WGL Holdings, Inc.
Reconciliation of Non-GAAP Financial Measures
(Unaudited)

The tables below reconcile operating earnings (loss) on a consolidated basis to GAAP net income (loss) applicable to common stock and adjusted EBIT on a segment basis to EBIT. Management believes that operating earnings (loss) and adjusted EBIT provide a meaningful representation of our earnings from ongoing operations on a consolidated and segment basis, respectively. These measures facilitate analysis by providing consistent and comparable measures to help management, investors and analysts better understand and evaluate our operating results and performance trends, and assist in analyzing period-to-period comparisons. Additionally, we use these non-GAAP measures to report to the board of directors and to evaluate management's performance.

To derive our non-GAAP measures, we adjust for the accounting recognition of certain transactions (non-GAAP adjustments) based on at least one of the following criteria:

- To better match the accounting recognition of transactions with their economics;
- To better align with regulatory view/recognition;
- To eliminate the effects of:
    i. Significant out of period adjustments;
    ii. Other significant items that may obscure historical earnings comparisons and are not indicative of performance trends; and
    iii. For adjusted EBIT, other items which may obscure segment comparisons.

There are limits in using operating earnings (loss) and adjusted EBIT to analyze our consolidated and segment results, respectively, as they are not prepared in accordance with GAAP and may be different than non-GAAP financial measures used by other companies. In addition, using operating earnings (loss) and adjusted EBIT to analyze our results may have limited value as they exclude 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 the most directly comparable GAAP financial measures.

The following tables represent the reconciliation of non-GAAP operating earnings to GAAP net income (loss) applicable to common stock (consolidated by quarter):

Fiscal Year 2016

	Quarterly Period Ended*				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
Operating earnings	**$ 59,205**	**$ 89,490**	**$ 17,009**		**$ 165,704**
Non-GAAP adjustments**	**13,312**	**25,815**	**(24,881)**		**14,246**
Income tax effect of non-GAAP adjustments***	**(4,346)**	**(9,017)**	**9,897**		**(3,466)**
Net income applicable to common stock	**$ 68,171**	**$ 106,288**	**$ 2,025**		**$ 176,484**
Diluted average common shares outstanding	**50,030**	**50,282**	**50,905**		**50,418**
Operating earnings per share	**$ 1.18**	**$ 1.78**	**$ 0.33**		**$ 3.29**
Per share effect of non-GAAP adjustments	**0.18**	**0.33**	**(0.29)**		**0.21**
Diluted earnings per average common share	**$ 1.36**	**$ 2.11**	**$ 0.04**		**$ 3.50**

Fiscal Year 2015

	Quarterly Period Ended*				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
Operating earnings	$ 58,004	$ 101,034	$ 10,734		$ 169,772
Non-GAAP adjustments**	10,892	(32,126)	(44,082)		(65,316)
Income tax effect of non-GAAP adjustments***	(5,008)	12,547	17,658		25,197
Net income (loss) applicable to common stock	$ 63,888	$ 81,455	$ (15,690)		$ 129,653
Diluted average common shares outstanding	50,091	49,983	49,729		50,056
Operating earnings per share	$ 1.16	$ 2.02	$ 0.22		$ 3.39
Per share effect of non-GAAP adjustments	0.12	(0.39)	(0.54)		(0.80)
Diluted earnings (loss) per average common share	$ 1.28	$ 1.63	$ (0.32)		$ 2.59

** 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.*

*** Refer to the reconciliations of adjusted EBIT to EBIT below for further details on our non-GAAP adjustments.*

WGL Holdings, Inc. (Consolidated by Quarter)
Reconciliation of Non-GAAP Financial Measures
(Unaudited)

**** Non-GAAP adjustments are presented on a gross basis and the income tax effects of those adjustments are presented separately. The income tax effects of non-GAAP adjustments, both current and deferred, are calculated at the individual company level based on the applicable composite tax rate for each period presented, with the exception of transactions not subject to income taxes. Additionally, the income tax effect of non-GAAP adjustments includes investment tax credits related to distributed generation assets.*

The following tables summarize non-GAAP adjustments by operating segment and present a reconciliation of adjusted EBIT to EBIT. EBIT is defined as earnings before interest and taxes from continuing operations. Items we do not include in EBIT are interest expense, inter-company financing activity, dividends on Washington Gas preferred stock, and income taxes.

