

WGL HOLDINGS, INC.
USE OF NON-GAAP OPERATING EARNINGS (LOSS) PER SHARE
(Unaudited)

The attached reconciliations are provided to clearly identify adjustments made to diluted earnings (loss) per average common share calculated in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) to derive non-GAAP operating earnings (loss) per share. Management believes non-GAAP operating earnings (loss) per share provides a more meaningful representation of our earnings from ongoing operations by excluding the effects of: (i) warmer-than-normal/colder-than-normal weather (ii) certain unusual transactions, (iii) unrealized mark-to-market gains and losses from energy-related derivatives and (iv) our discontinued operations. This presentation facilitates analysis by providing a consistent and comparable measure to help management, investors and analysts better understand and evaluate our operating results and performance trends. Additionally, we use this non-GAAP measure to report to the board of directors, evaluate management's performance and for incentive compensation purposes.

We exclude from non-GAAP operating earnings (loss) per share the effects of warmer-than-normal/colder-than-normal weather to "normalize" weather. Utilization of normal weather is an industry standard, and it is our practice to evaluate our rate-regulated revenues by utilizing normal weather and to provide estimates and guidance on the basis of normal weather. Additionally, we exclude unrealized mark-to-market adjustments for our energy-related derivatives to provide a more transparent and accurate view of the ongoing financial results of our operations. When these derivatives settle, the economic impact is reflected in our non-GAAP operating results, as we are only removing the interim unrealized mark-to-market amounts which are ultimately reversed when the derivatives are settled. These non-GAAP adjustments also assist both management and investors to analyze period-over-period comparisons.

There are limits in using non-GAAP operating earnings (loss) per share to analyze our results, as it is not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. In addition, using non-GAAP operating earnings (loss) per share to analyze our earnings have limited value as it excludes certain items that may have a material impact on our reported financial results. We compensate for these limitations by providing investors with the attached reconciliations to diluted earnings (loss) per average common share, the most directly comparable GAAP financial measure.

WGL HOLDINGS, INC. (Consolidating by Segment)
RECONCILIATION OF GAAP DILUTED EARNINGS (LOSS) PER AVERAGE COMMON SHARE TO
NON-GAAP OPERATING EARNINGS (LOSS) PER SHARE
(Unaudited)

Twelve Months Ended September 30, 2007

	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities	Discontinued Operations	Consolidated
GAAP diluted earnings (loss) per average common share	\$ 1.82	\$ 0.45	\$ 0.01	\$ (0.09)	\$ -	\$ 2.19
Less: (Loss) from discontinued operations - net (a)	-	-	-	-	-	-
GAAP diluted earnings (loss) per share from continuing operations	\$ 1.82	\$ 0.45	\$ 0.01	\$ (0.09)	\$ -	\$ 2.19
Adjusted for:						
Colder-than-normal weather (b)	(0.06)	-	-	-	-	(0.06)
Retroactive depreciation expense adjustment (c)	(0.05)	-	-	-	-	(0.05)
Unrealized mark-to-market (gain) loss on energy-related derivatives (d)	-	(0.09)	-	-	-	(0.09)
Non-GAAP operating earnings (loss) per share	\$ 1.71	\$ 0.36	\$ 0.01	\$ (0.09)	\$ -	\$ 1.99

Twelve Months Ended September 30, 2006

	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities	Discontinued Operations	Consolidated
GAAP diluted earnings (loss) per average common share	\$ 1.73	\$ 0.27	\$ 0.01	\$ (0.07)	\$ (0.15)	\$ 1.79
Less: (Loss) from discontinued operations - net (a)	-	-	-	-	(0.15)	(0.15)
GAAP diluted earnings (loss) per share from continuing operations	\$ 1.73	\$ 0.27	\$ 0.01	\$ (0.07)	\$ -	\$ 1.94
Adjusted for:						
Colder-than-normal weather (e)	(0.05)	-	-	-	-	(0.05)
Reserve for disallowance of natural gas costs (f)	0.06	-	-	-	-	0.06
Energy-marketing reversal of fee expense (g)	-	(0.04)	-	-	-	(0.04)
Unrealized mark-to-market (gain) loss on energy-related derivatives (d)	(0.02)	0.05	-	-	-	0.03
Non-GAAP operating earnings (loss) per share	\$ 1.72	\$ 0.28	\$ 0.01	\$ (0.07)	\$ -	\$ 1.94

Quarter Ended September 30, 2007

	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities	Discontinued Operations	Consolidated
GAAP diluted earnings (loss) per average common share	\$ (0.34)	\$ 0.11	\$ -	\$ (0.04)	\$ -	\$ (0.27)
Less: (Loss) from discontinued operations - net (a)	-	-	-	-	-	-
GAAP diluted earnings (loss) per share from continuing operations	\$ (0.34)	\$ 0.11	\$ -	\$ (0.04)	\$ -	\$ (0.27)
Adjustments for:						
Unrealized mark-to-market (gain) loss on energy-related derivatives (d)	(0.01)	(0.03)	-	-	-	(0.04)
Non-GAAP operating earnings (loss) per share	\$ (0.35)	\$ 0.08	\$ -	\$ (0.04)	\$ -	\$ (0.31)

