washington Gas utilizes derivative instruments from time to time in order to minimize its exposure to the risk of interest-rate volatility. During the three months ended December 31, 2008 or 2007, respectively, Washington Gas did not utilize derivative instruments associated with its debt financing costs. For a further discussion of our management of interest-rate risk, refer to Management's Discussion within our 2008 Annual Report.

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, 2008 vs. December 31, 2007

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 $53.6 million for the three months ended December 31, 2008, compared to net income of $44.0 million reported for the same three months of the prior fiscal year. Net income increased $9.6 million primarily reflecting: *(i)* unrealized earnings from our asset optimization strategy; *(ii)* an increase in the recovery of carrying costs on higher average storage gas inventory balances and *(iii)* the reversal of a reserve for disallowed natural gas costs in Maryland. These increases were partially offset by unfavorable changes in natural gas consumption patterns during the current quarter as compared to the same quarter last fiscal year and the timing of prior year rate relief in Maryland.

Key gas delivery, weather and meter statistics are shown in the table below for the three months ended December 31, 2008 and 2007.

Gas Deliveries, Weather and Meter Statistics

	Three Months Ended December 31,		Increase/
	2008	2007	(Decrease)
Gas Sales and Deliveries *(millions of therms)*			
Firm			
Gas sold and delivered	**295.4**	261.6	33.8
Gas delivered for others	**147.7**	134.1	13.6
Total firm	**443.1**	395.7	47.4
Interruptible			
Gas sold and delivered	**1.2**	1.8	(0.6)
Gas delivered for others	**78.5**	74.4	4.1
Total interruptible	**79.7**	76.2	3.5
Electric generation—delivered for others	**23.5**	20.3	3.2
Total deliveries	**546.3**	492.2	54.1
Degree Days			
Actual	**1,527**	1,241	286
Normal	**1,346**	1,356	(10)
Percent colder (warmer) than normal	**13.4**%	(8.5)%	n/a
Average active customer meters	**1,059,163**	1,051,573	7,590
New customer meters added	**3,856**	4,214	(358)

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 in net revenues of variations in weather from normal levels (refer to the section entitled *"Weather Risk"* for a 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 monthly demand charges in all jurisdictions to collect a portion of revenues reduce the effect that variations from normal weather have on utility net revenues.

During the quarter ended December 31, 2008, total gas deliveries to firm customers were 443.1 million therms compared to 395.7 million therms delivered in the same quarter of prior year. This comparison in natural gas deliveries to firm customers reflects colder weather in the current three-month period than in the same period of the prior year as well as an increase in average active customer meters of 7,590, partially offset by the negative effects of changes in natural gas consumption patterns.

Weather, when measured by HDDs, was 13.4 percent colder than normal in the first quarter of fiscal year 2009, as compared to 8.5 percent warmer than normal for the same quarter of fiscal year 2008. As a result of Washington Gas's overall weather protection strategy, there were no estimated effects on net income from either the colder-than-normal weather during the current fiscal quarter or the warmer-than-normal weather during same quarter of the prior fiscal year.

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 79.7 million therms during the first quarter of fiscal year 2009, compared to 76.2 million therms for the same quarter last year, reflecting increased demand due to colder weather.

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. 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 first quarter of fiscal year 2009, deliveries to these customers increased by 3.2 million therms, or 15.8 percent, when compared to the same quarter last 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.

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 (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 have filed initial comments, discovery has been held and Washington Gas filed its reply comments on November 10, 2008.

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 (pre-tax) 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 (pre-tax) 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 and directed 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 (pre-tax) to "Operating revenues-utility".

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 parties was filed on February 4, 2009, and Washington Gas's rebuttal testimony is due March 11, 2009. A public hearing is scheduled on March 19, 2009. Washington Gas intends to demonstrate that both its asset management program and its gas cost recovery mechanisms are consistent with regulatory requirements and in the best interest of both its customers and shareholders.

Performance-Based Rate Plans

In recent 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 percent 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 an interim basis, we record the effects of the ESM based on year-to-date earnings in relation to estimated annual earnings as calculated for regulatory purposes. At December 31, 2008, Washington Gas had accrued a customer liability of $4.5 million for estimated sharing under the Virginia ESM related to fiscal year 2008 and the first quarter of fiscal year 2009.

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, 2008, we had recorded a regulatory asset of $7.4 million, 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, however, 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, and we are currently awaiting a final decision by the PSC of MD.

