

**WGL** Holdings, Inc

# Fourth Quarter Fiscal Year 2009 Earnings Conference Call

November 13, 2009



## Forward-Looking Statements

This news release and other statements by us include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 with respect to the outlook for earnings, revenues and other future financial business performance or strategies and expectations. Forward-looking statements are typically identified by words such as, but not limited to, “estimates,” “expects,” “anticipates,” “intends,” “believes,” “plans,” and similar expressions, or future or conditional verbs such as “will,” “should,” “would,” and “could.” Although we believe such forward-looking statements are based on reasonable assumptions, we cannot give assurance that every objective will be achieved. Forward-looking statements speak only as of today, and we assume no duty to update them. Factors that could cause actual results to differ materially from those expressed or implied include, but are not limited to, general economic conditions and the factors discussed under the “Risk Factors” heading in our most recent annual report on Form 10-K and other documents filed with or furnished to the Securities and Exchange Commission.

# FY2009 Consolidated Results



	<b>9/30/09</b>	<b>9/30/08</b>
Reported Consolidated Results (GAAP)	\$2.39	\$2.33
Regulated Utility	\$2.10	\$2.28
Energy Marketing	\$0.30	\$0.10
Design-Build Energy Systems	\$0.06	\$0.04
Other Non-Utility	(\$0.07)	(\$0.09)
Reported Consolidated Results (GAAP)	\$2.39	\$2.33
Net Adjustments	\$0.14	\$0.11
Non-GAAP Operating Results <sup>1</sup>	\$2.53	\$2.44

# FY2009 Utility Results



Utility	9/30/09	9/30/08
Reported Operating Results (GAAP)	\$2.10	\$2.28
Adjustments for:		
Unrealized mark-to-market loss (gain) on energy-related derivatives	(\$0.05)	\$0.01
Storage optimization program	--	(\$0.01)
Derivative Contract Termination	\$0.04	--
Reversal of reserve for natural gas costs	(\$0.06)	--
Reversal of costs related to business process outsourcing	--	(\$0.02)
Other regulatory adjustments	--	(\$0.02)
Other (rounding)	\$0.01	(\$0.01)
Non-GAAP Operating Results <sup>1</sup>	\$2.04	\$2.23

# FY2009 Utility Results Drivers



<b>FY2008 Non-GAAP Operating Results</b>	<b>\$2.23</b>
Customer Growth	\$0.06
VA PBR Earnings Sharing	\$0.07
Lower DC & VA Usage	(\$0.19)
Timing of MD Rate Relief	(\$0.05)
Price Variance (Blocking)	(\$0.03)
O&M, excludes Weather Protection Costs <sup>1</sup>	\$0.02
Weather Protection Costs	\$0.04
Effective Tax Rate and Dilution	(\$0.09)
Other, Net	(\$0.02)
<b>FY2009 Non-GAAP Operating Results</b>	<b>\$2.04</b>

# FY2009 Retail Energy Results



<b>Retail Energy Marketing</b>	<b>9/30/09</b>	<b>9/30/08</b>
Reported Operating Results (GAAP)	\$0.30	\$0.10
Adjustments for:		
Unrealized mark-to-market (gain) loss on energy-related derivatives	\$0.23	\$0.15
Reversal of prior period electric costs	(\$0.02)	--
<b>Non-GAAP Operating Results<sup>1</sup></b>	<b>\$0.51</b>	<b>\$0.25</b>

# FY2009 Retail Energy Results Drivers



<b>FY2008 Non-GAAP Operating Results</b>	<b>\$0.25</b>
Higher Electric Gross Margins	\$0.13
Higher Natural Gas Gross Margins	\$0.23
Change in Operating & Interest Expense	(\$0.10)
<b>FY2009 Non-GAAP Operating Results</b>	<b>\$0.51</b>

