

WGL Holdings, Inc.

Audit Committee
Charter

As Amended Effective
November 12, 2014

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WGL HOLDINGS, INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

As amended Effective November 12, 2014

I. Membership

A. The Audit Committee (the "Committee") of the Board of Directors (the "Board") of WGL Holdings, Inc. (the "Company") shall consist of not less than three, or more than five, members of the Board. Members of the Committee shall be "independent" as defined by applicable law, regulations of the Securities and Exchange Commission ("SEC") and the listing standards of the New York Stock Exchange ("NYSE"). Members of the Committee shall also meet all other applicable requirements for financial, accounting or related expertise. The Committee may, in its discretion, include one or more members having the qualifications of an "audit committee financial expert," as defined by applicable SEC regulations.

B. Members of the Committee shall be recommended by the Governance Committee of the Board and appointed by vote of a majority of the independent directors of the Board for one-year terms. The Governance Committee shall recommend and the independent directors of the Board shall designate one member to serve as Chair of the Committee.

C. Members of the Committee shall serve until their resignation, retirement or removal by the Board or until their successors are appointed. No member of the Committee shall be removed except by majority vote of the independent directors of the full Board then in office.

II. Purpose

The purpose of the Committee is to:

A. assist the Board in its oversight responsibilities and to meet the Committee's responsibility for: (1) the integrity of the Company's financial statements, (2) the Company's compliance with legal and regulatory requirements, (3) the independent auditors' qualification and independence, and (4) the performance of the Company's internal audit function and independent auditors;

B. perform the duties and responsibilities of the Committee as specified by law, regulation, NYSE listing requirements and this charter; and

C. prepare the report required by the SEC's proxy rules to be included in the Company's annual proxy statement, including the preparation of the disclosure required by Item 407(d)(3) of Regulation S-K promulgated under the Securities and Exchange Act of 1934, as amended.

III. Meetings

The Committee shall meet from time to time at the call of the Chair or upon the request of any member, but in no event shall it meet less than four times during each fiscal year of the Company. A majority of the members of the Committee shall constitute a quorum.

IV. Duties and Responsibilities

A. Independent Auditors – appointment, compensation, funding and oversight

1. The Committee is directly responsible for the appointment, compensation and oversight of the work of the independent auditors employed by the Company. The Committee is responsible for the resolution of any disagreements between management of the Company and the independent auditors regarding financial reporting. The independent auditors shall report directly to the Committee.

2. The Committee shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors employed by the Company for the purpose of rendering an audit report and to any advisors employed by the Committee.

3. The Committee shall, at least annually, obtain and review a report by the independent auditor describing: the audit firm's internal quality control procedures; any material issues raised by the most recent internal quality control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent auditor and the Company. The Committee will also receive and consider the disclosures from the independent auditors pursuant to applicable requirements of the Public Company Accounting Oversight Board.

4. After review of the report described in paragraph (IV)(A)(3) above, and based on a review of the independent auditors' work through the year, the Committee shall evaluate the independent auditors' qualification, performance and independence. This evaluation shall include the evaluation of the lead partner and shall take into account the opinions of management and the Company's Chief Audit Executive. The Committee shall present its conclusions to the full Board.

5. The Committee shall meet separately, periodically, with management, with the Chief Audit Executive and with the independent auditors.

6. The Committee shall review with the independent auditors any audit problems or difficulties and management's response. Among the items the Committee may wish to review include, without limitation, any restrictions on audit scope or access to information, any significant disagreements or accounting adjustments proposed by the independent auditor but "passed" by management.

7. The Committee shall set clear hiring policies for employees or former employees of the independent auditors.

B. Independent Auditors – audit and non-audit services

1. All auditing services (which may entail providing comfort letters in connection with securities underwritings) and permitted non-audit services, other than as provided by paragraph (IV)(B)(2) below, provided to the Company by its independent auditors shall be pre-approved by the Committee. Approval of the Committee may be obtained by majority vote of the Committee members at any meeting of the Committee or by consent of a majority of Committee members without a meeting of the Committee. Approval authority may also be delegated by the Committee to a Committee member, as provided in paragraph (IV)(B)(3) below.