Although 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, Washington Gas's application seeking approval of a PBR plan was withdrawn. 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.

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.

In December 2006, the Staff of the SCC of VA approved the reduction in Washington Gas's depreciation rates. In accordance with Virginia regulatory policy, Washington Gas implemented the lower depreciation rates retroactive to January 1, 2006 which coincides with the measurement date of the approved depreciation study.

Washington Gas included the portion of the depreciation study related to the District of Columbia in the rate application filed with the PSC of DC on December 21, 2006. Washington Gas's proposed new depreciation rates were placed into effect pursuant to the Final Order issued by the PSC of DC on December 28, 2007.

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 MD OPC noted appeals of the October 15, 2008 Proposed Order, thus suspending its effective date. Both Washington Gas and the MD OPC filed Memoranda on Appeal on November 24, 2008. Washington Gas, the MD OPC and the Staff of the PSC of MD filed Reply Memoranda on December 15, 2008. The PSC of MD will issue a final order after considering all of the arguments by the parties.

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, 2008. 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, 2008 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, 2008. 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, 2008 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of Washington Gas.

ITEM 5. OTHER INFORMATION

Washington Gas Light Company

The following disclosure relates to a bylaw amendment adopted by the board of directors of Washington Gas Light Company on February 3, 2009. This event is a required disclosure under *"Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year",* of the current report on Form 8-K, and is being included in this quarterly report to meet the Form 8-K disclosure requirement.

The boards of directors of Washington Gas Light Company and WGL Holdings, Inc. (together referred to herein as "the Companies") have approved a succession plan providing that Mr. Terry D. McCallister, who is presently serving as President and Chief Operating Officer of the Companies, will become Chairman and Chief Executive Officer of the Companies upon the retirement of Mr. DeGraffenreidt on October 1, 2009. Mr. McCallister has also been nominated for election as a director of the Companies at the annual meetings of shareholders of the Companies that are scheduled to be held on March 5, 2009.

In connection with Mr. McCallister's nomination to the Companies' boards of directors, an amendment to the Washington Gas Light Company Bylaws was adopted on February 3, 2009 to increase the number of directors from eight persons to nine persons effective with the annual meeting of shareholders on March 5, 2009.

The Board of Directors for Washington Gas Light Company will return to eight members after the retirement of James H. DeGraffenreidt, Jr. on October 1, 2009.

The Washington Gas Light Company bylaws, as amended, are filed as Exhibit 3(ii).1 to this Form 10-Q.

WGL Holdings, Inc.

The following disclosure relates to a resolution adopted by the board of directors of WGL Holdings, Inc. on February 3, 2009.

In connection with the nomination of Mr. Terry D. McCallister for election to the board of directors of WGL Holdings, Inc., the board of directors adopted a resolution on February 3, 2009 to increase the number of directors from eight persons to nine persons, effective with the annual meeting of shareholders on March 5, 2009.

The Board of Directors for WGL Holdings, Inc. will return to eight members after the retirement of James H. DeGraffenreidt, Jr. on October 1, 2009.

ITEM 6. EXHIBITS

Exhibits:

3(ii).1	Bylaws of Washington Gas Light Company as amended on February 3, 2009.
31.1	Certification of James H. DeGraffenreidt, Jr., 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 James H. DeGraffenreidt, Jr., 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 James H. DeGraffenreidt, Jr., 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.

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 9, 2009

/s/ Mark P. O'Flynn

Mark P. O'Flynn
Controller
(Principal Accounting Officer)

WASHINGTON GAS LIGHT COMPANY
BYLAWS

ARTICLE I

Stockholders.

SECTION 1. Annual Meeting. The annual meeting of stockholders of Washington Gas Light Company (the Company) shall be held on the first Thursday in the month of March in each year, at 10:00 a.m., at the National Press Club, Washington, D.C., for the purpose of electing directors and for the transaction of such other business as properly may come before such meeting. If the day fixed for the annual meeting shall be a legal holiday in the District of Columbia, such meeting shall be held on the next succeeding business day.

SECTION 2. Special Meetings. Special meetings of stockholders may be held upon call by the Chairman of the Board, the President, the Secretary, a majority of the Board of Directors, or a majority of the Executive Committee, and shall be called by the Chairman of the Board, the President or Secretary upon the request in writing of the holders of record of not less than one-tenth of all the outstanding shares of stock entitled by its terms to vote at such meeting, at such time and at such place within the District of Columbia as may be fixed in the call and stated in the notice setting forth such call. Such request by the stockholders and such notice shall state the purpose of the proposed meeting.