Quarter Ended September 30, 2006

	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities	Discontinued Operations	Consolidated
GAAP diluted earnings (loss) per average common share	\$ (0.27)	\$ 0.17	\$ -	\$ (0.05)	\$ (0.09)	\$ (0.24)
Less: (Loss) from discontinued operations - net (a)	-	-	-	-	(0.09)	(0.09)
GAAP diluted earnings (loss) per share from continuing operations	\$ (0.27)	\$ 0.17	\$ -	\$ (0.05)	\$ -	\$ (0.15)
Adjustments for:						
Unrealized mark-to-market (gain) loss on energy-related derivatives (d)	(0.02)	-	-	-	-	(0.02)
Non-GAAP operating earnings (loss) per share	\$ (0.29)	\$ 0.17	\$ -	\$ (0.05)	\$ -	\$ (0.17)

Footnotes

(Footnote references a - g are described on the following page)

WGL HOLDINGS, INC. (Consolidated by Quarter)
RECONCILIATION OF GAAP DILUTED EARNINGS (LOSS) PER AVERAGE COMMON SHARE TO
NON-GAAP OPERATING EARNINGS (LOSS) PER SHARE

Fiscal Year 2007					
	Quarterly Period Ended (h)				
	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Year-To-Date
GAAP diluted earnings (loss) per average common share	\$ 0.92	\$ 1.29	\$ 0.26	\$ (0.27)	\$ 2.19
Less: (Loss) from discontinued operations - net (a)	-	-	-	-	-
GAAP diluted earnings (loss) per share from continuing operations	\$ 0.92	\$ 1.29	\$ 0.26	\$ (0.27)	\$ 2.19
Adjusted for:					
Colder-than-normal weather (b)	-	(0.02)	(0.04)	-	(0.06)
Retroactive depreciation expense adjustment (c)	(0.05)	-	-	-	(0.05)
Unrealized mark-to-market (gain) loss on energy-related derivatives (d)	0.03	-	(0.08)	(0.04)	(0.09)
Non-GAAP operating earnings (loss) per share	\$ 0.90	\$ 1.27	\$ 0.14	\$ (0.31)	\$ 1.99

Fiscal Year 2006					
	Quarterly Period Ended (h)				
	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Year-To-Date
GAAP diluted earnings (loss) per average common share	\$ 0.91	\$ 1.16	\$ (0.04)	\$ (0.24)	\$ 1.79
Less: (Loss) from discontinued operations - net (a)	(0.02)	(0.01)	(0.03)	(0.09)	(0.15)
GAAP diluted earnings (loss) per share from continuing operations	\$ 0.93	\$ 1.17	\$ (0.01)	\$ (0.15)	\$ 1.94
Adjusted for:					
Warmer (colder)-than-normal weather (e)	(0.07)	0.02	-	-	(0.05)
Reserve for disallowance of natural gas costs (f)	-	0.06	-	-	0.06
Energy-marketing reversal of fee expense (g)	-	(0.04)	-	-	(0.04)
Unrealized mark-to-market (gain) loss on energy-related derivatives (d)	0.05	0.01	(0.01)	(0.02)	0.03
Non-GAAP operating earnings (loss) per share	\$ 0.91	\$ 1.22	\$ (0.02)	\$ (0.17)	\$ 1.94

Footnotes:

- (a) Represents an adjustment for the discontinued operations of a commercial heating, ventilation and air conditioning subsidiary of WGL Holdings, sold in September 2006.
- (b) Weather was 4.9 percent and 31.8 percent colder than normal during the quarters ended March 31, 2007 and June 30, 2007, respectively. There were no adjustments related to weather during the quarters ended December 31, 2006 or September 30, 2006.
- (c) Represents an adjustment that reduced depreciation expense applicable to the period from January 1, 2006, through September 30, 2006. This adjustment was recorded in the first quarter of fiscal year 2007 upon approval of new depreciation rates by the staff of the Virginia State Corporation Commission.
- (d) Represents the change in the unrealized mark-to-market positions of our energy-related derivatives that are recorded to income during the period. For the regulated utility segment, to the extent that our unrealized mark-to-market gains and losses are not shared with customers, these amounts are recorded directly to income. All unrealized mark-to-market gains and losses for the retail-energy marketing segment are recorded directly to income.
- (e) Weather was 10.1 percent colder than normal and 8.9 percent warmer than normal during the quarters ended December 31, 2005 and March 31, 2006, respectively. There were no adjustments related to weather during the quarters ended June 30, 2006 or September 30, 2006.
- (f) Represents a charge recorded by the regulated utility segment related to a proposed order from a Hearing Examiner, which we are currently appealing to the Public Service Commission of Maryland, that recommends the disallowance of certain natural gas costs incurred by Washington Gas and collected from customers in a prior fiscal year.
- (g) Income recognized by the energy-marketing segment to reflect the reversal of fees that were previously assessed by the District of Columbia Public Service Commission and accrued in prior fiscal years.
- (h) Quarterly earnings per share may not sum to year-to-date or annual earnings per share as quarterly calculations are based on weighted average common and common equivalent shares outstanding, which may vary for each of those periods.