# 4Q FY2009 Consolidated Results



	<b>9/30/09</b>	<b>9/30/08</b>
Reported Consolidated Results (GAAP)	(\$0.22)	(\$0.22)
Regulated Utility	(\$0.41)	(\$0.01)
Energy Marketing	\$0.23	(\$0.20)
Design-Build Energy Systems	\$0.01	\$0.02
Other Activities	(\$0.05)	(\$0.03)
Reported Consolidated Results (GAAP)	(\$0.22)	(\$0.22)
Net Adjustments	(\$0.03)	(\$0.01)
Non-GAAP Operating Results <sup>1</sup>	(\$0.25)	(\$0.23)



# 4Q FY2009 Utility Results



Utility	9/30/09	9/30/08
Reported Operating Results (GAAP)	(\$0.41)	(\$0.01)
Adjustments for:		
Unrealized mark-to-market loss (gain) on energy-related derivatives	\$0.08	(\$0.19)
Storage optimization program	(\$0.05)	(\$0.01)
Derivative contract termination	\$0.04	--
Other (rounding)	(\$0.01)	--
Non-GAAP Operating Results <sup>1</sup>	(\$0.35)	(\$0.21)

# 4Q FY2009 Utility Results Drivers



<b>4Q FY2008 Non-GAAP Operating Results</b>	<b>(\$0.21)</b>
Asset Management Retained Net Margins	(\$0.05)
Storage Carrying Charge	(\$0.06)
VA PBR Earnings Sharing	\$0.07
O&M, excludes Weather Protection Costs <sup>1</sup>	(\$0.04)
Effective Tax Rate and Dilution	(\$0.07)
Other, Net	\$0.01
<b>4Q FY2009 Non-GAAP Operating Results</b>	<b>(\$0.35)</b>

# 4Q FY2009 Retail Energy Results



<b>Retail Energy Marketing</b>	<b>9/30/09</b>	<b>9/30/08</b>
Reported Operating Results (GAAP)	\$0.23	(\$0.20)
Adjustments for:		
Unrealized mark-to-market loss (gain) on energy-related derivatives	(\$0.10)	\$0.19
<b>Non-GAAP Operating Results<sup>1</sup></b>	<b>\$0.13</b>	<b>(\$0.01)</b>

# 4Q FY2009 Retail Energy Results Drivers



<b>4Q FY2008 Non-GAAP Operating Results</b>	<b>(\$0.01)</b>
Higher Electric Gross Margins	\$0.08
Higher Natural Gas Gross Margins	\$0.09
Change in Operating & Interest Expense	(\$0.03)
<b>4Q FY2009 Non-GAAP Operating Results</b>	<b>\$0.13</b>

# Achieving Stability Through Recovery Mechanisms



	DC	MD	VA
Automatic gas cost recovery via PGC	✓	✓	✓
Carrying costs on storage gas balances	✓	✓	✓
Carrying costs on over/undercollected gas costs	✓	---	✓
Pension & OPEB expense	✓	---	---
Normalization (RNA / WNA)	Planned <sup>1</sup>	RNA	WNA <sup>3</sup>
Performance-Based Rate Plan (PBR)	✓ <sup>2</sup>	---	✓
Recovery of hexane costs	Pending <sup>4</sup>	✓	✓
Gas Administrative Charge (GAC)	✓	✓	✓
Asset Management incentives	✓	✓	✓

<sup>1</sup> RNA tariff filing will take place pending the final decision by the District of Columbia PSC on PEPCO's Bill Stabilization Adjustment. Phase II proceeding to address regulatory implementation issues.

<sup>2</sup> DC settlement includes rate freeze that enables Washington Gas to retain all earnings in excess of 8.12% ROR through Oct 1, 2011.

<sup>3</sup> Completed legislation provides regulatory mechanisms (including revenue decoupling) to recover LDC costs of customer conservation and activities that promote energy efficiency. On September 29, 2009, Washington Gas filed application seeking approval to implement a natural gas conservation and ratemaking efficiency plan which includes a decoupling mechanism.