SECTION 3. Notice of Meetings. Notice of the time, place and purpose of every meeting of the stockholders, shall, except as otherwise required by law, be delivered personally or mailed at least ten (10) but not more than one hundred (100) days prior to the date of such meeting to each stockholder of record entitled to vote at the meeting at his address as it appears on the records of the Company. Any meeting may be held without notice if all of the stockholders entitled to vote thereat are present in person or by proxy at the meeting, or if notice is waived by those not so present in person or by proxy.

SECTION 4. Quorum. At every meeting of the stockholders, the holders of record of a majority of the shares entitled to vote at the meeting, represented in person or by proxy, shall constitute a quorum. The vote of the majority of such quorum shall be necessary for the transaction of any business, unless otherwise provided by law or the articles of incorporation. If the meeting cannot be organized because a quorum has not attended, those present in person or by proxy may adjourn the meeting from time to time until a quorum is present when any business may be transacted that might have been transacted at the meeting as originally called.

SECTION 5. Voting. Unless otherwise provided by law or the articles of incorporation, every stockholder of record entitled to vote at any meeting of stockholders shall be entitled to one vote for every share of stock standing in his name on the records of the Company on the record date fixed as provided in these Bylaws. In the election of directors, all votes shall be cast by ballot and the persons having the greatest number of votes shall be the directors. On matters other than election of directors, votes may be cast in such manner as the Chairman of the meeting may designate.

SECTION 6. Inspectors. The Board of Directors shall annually appoint two or more persons to act as inspectors or judges at any election of directors or vote conducted by ballot at any meeting of stockholders. Such inspectors or judges of election shall take charge of the polls and after the balloting shall make a certificate of the result of the vote taken. In case of a failure to appoint inspectors, or in case an inspector shall fail to attend, or refuse or be unable to serve, the Chairman of the meeting may appoint, or the stockholders may elect, an inspector or inspectors to act at such meeting. Such inspector or inspectors shall make a certificate of the result of the vote taken.

SECTION 7. Conduct of Stockholders' Meeting. The following persons, in the order named, shall be entitled to call each stockholders' meeting to order: (1) the Chairman of the Board, (2) the President of the Company, (3) a Vice President, or (4) any person elected by the stockholders. The stockholders shall have the right to elect a Chairman of the meeting.

The Secretary of the Company, or in his absence any person appointed by the Chairman, shall act as Secretary of the meeting for organization purposes. The stockholders shall have the right to elect a secretary of the meeting.

SECTION 8. Record Date. In lieu of closing the stock transfer books, the Board of Directors, in order to make a determination of stockholders entitled to notice of or to vote at any meeting, or to receive payment of any dividends or for any other proper purpose, may fix in advance a date, but not more than fifty days in advance, as a record date for such determination, and in such case only stockholders of record on the date so fixed shall be entitled to notice of, and to vote at, such meeting, or to receive payment of such dividend, or to exercise such other rights, as the case may be, notwithstanding any transfer of stock on the books of the Company after such date. If the Board of Directors does not fix a record date as aforesaid, such date shall be as provided by law.

SECTION 9. Notice of Business. At any meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting (1) by or at the direction of the Board of Directors or (2) by any stockholder of the Company who is a stockholder of record at the time of giving of the notice as provided for in this Section 9, who shall be entitled to vote at such meeting and who complies with the following procedures:

Requirement of Timely Notice. For business to be properly brought before a meeting of stockholders by a stockholder, the business shall be a proper subject of stockholder action and the stockholder shall have given timely notice thereof in writing to the Secretary. To be timely, a stockholder's notice shall be delivered to or mailed and received by the Secretary at the principal executive office of the Company not less than sixty (60) days prior to the scheduled date of the meeting (regardless of any postponements, deferrals or adjournments of the meeting to a later date); provided, however, if no notice is given and no public announcement is made to the stockholders regarding the date of the meeting at least 75 days prior to the meeting, the stockholder's notice shall be valid if delivered to or mailed and received by the Secretary at the principal executive office of the Company not less than fifteen (15) days following the day on which the notice or public announcement of the date of the meeting was given or made.

