

**WGL** Holdings, Inc

# Third Quarter Fiscal Year 2011 Earnings Conference Call

August 4, 2011



# Forward-Looking Statements

This document 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,” “forecasts,” 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.

# 3Q FY2011 Consolidated Results

	6/30/11	6/30/10
Reported Consolidated Results (GAAP) <sup>1</sup>	\$0.06	\$0.19
Net Adjustments	(\$0.09)	(\$0.26)
Non-GAAP Operating Results <sup>2</sup>	(\$0.03)	(\$0.07)
Regulated Utility	(\$0.12)	(\$0.18)
Energy Marketing	\$0.15	\$0.12
Design-Build Energy Systems	--	--
Other Activities	(\$0.06)	(\$0.01)
Non-GAAP Operating Results <sup>2</sup>	(\$0.03)	(\$0.07)

<sup>1</sup> GAAP diluted earnings (loss) per average common share

<sup>2</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# 9-Month FY2011 Consolidated Results

	6/30/11	6/30/10
Reported Consolidated Results (GAAP) <sup>1</sup>	\$2.88	\$2.69
Net Adjustments	(\$0.36)	(\$0.12)
Non-GAAP Operating Results <sup>2</sup>	\$2.52	\$2.57
Regulated Utility	\$2.15	\$2.27
Energy Marketing	\$0.44	\$0.33
Design-Build Energy Systems	--	--
Other Activities	(\$0.07)	(\$0.03)
Non-GAAP Operating Results <sup>2</sup>	\$2.52	\$2.57

<sup>1</sup> GAAP diluted earnings (loss) per average common share

<sup>2</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# FY2011 Utility Results Drivers

	3Q	YTD
<b>FY2010 Non-GAAP Operating Results<sup>1</sup></b>	<b>(\$0.18)</b>	<b>\$2.27</b>
Customer Growth	\$0.01	\$0.04
DC Usage	\$0.02	\$0.01
MD Rate Case	\$0.02	(\$0.03)
Business Process Outsourcing (BPO)	\$0.02	\$0.07
Employee Benefits	(\$0.04)	(\$0.10)
Weather Insurance Cost	\$0.00	(\$0.02)
O&M, Other	\$0.00	(\$0.02)
Depreciation Expense & Property Tax	(\$0.02)	(\$0.06)
Effective Tax Rate, Dilution and Other	\$0.05	(\$0.01)
<b>FY2011 Non-GAAP Operating Results<sup>1</sup></b>	<b>(\$0.12)</b>	<b>\$2.15</b>

<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# FY2011 Non-Utility Results Drivers

	3Q	YTD
<b>FY2010 Non-GAAP Operating Results<sup>1</sup></b>	<b>\$0.11</b>	<b>\$0.30</b>
Retail Energy Marketing		
Natural Gas Gross Margins	\$0.06	\$0.10
Electric Gross Margins	\$0.01	\$0.13
Operating & Interest Expense	(\$0.04)	(\$0.12)
Design-Build Energy Systems	\$0.00	\$0.00
Other Activities	(\$0.05)	(\$0.04)
<b>FY2011 Non-GAAP Operating Results<sup>1</sup></b>	<b>\$0.09</b>	<b>\$0.37</b>

<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# Strong Balance Sheet and Top-Tier Credit Ratings



## Committed Credit Available

As of June 30, 2011  
(\$ in millions)

	WGL Holdings	Washington Gas	Total Consolidated
Committed credit agreements			
Unsecured revolving credit facility, expires 8/3/12 <sup>(a)</sup>	\$ 400.0	\$ 300.0	\$ 700.0
Less: Commercial Paper	(13.0)	-	(13.0)
<b>Net committed credit available</b>	<b>\$ 387.0</b>	<b>\$ 300.0</b>	<b>\$ 687.0</b>

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

## Credit Ratings for Medium-Term Notes

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

# FY 2011 Non-GAAP Operating Guidance

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	<b>FY2011</b>
Utility	\$1.62 – \$1.68
Non-Utility	\$0.50 – \$0.56
<b>Total</b>	<b>\$2.12 – \$2.24</b>