Three Months Ended June 30, 2016							
(In thousands)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities(j)	Eliminations	Total
Adjusted EBIT	**$ 4,947**	**$ 16,316**	**$ 9,657**	**$ 14,425**	**$ (517)**	**$ 178**	**$ 45,006**
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives*(a)*	**(25,182)**	**33,228**	**—**	**8,085**	**—**	**—**	**16,131**
Storage optimization program*(b)*	**(688)**	**—**	**—**	**—**	**—**	**—**	**(688)**
DC weather impact*(c)*	**465**	**—**	**—**	**—**	**—**	**—**	**465**
Distributed generation asset related investment tax credits*(d)*	**—**	**—**	**(1,371)**	**—**	**—**	**—**	**(1,371)**
Change in measured value of inventory*(e)*	**—**	**—**	**—**	**(30,646)**	**—**	**—**	**(30,646)**
Losses associated with Antero contract*(f)*	—	—	—	**(8,772)**	—	—	**(8,772)**
Total non-GAAP adjustments	**$ (25,405)**	**$ 33,228**	**$ (1,371)**	**$ (31,333)**	**$ —**	**$ —**	**$ (24,881)**
EBIT	**$ (20,458)**	**$ 49,544**	**$ 8,286**	**$ (16,908)**	**$ (517)**	**$ 178**	**$ 20,125**

Three Months Ended June 30, 2015							
(In thousands)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities(j)	Eliminations	Total
Adjusted EBIT	$ 6,549	$ 18,655	$ 7,812	$ (1,399)	$ (970)	$ (541)	$ 30,106
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives*(a)*	(10,426)	(2,001)	—	(21,840)	—	—	(34,267)
Storage optimization program *(b)*	(644)	—	—	—	—	—	(644)
DC weather impact*(c)*	(1,276)	—	—	—	—	—	(1,276)
Distributed generation asset related investment tax credits*(d)*	—	—	(1,081)	—	—	—	(1,081)
Change in measured value of inventory*(e)*	—	—	—	(3,368)	—	—	(3,368)
Impairment loss on Springfield Operations Center*(g)*	(465)	—	—	—	—	—	(465)
Unrecovered government contracting costs*(h)*	—	—	(2,981)	—	—	—	(2,981)
Total non-GAAP adjustments	$ (12,811)	$ (2,001)	$ (4,062)	$ (25,208)	$ —	$ —	$ (44,082)
EBIT	$ (6,262)	$ 16,654	$ 3,750	$ (26,607)	$ (970)	$ (541)	$ (13,976)

WGL Holdings, Inc.
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Nine Months Ended June 30, 2016							
(In thousands)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities[(j)]	Eliminations	Total
Adjusted EBIT	**$ 245,485**	**$ 29,937**	**$ 14,190**	**$ 19,181**	**$ (2,773)**	**$ (416)**	**$ 305,604**
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives*(a)*	**7,934**	**22,118**	**—**	**30,407**	**—**	**—**	**60,459**
Storage optimization program*(b)*	**(1,039)**	**—**	**—**	**—**	**—**	**—**	**(1,039)**
DC weather impact*(c)*	**(9,278)**	**—**	**—**	**—**	**—**	**—**	**(9,278)**
Distributed generation asset related investment tax credits*(d)*	**—**	**—**	**(3,939)**	**—**	**—**	**—**	**(3,939)**
Change in measured value of inventory*(e)*	**—**	**—**	**—**	**(23,185)**	**—**	**—**	**(23,185)**
Losses associated with Antero contract*(f)*	—	—	—	**(8,772)**	—	—	**(8,772)**
Total non-GAAP adjustments	**$ (2,383)**	**$ 22,118**	**$ (3,939)**	**$ (1,550)**	**$ —**	**$ —**	**$ 14,246**
EBIT	**$ 243,102**	**$ 52,055**	**$ 10,251**	**$ 17,631**	**$ (2,773)**	**$ (416)**	**$ 319,850**