Contents of Notice. Such stockholder's notice to the Secretary shall set forth as to each item of business the stockholder proposes to bring before the meeting (1) a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and, in the event that such business includes a proposal to amend either the Charter or these Bylaws, the language of the proposed amendment, (2) the name and address, as they appear on the Company's books, of the stockholder proposing such business, (3) the class and number of shares of capital stock of the Company that are beneficially owned by such stockholder, and (4) any material interest (financial or other) of such stockholder in such business.

Compliance with Bylaws. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at a stockholders' meeting except in accordance with the procedures set forth in this Section 9. The chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that the business was not properly brought before the meeting and in accordance with the provisions of these Bylaws, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted at the meeting. Notwithstanding the foregoing provisions of this Section 9, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder with respect to the matters set forth in this Section 9.

Effective Date of Stockholder Business. Notwithstanding anything in these Bylaws to the contrary, no business brought before a meeting of the stockholders by a stockholder shall become effective until the final termination of any proceeding which may have been commenced in any court of competent jurisdiction for an adjudication of any legal issues incident to determining the validity of such business and the procedure pursuant to which it was brought before the stockholders, unless and until such court shall have determined that such proceedings are not being pursued expeditiously and in good faith.

ARTICLE II

Board of Directors.

SECTION 1. Number, Powers, Term of Office, Quorum, Lead Director The Board of Directors of the Company shall consist of nine persons. The Board of Directors may exercise all the powers of the Company and do all acts and things which are proper to be done by the Company which are not by law or by these Bylaws directed or required to be exercised or done by the stockholders. The members of the Board of Directors shall be elected at the annual meeting of stockholders and shall hold office until the next succeeding annual meeting, or until their successors shall be elected and shall qualify. A majority of the number of directors fixed by the Bylaws shall constitute a quorum for the transaction of business. The action of a majority of the directors present at any lawful meeting at which there is a quorum shall, except as otherwise provided by law or by these Bylaws, be the action of the Board. The Board of Directors shall have a Lead Director, who shall be an independent director, not an employee of the Company. The powers and responsibilities of the Lead Director shall be established by the Board of Directors and shall be set forth in the Corporate Governance Guidelines of the Company. The powers and responsibilities of the Lead Director may be modified from time to time in the discretion of the Board of Directors.

SECTION 2. Election. Except as provided in Section 3 hereof, directors shall be elected by the stockholders of the Company pursuant to the procedures enumerated below:

Eligible Persons. Only persons who are nominated in accordance with the following procedures shall be eligible for election by the stockholders as directors of the Company.

Nominations. Nominations of persons for election as directors of the Company may be made at a meeting of stockholders (1) by or at the direction of the Board of Directors, (2) by any nominating committee or person appointed by the Board of Directors or (3) by any stockholder of the Company entitled to vote for the election of directors at the meeting who complies with the notice procedures set forth in this Section 2.

Nomination by Directors or Nominating Committee. Nominations made by or at the direction of the Board of Directors or the nominating committee or person appointed by the Board of Directors may be made at any time prior to the stockholders' meeting. The Board of Directors must send notice of nominations to the stockholders together with the notice of the meeting of the stockholders; provided, however, if the nominations are made after the notice of the meeting has been mailed, the Board of Directors must send notice of its nominations to the stockholders as soon as practicable.

Nomination by Stockholders. Nominations, other than those made by or at the direction of the Board of Directors or the nominating committee or person appointed by the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary. To be timely, a stockholder's notice shall be delivered to or mailed and received by the Secretary at the principal executive office of the Company not less than sixty (60) days prior to the scheduled date of the meeting (regardless of any postponements, deferrals or adjournments of the meeting to a later date); provided, however, if no notice is given and no public announcement is made to the stockholders regarding the date of the meeting at least 75 days prior to the meeting, the stockholder's notice shall be valid if delivered to or mailed and received by the Secretary at the principal executive office of the Company not less than fifteen (15) days following the day on which the notice or public announcement of the date of the meeting was given or made.