This forecast guidance has been determined as of August 3, 2011. 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 2011 Non-GAAP Operating Guidance Assumptions

<b>Utility</b>	
Full Year FY2011 average active customer meter additions <sup>1</sup>	10,000
Operations & Maintenance expense (GAAP)	\$276M

<b>Retail Energy</b>	
WGES natural gas volumes	66.0 BCF – 70.0 BCF
WGES natural gas margins	\$0.60/Dth – \$0.70/Dth
WGES electric volumes	10.5 million MWH – 11.1 million MWH
WGES electric margins	\$5.75/MWH – \$6.75/MWH
WGES non-commodity related expenses	\$55M – \$61M

<b>Consolidated</b>	
Effective tax rate	40.5%
Equity ratio target	Mid-50% range of total capital
Dividend payout ratio target	<= 65%
Average diluted shares outstanding	51,300,000

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

# Drivers of Change in Projected Utility Operating Results

<b>FY2011E Non-GAAP Utility EPS Guidance (5/04/11)<sup>1</sup></b>	<b>\$1.60</b>
O&M	\$0.06
Other	(\$0.01)
<b>FY2011E Non-GAAP Utility EPS Guidance (8/03/11)<sup>1</sup></b>	<b>\$1.65</b>



<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# Drivers of Change in Projected Non-Utility Operating Results

<b>FY2011E Non-GAAP Non-Utility EPS Guidance (5/04/11)<sup>1</sup></b>	<b>\$0.46</b>
Retail Energy Marketing	
Electric Gross Margins	\$0.03
Natural Gas Gross Margins	\$0.01
Operating & Interest Expense	\$0.07
Design-Build Energy Systems	(\$0.01)
Other Non-Utility	(\$0.03)
<b>FY2011E Non-GAAP Non-Utility EPS Guidance (8/03/11)<sup>1</sup></b>	<b>\$0.53</b>

<sup>1</sup> Non-GAAP operating earnings (loss) per share. For a reconciliation of GAAP to non-GAAP financial measures, please refer to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Quarterly Results)

# Investment Highlights

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- 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-five consecutive years of dividend increases;  
160 consecutive years of dividend payouts

