

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

The attached reconciliations are provided to clearly identify adjustments made to net income calculated in accordance with Generally Accepted Accounting Principles in the United States of America (GAAP) to derive non-GAAP operating earnings (loss). Management believes non-GAAP operating earnings (loss) provides a more meaningful representation of our earnings from ongoing operations by excluding the effects of: (i) warmer-than-normal/colder-than-normal weather for our regulated utility segment; (ii) certain unusual transactions and (iii) unrealized mark-to-market gains and losses from energy-related derivatives. 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) the effects of warmer-than-normal/colder-than-normal weather to "normalize" weather for our regulated utility segment. 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 in analyzing period-to-period comparisons.

There are limits in using non-GAAP operating earnings (loss) to analyze our results, as they are 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 may 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 net income, the most directly comparable GAAP financial measure.

WGL HOLDINGS, INC. (Consolidating by Segment)
RECONCILIATION OF GAAP NET INCOME TO
NON-GAAP OPERATING EARNINGS (LOSS)
(Unaudited)

Six Months Ended March 31, 2008

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income	\$122,174	\$ 6,837	\$ 524	\$ (1,300)	\$128,235
Adjusted for (items shown after-tax):					
Reversal of costs related to business process outsourcing (a)	(1,139)	-	-	-	(1,139)
Unrealized mark-to-market loss on energy-related derivatives (b)	3,062	1,046	-	-	4,108
Other regulatory adjustments (c)	(1,242)	-	-	-	(1,242)
Non-GAAP operating earnings (loss)	\$122,855	\$ 7,883	\$ 524	\$ (1,300)	\$129,962
GAAP diluted earnings (loss) per average common share (49,711 shares)	\$ 2.46	\$ 0.14	\$ 0.01	\$ (0.03)	\$ 2.58
Per share effect of non-GAAP adjustments	0.01	0.02	-	-	0.03
Non-GAAP operating earnings (loss) per share	\$ 2.47	\$ 0.16	\$ 0.01	\$ (0.03)	\$ 2.61

Six Months Ended March 31, 2007

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income	\$108,620	\$ 1,087	\$ 138	\$ (1,372)	\$ 108,473
Adjusted for (items shown after-tax):					
Colder-than-normal weather (d)	(1,173)	-	-	-	(1,173)
Retroactive depreciation expense adjustment (e)	(2,400)	-	-	-	(2,400)
Unrealized mark-to-market loss on energy-related derivatives (b)	1,035	434	-	-	1,469
Non-GAAP operating earnings (loss)	\$106,082	\$ 1,521	\$ 138	\$ (1,372)	\$ 106,369
GAAP diluted earnings (loss) per average common share (49,190 shares)	\$ 2.21	\$ 0.02	\$ -	\$ (0.02)	\$ 2.21
Per share effect of non-GAAP adjustments	(0.05)	0.01	-	(0.01)	(0.05)
Non-GAAP operating earnings (loss) per share	\$ 2.16	\$ 0.03	\$ -	\$ (0.03)	\$ 2.16

Quarter Ended March 31, 2008

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income	\$ 77,972	\$ 3,556	\$ 251	\$ (741)	\$ 81,038
Adjusted for (items shown after-tax):					
Unrealized mark-to-market loss on energy-related derivatives (b)	1,419	76	-	-	1,495
Non-GAAP operating earnings (loss)	\$ 79,391	\$ 3,632	\$ 251	\$ (741)	\$ 82,533
GAAP diluted earnings (loss) per average common share (49,781 shares)	\$ 1.57	\$ 0.07	\$ 0.01	\$ (0.02)	\$ 1.63
Per share effect of non-GAAP adjustments	0.02	-	-	0.01	0.03
Non-GAAP operating earnings (loss) per share	\$ 1.59	\$ 0.07	\$ 0.01	\$ (0.01)	\$ 1.66

Quarter Ended March 31, 2007

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income	\$ 65,625	\$ (1,589)	\$ 41	\$ (702)	\$ 63,375
Adjusted for (items shown after-tax):					
Colder-than-normal weather (d)	(1,173)	-	-	-	(1,173)
Unrealized mark-to-market loss (gain) on energy-related derivatives (b)	1,104	(994)	-	-	110
Non-GAAP operating earnings (loss)	\$ 65,556	\$ (2,583)	\$ 41	\$ (702)	\$ 62,312
GAAP diluted earnings (loss) per average common share (49,267 shares)	\$ 1.33	\$ (0.03)	\$ -	\$ (0.01)	\$ 1.29
Per share effect of non-GAAP adjustments	-	(0.02)	-	(0.01)	(0.03)
Non-GAAP operating earnings (loss) per share	\$ 1.33	\$ (0.05)	\$ -	\$ (0.02)	\$ 1.26

Footnotes

* Per share amounts for "Other Activities" may include adjustments for rounding
(footnote references are described on the following page)