Contents of Notice. Nominations, other than those made by or at the direction of the Board of Directors or the nominating committee or person appointed by the Board of Directors, shall set forth:

(1) as to each person whom the stockholder proposes to nominate for election or reelection as a director, (a) the name, age, business address and residential address of the person, (b) the principal occupation or employment of the person (c) the class and number of shares of capital stock of the Company that are beneficially

owned by the person, (d) written consent by the person, agreeing to serve as director if elected, (e) a description of all arrangements or understandings between the person and the stockholder regarding the nomination, (f) a description of all arrangements or understandings between the person and any other person or persons (naming such persons) regarding the nomination, (g) all information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Rule 14a under the Securities Exchange Act of 1934, as amended, and (h) such other information as the Company may reasonably request to determine the eligibility of such proposed nominee to serve as director of the Company; and

(2) as to the stockholder giving the notice, (a) the name, business address and residential address of the stockholder giving the notice, (b) the class and number of shares of capital stock of the Company that are beneficially owned by such stockholder, (c) a description of all arrangements or understandings between the stockholder and the nominee regarding the nomination, and (d) a description of all arrangements or understandings between the stockholder and any other person or persons (naming such persons) regarding the nomination.

Compliance with Bylaws. No person shall be eligible for election by the stockholders as a director of the Company unless nominated in accordance with the procedures set forth in this section of the Bylaws. The Chairman of the Board of Directors shall, if the facts warrant, determine and declare prior to the meeting of stockholders that the nomination was not made in accordance with the foregoing procedure, and if he should so determine, he shall so inform the nominee and the stockholder who nominated the nominee as soon as practicable and the defective nomination shall be disregarded.

Effective Date of Election of Director. Notwithstanding anything in these Bylaws to the contrary, no election of a director nominated by a stockholder shall become effective until the final termination of any proceeding which may have been commenced in any court of competent jurisdiction for an adjudication of any legal issues incident to determining the procedure pursuant to which the nomination of such director was brought before the stockholders, unless and until such court shall have determined that such proceedings are not being pursued expeditiously and in good faith.

SECTION 3. Vacancies. Whenever any vacancy shall occur in the Board of Directors by any cause other than by reason of an increase in the number of directors, a majority of the remaining directors, by an affirmative vote at any lawful meeting may elect a director to fill the vacancy and to hold office until the next annual election, or until his successor is duly elected and qualified.

SECTION 4. Meetings. Regular meetings of the Board shall be held at the office of the Company in the District of Columbia at times fixed by resolution of the Board of Directors. Notice of such meetings need not be given.

Special meetings of the Board may be called by the Chairman of the Board, the President of the Company, the Lead Director or by any two directors. The Lead Director may call meetings of the independent directors, who shall not be employees of the Company. At least two days' notice of all special meetings of the Board shall be given to each director personally by telegraphic or written notice. Any meeting may be held without notice if all of the directors are present, or if those not present waive notice of the meeting by telegram or in writing. Special meetings of the Board of Directors may be held within or without the District of Columbia.

SECTION 5. Committees. The Board of Directors shall, by resolution or resolutions passed by a majority of the whole Board, designate an Executive Committee, to consist of the Chief Executive Officer of the Company who may be the Chairman of the Board, or the President and three additional members, and not fewer than three alternates to serve at the call of the Chief Executive Officer in case of the unavoidable absence of one of the regular members, to be elected from the Board of Directors. The Executive Committee shall, when the Board is not in session, have and may exercise all of the authority of the Board of Directors in the management of the business and affairs of the Company.

The Board of Directors may appoint other committees, standing or special, from time to time, from among their own number, or otherwise, and confer powers on such committees, and revoke such powers and terminate the existence of such committees at its pleasure.

A majority of the members of any such committee shall constitute a quorum for the purpose of fixing the time and place of its meetings, unless the Board shall otherwise provide. All action taken by any such committee shall be reported to the Board at its meeting next succeeding such action.

SECTION 6. Compensation of Directors. The Board of Directors shall fix the fee to be paid to each director for attendance at any meeting of the Board or of any committee thereof, and may, in its discretion, authorize payment to directors of traveling expenses incurred in attending any such meeting.

SECTION 7. Removal. Any directors may be removed from office at any time, with or without cause, and another be elected in his place, by the vote of the holders of record of a majority of the outstanding shares of stock of the Company (of the class or classes by which such director was elected) entitled to vote thereon, at a special meeting of stockholders called for such purpose.

ARTICLE III

Officers.