<sup>4</sup> On October 2, 2009, WGL filed a unanimous settlement agreement with DC PSC; PSC ruling on settlement expected 1Q FY2010.

# Pending Regulatory Actions



Jurisdiction	Key Issues	Status
D.C.	Case No. 1027 Hexane/Gas Distribution	On October 2, 2009, WGL filed a unanimous settlement agreement with the DC PSC that provides for recovery of current and future hexane commodity costs and also includes a 7-year, \$28 million coupling replacement program that provides for timely recovery through a surcharge mechanism. PSC ruling on settlement expected during first quarter of FY2010.
D.C.	Decoupling/RNA	On September 28, 2009, the DC PSC approved effective Nov. 1 the revenue decoupling rate structure proposed by Pepco. DC OPC filed application for reconsideration of the order on October 28, 2009 which stays the Commission's decision until they act on the application.
Virginia	Decoupling	On September 29, 2009, Washington Gas filed application seeking approval to implement a natural gas conservation and ratemaking efficiency plan which includes a decoupling mechanism. Hearings scheduled for February 1, 2010.
Maryland	Case No. 9035 Gas Distribution System	On Feb 2, 2009, MD PSC reopened proceedings to investigate solutions to WGL's on-going gas distribution system leaks. Technical Conference held May 22, 2009. Settlement discussions among the parties are on-going.
Maryland	Case No. 9103 Changes in Depreciation Rates	On Oct 15, 2008, a Proposed Order of Hearing Examiner was issued that will reduce annual depreciation expense by approximately \$11.2 million when new depreciation rates are implemented. Commission decision on appeals is pending.
Maryland	Phase II of Case No. 9104 Performance Based Rates/BPO	Proposed Order approved 10-year amortization for initial implementation costs related to BPO and denied request for approval of PBR plan. Reply Memorandum filed on Nov 5, 2008 after appeal; currently awaiting a final decision by PSC.
Maryland	Case No. 9158 Gas Purchasing	On November 2, 2009 Hearing Examiner issued proposed order that accepts WGL proposal for calculation of margin sharing for asset management activities using a blended rate methodology that provides appropriate incentive to increase margins from asset optimization. Proposed Order will become final order on December 3, 2009 unless appealed.
Maryland	Case No. 9180 Gas Portfolio Plan	WGL filed Gas Portfolio Plan that includes plans for LNG storage facility. PSC concluded that hearing needed to focus on issue of peaking capacity. WGL filed Direct Testimony on June 1, 2009. The procedural schedule was suspended in July 2009 and discovery is ongoing.
Maryland	Case No. 9193 2009-2010 Winter Hedging	MD PSC requested utilities' policies/plans for 2009-2010 winter hedging. In response, WGL filed joint proposal from WGL, Staff and OPC for transitional hedging program that would be in effect through 2010-2011 winter season. Commission entered an Order on July 24, 2009 directing WGL to implement its transitional hedging program for 2009-2010 heating season.
Maryland	LNG storage facility Chillum, MD	On Apr 16, 2008, complaint filed in the U.S. District Court for District of Maryland seeking to clarify role of local jurisdiction by affirming all local laws relating to safety and location are preempted by Federal and State law. Decision by Court is pending.
FERC	Cove Point LNG Expansion	WGL has appealed to the DC Circuit the Oct 2008 and Jan 2009 FERC Orders authorizing Cove Point to expand the Cove Point terminal and related pipeline facilities. WGL also preparing rehearing application in response to the FERC's July 16, 2009 order authorizing Cove Point to refurbish its pier to enable it to handle large volume tankers.