Nine Months Ended June 30, 2015							
(In thousands)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities[(j)]	Eliminations	Total
Adjusted EBIT	$ 255,500	$ 54,641	$ 10,663	$ (1,895)	$ (3,290)	$ (592)	$ 315,027
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives*(a)*	(13,328)	(15,456)	—	(20,989)	—	—	(49,773)
Storage optimization program *(b)*	(3,243)	—	—	—	—	—	(3,243)
DC weather impact*(c)*	181	—	—	—	—	—	181
Distributed generation asset related investment tax credits*(d)*	—	—	(2,951)	—	—	—	(2,951)
Change in measured value of inventory*(e)*	—	—	—	(459)	—	—	(459)
Impairment loss on Springfield Operations Center*(g)*	(465)	—	—	—	—	—	(465)
Unrecovered government contracting costs*(h)*	—	—	(2,981)	—	—	—	(2,981)
Investment impairment*(i)*	—	—	—	—	(5,625)	—	(5,625)
Total non-GAAP adjustments	$ (16,855)	$ (15,456)	$ (5,932)	$ (21,448)	$ (5,625)	$ —	$ (65,316)
EBIT	$ 238,645	$ 39,185	$ 4,731	$ (23,343)	$ (8,915)	$ (592)	$ 249,711

Footnotes:

(a) *Adjustments to eliminate unrealized mark-to-market gains (losses) for our energy-related derivatives for our regulated utility and retail energy-marketing operations as well as certain derivatives related to the optimization of transportation capacity for the midstream energy services segment. With the exception of certain transactions related to the optimization of system capacity assets as discussed in footnote (b) below, when these derivatives settle, the realized economic impact is reflected in our non-GAAP results, as we are only removing interim unrealized mark-to-market amounts.*

(b) *Adjustments to shift the timing of storage optimization margins for the regulated utility segment from the periods recognized for GAAP purposes to the periods in which such margins are recognized for regulatory sharing purposes. In addition, lower-of-cost or market adjustments related to system and non-system storage optimization are eliminated for non-GAAP reporting because the margins will be recognized for regulatory purposes when the withdrawals are made at the unadjusted historical cost of storage inventory.*

(c) *Eliminates the estimated financial effects of warm or cold weather in the District of Columbia, as measured consistent with our regulatory tariff. Washington Gas has regulatory weather protection mechanisms in Maryland and Virginia designed to neutralize the estimated financial effects of 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.*

(d) *To reclassify the amortization of deferred investment tax credits from income taxes to operating income for the commercial energy systems segment. These credits are a key component of the operating success of this segment and therefore are included within adjusted EBIT to help management and investors better assess the segment's performance.*

(e) *For our midstream energy services segment, adjustments to reflect storage inventory at market or at a value based on the price used to value the physical forward sales contract that is economically hedging the storage inventory. Adjusting our storage optimization inventory in this fashion better aligns the settlement of both our physical and financial transactions and allows investors and management to better analyze the results of our non-utility asset optimization strategies. Additionally, this adjustment also includes the net effect of certain sharing mechanisms on the difference between the changes in our non-GAAP storage inventory valuations and the unrealized gains and losses on derivatives not subject to non-GAAP adjustments.*

(f) *Adjustment to eliminate losses associated with the index price used in certain gas purchases from Antero, which are the subject of arbitration. These losses are expected to reverse in future periods upon completion of the arbitration proceedings.*

(g) *Represents an impairment charge as well as accrued selling expenses related to Washington Gas' Springfield Operations Center.*

(h) *Represents unrecovered government contracting costs under the Small Business Administration's Business Development 8(a) Program. We do not anticipate any further unrecovered costs as WGL has exited its participation in this program.*

(i) *Represents an impairment of an equity investment in a solar holding company, accounted for at cost, which occurred in the first quarter of fiscal year 2015.*

(j) *Activities and transactions that are not significant enough on a standalone basis to warrant treatment as an operating segment and that do not fit into one of our four operating segments.*