SECTION 1. Officers. The officers of the Company shall be elected by the Board of Directors and shall consist of a Chairman of the Board, a President, a Secretary, a Treasurer, and one or more Vice Presidents, and such other officers as the Board from time to time shall elect, with such duties as the Board shall deem necessary to conduct the business of the Company. Any officer may hold two or more offices (including those of the Chairman of the Board and President) except that the offices of President and Secretary may not be held by the same person. The Chairman of the Board shall be a director; other officers, including any Vice Chairman and the President, may be, but are not required to be, Directors.

SECTION 2. Term of Office. Removal. In the absence of a special contract, all officers shall hold their respective offices for one year or until their successors shall have been duly elected and qualified, but they or any of them may be removed from their respective offices on a vote by a majority of the Board.

SECTION 3. Powers and Duties. The officers of the Company shall have such powers and duties as generally pertain to their offices, respectively, as well as such powers and duties as from time to time shall be conferred by the Board of Directors and/or by the Executive Committee. In the absence of the Chairman of the Board, if any, the President shall preside at the meetings of the Board of Directors. In the absence of both the Chairman of the Board and the President, and provided a quorum is present, the senior member of the Board present, in terms of service on the Board, shall serve as Chairman pro tem of the meeting.

SECTION 4. Salaries. The salaries of all executive officers of the Company shall be determined and fixed by the Board of Directors, or pursuant to such authority as the Board may from time to time prescribe.

ARTICLE III-A

Indemnification of Directors and Officers.

SECTION 1. With respect to a Company officer, director, or employee, the Company shall indemnify, and with respect to any other individual the Company may indemnify, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (an "Action"), whether civil, criminal, administrative, arbitrative or investigative (including an action by or in the right of the Company) by reason of the fact the person is or was a director, officer, employee, or agent of the Company, or is or was serving at the request of the Company as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by that person in connection with such Action; except in relation to matters as to which the person shall be finally adjudged in such Action to have knowingly violated the criminal law or be liable for willful misconduct in the performance of the person’s duty to the Company. The termination of any Action by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that the person was guilty of willful misconduct.

Any indemnification (unless ordered by a court) shall be made by the Company only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstance because the person has met the applicable standard of conduct set forth above. In the case of any director, such determination shall be made: (1) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such Action; or (2) if such a quorum is not obtainable, by majority vote of a committee duly designated by the Board of Directors (in which designation directors who are parties may participate) consisting solely of two or more directors not at the time parties to the proceeding; or (3) by special legal counsel selected by the Board of Directors or its committee in the manner prescribed by clause (1) or (2) of this paragraph, or if such a quorum is not obtainable and such a committee cannot be designated, by majority vote of the Board of Directors, in which selection directors who are parties may participate; or (4) by vote of the shareholders, in which vote shares owned by or voted under the control of directors, officers and employees who are at the time parties to the Action may not be voted. In the case of any officer, employee, or agent other than a director, such determination may be made (i) by the Board of Directors or a committee thereof; (ii) by the Chairman of the Board of the Company or, if the Chairman is a party to such Action, the President of the Company, or (iii) such other officer of the Company, not a party to such Action, as such person specified in clause (i) or (ii) of this paragraph may designate. Authorization of indemnification and evaluation as to reasonableness of expenses shall be made in the same manner as the determination that indemnification is permissible, except that if the determination is made by special legal counsel, authorization of indemnification and evaluation as to reasonableness of expenses shall be made by those entitled hereunder to select such legal counsel.

Expenses incurred in defending an Action for which indemnification may be available hereunder shall be paid by the Company in advance of the final disposition of such Action as authorized in the manner provided in the preceding paragraph, subject to execution by the person being indemnified of a written undertaking to repay such amount if and to the extent that it shall ultimately be determined by a court that such indemnification by the Company is not permitted under applicable law.

It is the intention of the Company that the indemnification set forth in this Section of Article III-A, shall be applied to no less extent than the maximum indemnification permitted by law. In the event that any right to indemnification or other right hereunder may be deemed to be unenforceable or invalid, in whole or in part, such unenforceability or invalidity shall not affect any other right hereunder, or any right to the extent that is not deemed to be unenforceable. The indemnification provided herein shall be in addition to, and not exclusive of, any other rights to which those indemnified may be entitled under any Bylaw, agreement, vote of stockholders, or otherwise, and shall continue as to a person who has ceased to be a director, officer, employee, or agent and inure to the benefit of such person's heirs, executors, and administrators.