WGL HOLDINGS, INC.
RECONCILIATION OF GAAP EARNINGS GUIDANCE TO
NON-GAAP EARNINGS GUIDANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2008

Consolidated

	Low	High
GAAP Earnings Guidance Range	\$ 2.08	\$ 2.18
Adjusted for:		
Unrealized mark-to-market loss on energy-related derivatives (a)	0.09	0.09
Non-GAAP Earnings Guidance Range	\$ 2.17	\$ 2.27

Regulated Utility Segment

	Low	High
GAAP Earnings Guidance Range	\$ 1.83	\$ 1.89
Adjusted for:		
Unrealized mark-to-market loss on energy-related derivatives (a)	0.01	0.01
Non-GAAP Earnings Guidance Range	\$ 1.84	\$ 1.90

Unregulated Business Segments

	Low	High
GAAP Earnings Guidance Range	\$ 0.25	\$ 0.29
Adjusted for:		
Unrealized mark-to-market loss on energy-related derivatives (a)	0.08	0.08
Non-GAAP Earning Guidance Range	\$ 0.33	\$ 0.37

(a) Represents the reversal of certain of our existing unrealized mark-to-market positions related to of our energy derivatives that will be recorded to income during fiscal year 2008. For the regulated utility segment, to the extent that our unrealized mark-to-market gains and losses are not shared with customers, these amounts are recorded directly to income. All unrealized mark-to-market gains and losses for the retail-energy marketing segment are recorded directly to income.

**RECONCILIATIONS OF GAAP NET INCOME AND
GAAP NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES TO
FREE CASH FLOW**
(Unaudited)

Below is a reconciliation of net income derived in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) and GAAP Net Cash Flow provided by operating activities to free cash flow, a non-GAAP measure. We utilize free cash flow as a liquidity measure to determine our ability to generate sufficient cash from internal operations to finance long-term investments, most notably capital expenditures. The assumption underlying this analysis is that changes in working capital and changes in cash from other assets and other liabilities have no effect on free cash flow because they net to zero when combined over a period of several years.

We further use this measure to evaluate trends of our future needs for external debt and equity financing. This data can also be utilized to compare our performance to that of our peers. Free cash flow, as we define and utilize it, does not relate to cash available for discretionary expenditures. Additionally, there are limits in using free cash flow to measure our liquidity, as it is not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. We compensate for these limitations by providing investors with the reconciliations below.

ANALYSIS OF TOTAL FREE CASH FLOW LESS THAN CAPITAL EXPENDITURES

<i>(In thousands)</i>	Fiscal Year Ended September 30,	
	2007	2006
GAAP net income (applicable to common stock)	\$ 107,900	\$ 87,578
Less: (Loss) from discontinued operations – net	-	(7,116)
GAAP income from continuing operations	107,900	94,694
Depreciation and amortization ^(a)	93,256	96,843
Change in deferred income taxes – accelerated depreciation	6,831	7,324
Adjusted cash available before dividends	207,987	198,861
Dividends on common stock	(66,818)	(65,338)
Total free cash flow (Non-GAAP Measure)	141,169	133,523
Less: Capital expenditures ^(b)	(158,101)	(161,496)
Total Free Cash Flow Less than Capital Expenditures	\$ (16,932)	\$ (27,973)

^(a) Includes amortization of other regulatory assets and liabilities as well as amortization of debt related costs.

^(b) Excludes Allowance for Funds Used During Construction. Additionally, excludes adjustments for capital expenditures accrued and other cash-basis adjustments.

**RECONCILIATION OF ANALYSIS OF FREE CASH FLOW
TO GAAP-BASED NET CASH PROVIDED BY OPERATING ACTIVITIES**

<i>(In thousands)</i>	Fiscal Year Ended September 30,	
	2007	2006
GAAP net cash provided by operating activities	\$ 213,298	\$ 85,707
Less: Net cash used in operating activities of discontinued operations	-	(1,100)
GAAP net cash provided by operating activities of continuing operations	213,298	86,807
Adjustments for:		
Deferred income taxes, except for accelerated depreciation	(35)	(2,343)
Other, principally changes in assets and liabilities	(5,276)	114,397
Adjusted cash available before dividends	207,987	198,861
Dividends on common stock	(66,818)	(65,338)
Total Free Cash Flow (Non-GAAP Measure)	\$ 141,169	\$ 133,523