# Appendix



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

(In thousands)	Operating Segment Financial Information						Consolidated
	Regulated Utility	Non-Utility Operations				Eliminations	
		Retail Energy-Marketing	Design-Build Energy Systems	Other Activities			
<b>Three Months Ended June 30, 2011</b>							
<b>Operating Revenues (a)</b>	\$ 181,497	\$ 304,806	\$ 7,492	\$ (482)	(3,032)	\$ 490,281	
<b>Operating Expenses:</b>							
Cost of energy-related sales	63,805	275,246	6,572	-	(3,032)	342,591	
Operation	53,398	12,985	908	1,509	-	68,800	
Maintenance	11,976	-	-	-	-	11,976	
Depreciation and amortization	22,580	228	16	9	-	22,833	
<b>General taxes and other assessments:</b>							
Revenue taxes	13,950	1,492	-	-	-	15,442	
Other	12,485	848	42	23	-	13,398	
<b>Total Operating Expenses</b>	<b>178,194</b>	<b>290,799</b>	<b>7,538</b>	<b>1,541</b>	<b>(3,032)</b>	<b>475,040</b>	
Operating Income (Loss)	3,303	14,007	(46)	(2,023)	-	15,241	
Other Income (Expenses)-Net	639	25	5	(204)	16	481	
Interest Expense	10,206	-	-	10	16	10,232	
Income Tax Expense (Benefit)	(2,663)	5,645	(15)	(759)	-	2,208	
Dividends on Washington Gas preferred stock	330	-	-	-	-	330	
<b>Net Income (Loss) Applicable to Common Stock</b>	<b>\$ (3,931)</b>	<b>\$ 8,387</b>	<b>\$ (26)</b>	<b>\$ (1,478)</b>	<b>-</b>	<b>\$ 2,952</b>	
<b>Total Assets</b>	<b>\$ 3,417,799</b>	<b>\$ 302,606</b>	<b>\$ 18,628</b>	<b>\$ 153,642</b>	<b>(89,598)</b>	<b>\$ 3,803,077</b>	
<b>Capital Expenditures/Investments</b>	<b>\$ 42,560</b>	<b>\$ 11,219</b>	<b>\$ 3</b>	<b>\$ 4,122</b>	<b>-</b>	<b>\$ 57,904</b>	
<b>Three Months Ended June 30, 2010</b>							
Operating Revenues (a)	\$ 172,544	\$ 286,199	\$ 5,028	\$ 67	(4,165)	\$ 459,673	
<b>Operating Expenses:</b>							
Cost of energy-related sales	64,166	239,667	4,201	115	(4,165)	303,984	
Operation	55,890	10,196	902	844	-	67,832	
Maintenance	11,230	-	-	-	-	11,230	
Depreciation and amortization	23,405	209	20	-	-	23,634	
<b>General taxes and other assessments:</b>							
Revenue taxes	12,510	761	-	-	-	13,271	
Other	11,701	734	39	7	-	12,481	
<b>Total Operating Expenses</b>	<b>178,902</b>	<b>251,567</b>	<b>5,162</b>	<b>966</b>	<b>(4,165)</b>	<b>432,432</b>	
Operating Income (Loss)	(6,358)	34,632	(134)	(899)	-	27,241	
Other Income (Expenses)-Net	149	21	7	131	(28)	280	
Interest Expense	9,984	22	-	22	(28)	10,000	
Income Tax Expense (Benefit)	(6,047)	13,888	(50)	(281)	-	7,510	
Dividends on Washington Gas preferred stock	330	-	-	-	-	330	
<b>Net Income (Loss) Applicable to Common Stock</b>	<b>\$ (10,476)</b>	<b>\$ 20,743</b>	<b>\$ (77)</b>	<b>\$ (509)</b>	<b>-</b>	<b>\$ 9,681</b>	
<b>Total Assets</b>	<b>\$ 3,133,173</b>	<b>\$ 296,150</b>	<b>\$ 17,304</b>	<b>\$ 46,975</b>	<b>(65,293)</b>	<b>\$ 3,428,309</b>	
<b>Capital Expenditures/Investments</b>	<b>\$ 26,586</b>	<b>\$ 185</b>	<b>\$ 20</b>	<b>\$ 14</b>	<b>-</b>	<b>\$ 26,805</b>	

(a) Operating revenues are reported gross of revenue taxes. Revenue taxes of both the regulated utility and the retail energy-marketing segments include gross receipt taxes. Revenue taxes of the regulated utility segment also include PSC fees, franchise fees and energy taxes. Operating revenue amounts in the "Eliminations" column represent total intersegment revenues associated with sales from the regulated utility segment to the retail energy-marketing segment.

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

# Projected Capital Expenditures<sup>1</sup>

Projected Capital Expenditures						
Year Ending September 30,						
(in millions)	2011	2012	2013	2014	2015	Total
New business	\$ 50.5	\$ 55.4	\$ 51.7	\$ 53.3	\$ 59.3	270.2
Replacements - Other	66.6	70.9	68.2	65.6	71.0	342.3
LNG storage facility	0.4	18.7	66.2	39.2	31.5	156.0
SOC redevelopment project	49.7	18.6	-	-	-	68.3
Other	77.7	115.9	72.0	38.8	34.7	339.1
<b>Total-accrual basis<sup>(a)</sup></b>	<b>\$ 244.9</b>	<b>\$ 279.5</b>	<b>\$ 258.1</b>	<b>\$ 196.9</b>	<b>\$ 196.5</b>	<b>1,175.9</b>

<sup>(a)</sup>Excludes Allowance for Funds Used During Construction. Includes capital expenditures accrued and capital expenditure adjustments recorded in the fiscal year and amounts for expansion of solar investments and other non-utility projects.

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