SECTION 2. In any proceeding brought by a stockholder in the right of the Company or brought by or on behalf of the stockholders of the Company, no monetary damages shall be assessed against an officer or director. The liability of an officer or director shall not be limited as provided in this section if the officer or director engaged in willful misconduct or a knowing violation of the criminal law or of any federal or state securities law.

ARTICLE IV

Checks, Notes, Etc.

SECTION 1. All checks and drafts on the Company's bank accounts and all bills of exchange and promissory notes, and all acceptances, obligations and other instruments for the payment of money, shall be signed by such officer or officers, agent or agents, as shall be thereunto authorized from time to time by the Board of Directors.

SECTION 2. Shares of stock and other interests in other corporations or associations shall be voted by such officer or officers as the Board of Directors may designate.

SECTION 3. Except as the Board of Directors shall otherwise provide, all contracts expressly approved by the Board shall be signed on behalf of the Company by the Chairman of the Board, the President, or a Vice President.

ARTICLE V

Capital Stock.

SECTION 1. Certificates for shares. Unless otherwise authorized by the Board of Directors, the interest of each stockholder of the Company shall be evidenced by a certificate or certificates for shares of stock in such form as required by law and as the Board of Directors may from time to time prescribe. The Board of Directors may authorize the issue of some or all of the shares of any or all of its classes or series without certificates. The certificates of stock shall be signed by the President or a Vice President and the Secretary or an Assistant Secretary and sealed with the seal of the Company. Such seal may be a facsimile.

Where any such certificate is countersigned by a transfer agent other than the Company, or an employee of the Company, or is countersigned by a transfer clerk and is registered by a registrar, the signatures of the President or Vice President and the Secretary or Assistant Secretary may be facsimiles.

In case any officer who has signed, or whose facsimile signature has been placed upon such certificate, shall have ceased to be such officer before such certificate is issued, it may nevertheless be issued by the Company with the same effect as if such officer had not ceased to hold such office at the date of its issue.

SECTION 2. Transfer of Shares. The shares of stock of the Company shall be transferable on the books of the Company by the holders thereof in person or by duly authorized attorney, upon surrender and cancellation of certificates for a like number of shares, with duly executed assignment and power of transfer endorsed thereon or attached thereto, and with such proof of the authenticity of the signatures as the Company or its agents may reasonably require.

SECTION 3. Lost, Stolen or Destroyed Certificates. No certificate of stock claimed to have been lost, destroyed or stolen shall be replaced by the Company with a new certificate of stock until the holder thereof has produced evidence of such loss, destruction or theft, and has furnished indemnification to the Company and its agents to such extent and in such manner as the proper officers or the Board of Directors may from time to time prescribe.

ARTICLE VI

Corporate Records.

SECTION 1. Where Kept. The books, records and papers belonging to the business of the

Company, and the corporate seal, shall be kept at the office of the Company in the District of Columbia.

SECTION 2. Inspection. Any stockholder or stockholders, who shall have been such for at least six months, or who shall be the holder or holders of record of at least five percent of all the outstanding shares of stock of the Company, desiring to inspect the books or records of the Company, shall present to the Board of Directors or the Executive Committee an application for such inspection, specifying the particular books or records to be inspected and the purpose for which such inspection is desired. If, upon such application, the Board of Directors or Executive Committee deems such inspection is sought for a legitimate purpose connected with the interest of the applicant as a stockholder of the Company, such application shall be granted and a time and place for the inspection shall be specified. The stock and transfer books of the Company shall at all times, during business hours, be open to the inspection of stockholders. The Board of Directors shall have the power from time to time to establish general regulations conferring upon stockholders such further rights with respect to inspection of books and records of the Company as the Board shall deem proper.

ARTICLE VII

Fiscal Year.

The fiscal year of the Company shall begin on the 1st day of October in each year and shall end on the 30th day of September following.

ARTICLE VIII

Corporate Seal.

The seal of the Company shall be circular in form and there shall be inscribed thereon —

ARTICLE IX

Amendments.

The Board of Directors shall have power to make and alter (unless the stockholders shall in any particular instance have otherwise prescribed) any Bylaws of the Company. Such action may be taken at any meeting of the Board by the affirmative vote of a majority of the total number of directors, provided that notice of the proposed change shall have been given to all directors prior to the meeting, or that all of the directors shall be present at the meeting. Any Bylaws made or altered by the Board of Directors may be altered or repealed at any time by the stockholders.

Exhibit 31.1

CERTIFICATION OF WGL HOLDINGS, INC.