2. Pre-approval under the preceding paragraph is not required with respect to the provision of non-audit services if:

(i) the aggregate amount of all such non-audit services provided to the Company constitutes not more than five percent of the total amount of revenues paid by the Company to its independent auditors during the fiscal year in which the non-audit services are provided; and

(ii) such services were not recognized by the Company at the time of the engagement to be non-audit services; and

(iii) the non-audit services are promptly brought to the attention of the Committee and approved prior to the completion of the audit by the Committee or by one or more members of the Committee to whom authority to grant such approval has been delegated by the Committee.

3. The Committee may delegate to one or more designated members of the Committee the authority to grant preapprovals for audit-related services. The decisions of any member to whom authority is delegated under this paragraph shall be presented to the full Committee at the next subsequent meeting of the Committee.

4. The Company's independent auditors shall not provide any prohibited non-audit service to the Company. Prohibited non-audit services are defined as follows:

- (i) bookkeeping or other services related to the accounting records or financial statements of the Company;
- (ii) financial information systems design and implementation;
- (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- (iv) actuarial services;
- (v) internal audit outsourcing services;
- (vi) management functions or human resources;
- (vii) broker or dealer, investment adviser, or investment banking services;
- (viii) legal services and expert services unrelated to the audit; and
- (ix) any other service that is determined by the Public Company Accounting Oversight Board to be impermissible.

5. The Company's independent auditors may be engaged by the Committee to perform any non-audit service, including tax services, that is not described in paragraph (IV)(B)(4) above, if that non-audit service is approved in advance by the Committee in accordance with paragraph (IV)(B)(1) above.

6. Approval of any non-audit service to be performed by the independent auditors shall be disclosed in the Company's periodic reports, as required under applicable SEC regulation.

7. The Committee may, in its discretion, seek exemption authority from the Public Company Accounting Oversight Board ("PCAOB") to permit the independent auditors to perform other non-audit services, subject to applicable law and SEC and PCAOB regulation.

C. Financial Reporting Process; Risk Assessment

1. The Company's independent auditors shall timely report to the Committee:
 - (i) all critical accounting policies and practices to be used;
 - (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management of the Company, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and
 - (iii) other material written communications between the independent auditors and the management of the Company, such as any management letter or schedule of unadjusted differences.
2. The Committee shall discuss annual audited financial statements and quarterly financial statements with management and the independent auditors, including the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
3. The Committee shall review periodically with the independent auditor and with management the Company's procedures on internal control over financial reporting, including related reports required to be prepared in connection with the Company's annual report on Form 10-K.
4. The Committee shall recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
5. The Committee shall prepare the report required by the rules of the SEC to be included in the Company's proxy statement.
6. The Committee shall discuss generally the types of information and type of presentation to be made in earnings press releases as well as financial information and earnings guidance provided to analysts and rating agencies. The Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance.
7. The Committee shall discuss policies with respect to risk assessment and risk management.
8. The Committee shall review reports on inspection of the independent auditors issued by the PCAOB, as those reports become available.

9. The Committee will meet prior to the time when the independent auditors of the Company commence their work in connection with the Company's annual audit, and at such meeting the auditors shall discuss with the Committee the expected scope of the work they intend to do in connection with the audit.

10. The Committee will meet with the independent auditors at the time of the completion of the independent auditors' field work and prior to the release of the Company's earnings for the year to discuss the accounting and auditing issues which have emerged in connection with the completion of the audit. At this meeting the independent auditors will discuss with the Committee any significant comments they may have with respect to internal controls and will cover the following other matters:

- A. Those matters required to be disclosed under Statement on Auditing Standards Nos. 61 and 90;
- B. The auditors' conclusion with respect to the appropriateness of the accounting principles and practices used in the preparation of the financial statements, whether the estimates used in preparing the statements are appropriate and whether in general the principles and practices used in preparing the statements were satisfactory to provide for a fair presentation of the financial position, results of operations and cash flows of the Company;
- C. Any significant auditing or accounting disagreements with management, whether or not they were satisfactorily resolved, about matters that individually or in the aggregate could be significant to the Company's financial statements or the auditors' report;
- D. Any management services performed for the Company since the beginning of the most recently completed fiscal year and any consulting services expected to be performed, including the nature of the services, the compensation paid or expected to be paid, and the effect of such services on the auditors' independence;
- E. The adoption by the Company in the preparation of its financial statements of accounting principles and practices different from those used previously and whether the principles and practices adopted are suitable and appropriate;
- F. The extent to which the Company has utilized derivative instruments in its business, the purposes for such use, the impact of their use on the financial statements of the Company, and the risk posed by them, and

- G. Developments at the Financial Accounting Standards Board, the Auditing Standards Board, the SEC and other standard setting bodies which have or may affect the Company's financial situation and financial reporting.
11. The Committee will from time to time review legal compliance matters, including corporate securities trading practices.
- (i) The Committee shall perform its duties and responsibilities as specified by the provisions of the Commodity Exchange Act, as amended (the "CEA" Act), as follows:
 - a. In the event one or more of the Company's subsidiaries plans to utilize the "End User Exception" as this term is defined under the CEA Act, the Committee will review and approve such swap strategy prior to its implementation and subsequently annually review each subsidiary's swap strategy as it relates to the use of the End User Exception.
 - (ii) The Committee shall perform its duties and responsibilities as specified by the provisions of the Fair and Accurate Credit Transaction Act (the "FACT" Act), as follows:
 - a. Annually, management shall review with the Committee each subsidiary's Red Flags (as this term is defined under the FACT Act) program, including significant program changes, management identified breaches and associated actions taken.
 - (iii) The Committee shall perform its duties and responsibilities as specified by the provisions of the Sarbanes-Oxley Act of 2002 as follows:
 - a. Reviews procedures on internal controls over financial reporting with WGL management and the Company's independent auditors.

D. Chief Audit Executive

1. The Chief Audit Executive shall report functionally to the Committee and administratively to the Chairman and Chief Executive Officer of the Company.
2. The Committee shall from time to time review with the Company's Chief Audit Executive the work of the internal audit function, including the adequacy of the budget and staffing, the adequacy of the system of the Company's internal controls, and other relevant matters. The Committee will also review and approve the annual internal audit plan and review reports prepared by the Chief Audit Executive and management's response to those reports.

3. The Committee shall take appropriate action to assure the independence of the Chief Audit Executive. No change shall be made with respect to the employment of the Chief Audit Executive without the concurrence of the Committee.

E. Complaint Procedures

The Committee shall establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

F. Additional Committee Powers and Functions

1. The Committee shall monitor compliance with the Company's Code of Conduct, shall determine whether there is appropriate compliance, and shall from time to time review such policy and make recommendations for changes .

2. The Committee shall make appropriate inquiry concerning the Company's electronic data processing facilities, including the protections against fraud or misuse, both internal and external.

3. The Committee shall prepare for inclusion in the Company's annual report to shareholders a statement with respect to its responsibilities and its activities.

4. The Committee shall have the power to conduct such inquiries concerning matters within its jurisdiction, as it shall determine, including defalcations, dishonesty, and violations of the Code of Conduct.

5. The Committee shall perform such other duties and functions as shall be directed by the Board.

6. The Committee shall have the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

G. Reports and Evaluations

1. The Chair of the Committee shall report to the Board at the Board meeting next following a Committee meeting, and shall present such recommendations for action by the Board, as the Committee shall deem appropriate.

2. The Committee will at least once a year meet in executive session with the independent auditors to discuss the Company's financial personnel and their performance, the Company's internal controls, and any other matters which the independent auditors believe should be brought to the attention of the Committee.

3. The Committee shall annually review and assess the performance of the Committee and deliver a report to the Board on the results of its evaluation.

4. This Charter shall be reviewed and updated, as appropriate, on an annual basis.

History of this Committee charter document:

This charter was originally adopted effective July 28, 2003. It was amended on December 9, 2005, April 29, 2009, December 18, 2009, August 3, 2011, August 6, 2013 and November 12, 2014.