## 5-Year Capital Expenditures (\$ in millions)



(\$ in millions)	2007A	2008A	2009A	2010E	2011E	2012E	2013E	2014E	Total '10-'14
New Business	\$44.9	\$45.8	\$28.8	\$48.2	\$51.4	\$55.4	\$62.5	\$67.7	\$285.2
Rehabilitation Project	30.8	8.1	-	-	-	-	-	-	-
Other Replacements	33.8	38.0	57.4	45.0	41.6	41.3	43.2	42.7	213.8
LNG Peaking Plant	0.3	0.1	0.1	8.6	56.9	48.7	35.8	0.7	150.7
SOC Redevelopment	-	-	-	13.5	34.1	30.7	-	-	78.3
Other <sup>1</sup>	48.3	39.4	51.2	47.2	36.9	26.1	33.3	24.8	168.3
<b>Total</b>	<b>\$158.1</b>	<b>\$131.4</b>	<b>\$137.5</b>	<b>\$162.5</b>	<b>\$220.9</b>	<b>\$202.2</b>	<b>\$174.8</b>	<b>\$135.9</b>	<b>\$896.3</b>

<sup>1</sup> Includes conditioning facilities

# Strong Balance Sheet and Top-Tier Credit Ratings





## Committed Credit Available

As of September 30, 2009  
(\$ in millions)

	WGL Holdings	Washington Gas
Committed credit agreements		
Unsecured revolving credit facility, expires August 3, 2012	\$ 400.0	\$ 300.0
Total committed credit agreements	\$ 400.0	\$ 300.0
Less: Commercial Paper	(59.0)	(124.8)
Net committed credit available	\$ 341.0	\$ 175.2

<sup>(4)</sup> Both WGL Holdings and Washington Gas have the right to request extensions with the banks' approval. WGL Holdings' revolving credit facility permits it to borrow an additional \$50 million, with the banks' approval, for a total of \$450 million. Washington Gas's revolving credit facility permits it to borrow an additional \$100 million, with the banks' approval, for a total of \$400 million.

## Credit Ratings for Medium-Term Notes

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



# FY 2010 Non-GAAP Operating Guidance



	<b>FY2010</b>
Utility	\$1.75 – \$1.81
Non-Utility	\$0.41 – \$0.47
<b>Total</b>	<b>\$2.16 – \$2.28</b>

This guidance has been determined as of November 13, 2009. The Company assumes no obligation to update this guidance. The absence of any statement by the Company in the future should not be presumed to represent an affirmation of this earnings guidance.

# FY 2010 Non-GAAP Operating Guidance Assumptions



<b>Utility</b>	
Full Year FY2010 average active customer meter additions <sup>1</sup>	8,500
Operations & Maintenance expense (GAAP)	\$266M

<b>Retail Energy</b>	
WGES natural gas volumes	61.0 – 64.0 BCF
WGES natural gas margins	\$0.55/Dth - \$0.65/Dth
WGES electric volumes	9.0 million MWH - 9.6 million MWH
WGES electric margins	\$4.25/Mwh - \$5.25/Mwh
WGES non-commodity related expenses	\$41M-\$47M

<b>Consolidated</b>	
Effective tax rate	39%
Equity ratio target	Mid-50% range of total capital
Dividend payout ratio target	<= Mid-60%
Average diluted shares outstanding	50,700,000

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

## Drivers of Change in Projected Utility Operating Results



<b>FY2009 Non-GAAP Utility EPS</b>	<b>\$2.04</b>
Customer Growth	\$0.05
Storage Carrying Charge	(\$0.06)
Interruptible and Miscellaneous Revenues	(\$0.04)
Asset Management Retained Net Margins	(\$0.02)
Pension & Retiree Medical Costs	(\$0.12)
Depreciation & Amortization	(\$0.05)
Other, Net	(\$0.02)
<b>Midpoint of FY2010E Non-GAAP Utility EPS Guidance</b>	<b>\$1.78</b>