WGL HOLDINGS, INC. (Consolidated by Quarter)
RECONCILIATION OF GAAP NET INCOME TO
NON-GAAP OPERATING EARNINGS (LOSS)
(Unaudited)

Fiscal Year 2008					
	Quarterly Period Ended (f)				
<i>(In thousands, except per share data)</i>	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Year-To-Date
GAAP net income	\$47,197	\$81,038			\$128,235
Adjusted for (items shown after-tax):					
Reversal of costs related to business process outsourcing (a)	(1,139)	-			(1,139)
Unrealized mark-to-market loss on energy-related derivatives (b)	2,613	1,495			4,108
Other regulatory adjustments (c)	(1,242)	-			(1,242)
Non-GAAP operating earnings	\$47,429	\$82,533			\$129,962
Diluted average common shares outstanding	49,645	49,781			49,711
GAAP diluted earnings per average common share	\$ 0.95	\$ 1.63			\$ 2.58
Per share effect of non-GAAP adjustments	0.01	0.03			0.03
Non-GAAP operating earnings per share	\$ 0.96	\$ 1.66			\$ 2.61

Fiscal Year 2007					
	Quarterly Period Ended (f)				
<i>(In thousands, except per share data)</i>	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Year-To-Date
GAAP net income	\$45,098	\$63,375			\$108,473
Adjusted for (items shown after-tax):					
Colder-than-normal weather (d)	-	(1,173)			(1,173)
Retroactive depreciation expense adjustment (e)	(2,400)	-			(2,400)
Unrealized mark-to-market loss on energy-related derivatives (b)	1,359	110			1,469
Non-GAAP operating earnings	\$44,057	\$62,312			\$106,369
Diluted average common shares outstanding	49,130	49,267			49,190
GAAP diluted earnings per average common share	\$ 0.92	\$ 1.29			\$ 2.21
Per share effect of non-GAAP adjustments	(0.02)	(0.03)			(0.05)
Non-GAAP operating earnings per share	\$ 0.90	\$ 1.26			\$ 2.16

Footnotes:

- (a) Represents the reversal of expenses that were incurred in prior fiscal years for initial implementation costs allocable to the District of Columbia associated with our business process outsourcing plan. 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 District of Columbia Public Service Commission in a December 28, 2007 Final Order.
- (b) Represents the change in the unrealized mark-to-market positions of our energy-related derivatives that were 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.
- (c) Represents favorable regulatory adjustments made during the first quarter of fiscal year 2008 applicable to prior fiscal years due to revised treatment for hexane costs in Maryland and certain shared revenues in the District of Columbia.
- (d) This adjustment is for our regulated utility segment only. Weather was 8.1 percent colder than normal during the quarter ended March 31, 2007. There were no adjustments for weather in the first quarter of fiscal year 2007.
- (e) 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.
- (f) 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 ENDING SEPTEMBER 30, 2008

Consolidated

	Low	High
GAAP Earnings Guidance Range	\$2.34	\$2.44
Adjusted for:		
Reversal of costs related to business process outsourcing (a)	(0.02)	(0.02)
Unrealized mark-to-market loss on energy-related derivatives (b)	0.09	0.09
Other regulatory adjustments (c)	(0.02)	(0.02)
Other adjustment (d)	(0.01)	(0.01)
Non-GAAP Earnings Guidance Range	\$2.38	\$2.48

Regulated Utility Segment

	Low	High
GAAP Earnings Guidance Range	\$2.07	\$2.13
Adjusted for:		
Reversal of costs related to business process outsourcing (a)	(0.02)	(0.02)
Unrealized mark-to-market loss on energy-related derivatives (b)	0.05	0.05
Other regulatory adjustments (c)	(0.02)	(0.02)
Other adjustment (d)	(0.01)	(0.01)
Non-GAAP Earnings Guidance Range	\$2.07	\$2.13

Unregulated Business Segments

	Low	High
GAAP Earnings Guidance Range	\$ 0.27	\$ 0.31
Adjusted for:		
Unrealized mark-to-market loss on energy-related derivatives (b)	0.04	0.04
Non-GAAP Earnings Guidance Range	\$ 0.31	\$ 0.35

Footnotes:

- (a) Represents the reversal of expenses that were incurred in prior fiscal years for initial implementation costs allocable to the District of Columbia associated with our business process outsourcing plan. These expenses were reversed in the first quarter of fiscal year 2008 due to the approval of 10-year amortization accounting by the District of Columbia Public Service Commission in a December 28, 2007 Final Order.
- (b) Represents the estimated reversal of certain of our existing unrealized mark-to-market positions related to 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.
- (c) Represents favorable regulatory adjustments made during the first quarter of fiscal year 2008 applicable to prior fiscal years due to revised treatment for hexane costs in Maryland and certain shared revenues in the District of Columbia.
- (d) Adjustment due to rounding differences in per share amounts