I, James H. DeGraffenreidt, 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 9, 2009

/s/ James H. DeGraffenreidt, Jr.

James H. DeGraffenreidt, Jr.
Chairman and Chief Executive Officer

Exhibit 31.2

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 9, 2009

/s/ Vincent L. Ammann, Jr.

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

Exhibit 31.3

CERTIFICATION OF WASHINGTON GAS LIGHT COMPANY

I, James H. DeGraffenreidt, 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 9, 2009

/s/ James H. DeGraffenreidt, Jr.

James H. DeGraffenreidt, Jr.
Chairman and Chief Executive Officer

Exhibit 31.4

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 9, 2009

/s/ Vincent L. Ammann, Jr.

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

Exhibit 32

**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, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James H. DeGraffenreidt, Jr., 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/ James H. DeGraffenreidt, Jr.

James H. DeGraffenreidt, Jr.
Chairman and Chief Executive Officer

/s/ Vincent L. Ammann, Jr.

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

February 9, 2009

Exhibit 99.1

WGL HOLDINGS, INC. AND SUBSIDIARIES

Computation of Ratio of Earnings to Fixed Charges (Unaudited)

($ in thousands)	Twelve Months Ended December 31, 2008
FIXED CHARGES:	
Interest Expense	$ 45,601
Amortization of Debt Premium, Discount and Expense	422
Interest Component of Rentals	1,609
Total Fixed Charges	$ 47,632
EARNINGS:	
Net Income before Dividends on Preferred Stock	$ 125,271
Add:	
Income Taxes	74,339
Total Fixed Charges	47,632
Total Earnings	$ 247,242
Ratio of Earnings to Fixed Charges	5.2

Exhibit 99.2

WGL HOLDINGS, INC. AND SUBSIDIARIES

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

($ in thousands)		Twelve Months Ended December 31, 2008
FIXED CHARGES AND PRE-TAX PREFERRED STOCK DIVIDENDS:		
Preferred Stock Dividends	$	1,320
Effective Income Tax Rate		0.3724
Complement of Effective Income Tax Rate (1-Tax Rate)		0.6276
Pre-Tax Preferred Stock Dividends	$	2,103
FIXED CHARGES:		
Interest Expense	$	45,601
Amortization of Debt Premium, Discount and Expense		422
Interest Component of Rentals		1,609
Total Fixed Charges		47,632
Pre-Tax Preferred Stock Dividends		2,103
Total Fixed Charges and Preferred Stock Dividends	$	49,735
EARNINGS:		
Net Income before Dividends on Preferred Stock	$	125,271
Add:		
Income Taxes		74,339
Total Fixed Charges		47,632
Total Earnings	$	247,242
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends		5.0

Exhibit 99.3

WASHINGTON GAS LIGHT COMPANY

Computation of Ratio of Earnings to Fixed Charges (Unaudited)

($ in thousands)		Twelve Months Ended December 31, 2008
FIXED CHARGES:		
Interest Expense	$	44,390
Amortization of Debt Premium, Discount and Expense		386
Interest Component of Rentals		1,290
Total Fixed Charges	$	46,066
EARNINGS:		
Net Income before Dividends on Preferred Stock	$	123,810
Add:		
Income Taxes		70,983
Total Fixed Charges		46,066
Total Earnings	$	240,859
Ratio of Earnings to Fixed Charges		5.2

Exhibit 99.4

WASHINGTON GAS LIGHT COMPANY

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

($ in thousands)		Twelve Months Ended December 31, 2008
FIXED CHARGES AND PRE-TAX PREFERRED STOCK DIVIDENDS:		
Preferred Stock Dividends	$	1,320
Effective Income Tax Rate		0.3644
Complement of Effective Income Tax Rate (1-Tax Rate)		0.6356
Pre-Tax Preferred Stock Dividends	$	2,077
FIXED CHARGES:		
Interest Expense	$	44,390
Amortization of Debt Premium, Discount and Expense		386
Interest Component of Rentals		1,290
Total Fixed Charges		46,066
Pre-Tax Preferred Stock Dividends		2,077
Total Fixed Charges and Preferred Stock Dividends	$	48,143
EARNINGS:		
Net Income before Dividends on Preferred Stock	$	123,810
Add:		
Income Taxes		70,983
Total Fixed Charges		46,066
Total Earnings	$	240,859
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends		5.0