## Drivers of Change in Projected Non-Utility Operating Results



<b>FY2009 Non-GAAP Non-Utility EPS</b>	<b>\$0.49</b>
Retail Energy Marketing	
Higher Electric Gross Margins	\$0.11
Lower Natural Gas Gross Margins	(\$0.10)
Change in Operating & Interest Expense	(\$0.06)
Design Build Energy Systems & Other	--
<b>Midpoint of FY2010E Non-GAAP Non-Utility EPS Guidance</b>	<b>\$0.44</b>

# Investment Highlights



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

# Appendix

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



Operating Segment Financial Information						
Non-Utility Operations						
	Regulated Utility	Retail Energy - Marketing	Design-Build Energy Systems	Other Activities	Eliminations	Consolidated
<i>(In thousands)</i>						
Year Ended September 30, 2009						
Operating Revenues <sup>(a)</sup>	\$ 1,505,875	\$ 1,192,022	\$ 33,735	\$ 10	\$ (24,786)	\$ 2,706,856
Operating Expenses:						
Cost of Energy-Related Sales	829,905	1,127,409	25,757	-	(24,786)	1,958,285
Operation	211,772	35,041	2,835	4,149	-	253,797
Maintenance	43,674	-	-	-	-	43,674
Depreciation and Amortization	94,545	753	59	-	-	95,357
General Taxes and Other Assessments:						
Revenue Taxes	61,051	1,074	-	-	-	62,125
Other	48,736	3,025	141	27	-	51,929
Total Operating Expenses	1,289,683	1,167,302	28,792	4,176	(24,786)	2,465,167
Operating Income (Loss)	216,192	24,720	4,943	(4,166)	-	241,689
Other Income (Expenses) – Net	1,662	101	142	918	(642)	2,181
Interest Expense	44,140	654	1	750	(642)	44,903
Dividends on Washington Gas Preferred Stock	1,320	-	-	-	-	1,320
Income Tax Expense (Benefit)	66,442	9,192	1,930	(290)	-	77,274
Net Income (Loss) Applicable to Common Stock	\$ 105,952	\$ 14,975	\$ 3,154	\$ (3,708)	\$ -	\$ 120,373
Total Assets	\$ 3,059,838	\$ 300,491	\$ 21,517	\$ 83,260	\$ (115,216)	\$ 3,349,890
Capital Expenditures/Investments	\$ 136,483	\$ 2,393	\$ 32	\$ -	\$ -	\$ 138,908
<i>(In thousands)</i>						
Year Ended September 30, 2008						
Operating Revenues <sup>(a)</sup>	\$ 1,552,344	\$ 1,062,692	\$ 29,051	\$ 8	\$ (15,901)	\$ 2,628,194
Operating Expenses:						
Cost of Energy-Related Sales	885,234	1,023,297	23,849	-	(15,901)	1,916,479
Operation	205,311	26,531	2,621	3,276	-	237,739
Maintenance	44,819	-	-	-	-	44,819
Depreciation and Amortization	94,156	803	48	-	-	95,007
General Taxes and Other Assessments:						
Revenue Taxes	55,349	548	-	-	-	55,897
Other	43,685	2,841	92	29	-	46,647
Total Operating Expenses	1,328,554	1,054,020	26,610	3,305	(15,901)	2,396,588
Operating Income (Loss)	223,790	8,672	2,441	(3,297)	-	231,606
Other Income (Expenses) – Net	1,910	93	388	1,254	(1,120)	2,525
Interest Expense	45,397	1,139	-	1,381	(1,120)	46,797
Dividends on Washington Gas Preferred Stock	1,320	-	-	-	-	1,320
Income Tax Expense (Benefit)	65,260	2,813	1,038	380	-	69,491
Net Income (Loss) Applicable to Common Stock	\$ 113,723	\$ 4,813	\$ 1,791	\$ (3,804)	\$ -	\$ 116,523
Total Assets	\$ 3,020,471	\$ 231,839	\$ 21,647	\$ 60,462	\$ (90,876)	\$ 3,243,543
Capital Expenditures/Investments	\$ 134,570	\$ 231	\$ 160	\$ -	\$ -	\$ 134,961

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