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 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 adjusting for the effects of: *(i)* unrealized mark-to-market gains and losses from energy-related derivatives for our regulated utility and retail marketing segments; *(ii)* unrealized gains (losses) on certain derivatives for the long-term purchase of natural gas for the midstream energy services segment; *(iii)* certain gains and losses associated with optimizing the utility segment's capacity assets; *(iv)* changes in the measured value of our inventory for our midstream energy services segment; *(v)* the financial effects of warmer-than-normal/colder-than-normal weather that exceeds weather protection for our regulated utility segment; *(vi)* incremental legal and consulting costs associated with business development activities; and *(vii)* certain unusual transactions. 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, to forecast future results and assist in analyzing period-to-period comparisons. Additionally, we use this non-GAAP measure to report to the board of directors and to evaluate management's performance. The economic substance underlying our adjustments to calculate non-GAAP operating earnings (loss) is as follows:

- To provide a more transparent and accurate view of the ongoing financial results of our operations, we exclude unrealized mark-to-market adjustments for our energy-related derivatives for our regulated utility and retail energy-marketing operations as well as certain derivatives for the long-term purchase of natural gas for the midstream energy services segment.

  i. For our regulated utility segment, we use derivatives to substantially lock in a future profit. This profit does not change even though the unrealized fair value of the underlying derivatives may change period-to-period, until settlement. Additionally, for the regulated utility segment, sharing with customers is based on realized profit, and does not factor in unrealized gains and losses; therefore, excluding these unrealized losses is consistent with regulatory sharing requirements.

  ii. For our retail energy-marketing segment, we use derivatives to lock in a price for energy supplies to match future retail sales commitments. These derivatives are subject to mark-to-market treatment, while most of the corresponding retail sales contracts are not.

  iii. For the midstream energy services segment, we have entered into certain long-term natural gas purchase agreements which are accounted for as derivatives. These agreements were entered into to take advantage of potential basis spreads, not to hedge inventory. When the natural gas is delivered in the future, any gains and losses from the physical sale of that gas will be recognized.

  With the exception of certain transactions related to the optimization of system capacity assets as discussed below, when these derivatives settle, the realized economic impact is reflected in our non-GAAP operating results, as we are only removing interim unrealized mark-to-market amounts.

- We adjust for certain gains and losses associated with the optimization of the regulated utility segment's capacity assets. Transactions to optimize our system storage capacity assets are structured to lock in a profit that is recognized, for regulatory purposes, as the natural gas is delivered to end-use customers. These transactions may result in gains and losses that consist of: *(i)* the settlement of physical and financial derivatives related to the management of our storage inventory and *(ii)* lower-of-cost or market adjustments from the difference between the cost of physical inventory compared to the amount realized through rates when the inventory is ultimately delivered to customers. In our GAAP results, due to timing differences between when the physical and financial transactions settle, and when the natural gas is sold to the end-use customer, gains and losses associated with our storage optimization strategy may be spread across different reporting periods. For purposes of calculating non-GAAP operating earnings (loss), gains and losses associated with these transactions are included in the reporting period when the gas is delivered to the end-use customer and the ultimate profit is realized for regulatory purposes. These adjustments reflect a better matching between the economic costs and benefits of the overall optimization strategy.

  We also exclude valuation adjustments to the carrying value of non-system natural gas storage inventory in our regulated utility segment. This inventory is held solely to support asset optimization transactions. Valuation adjustments to reflect lower-of-cost or market under current accounting standards may not be representative of the margins that will be realized and shared with our utility ratepayers. Non-GAAP earnings reflect actual margins realized based on the unadjusted historical cost in storage when inventory is withdrawn and sold.

- Our non-utility midstream energy services segment owns natural gas storage inventory in connection with its asset optimization strategies. Certain storage inventory is economically hedged with physical sales contracts. We adjust the value of that inventory using the same forward price that is used to calculate the fair value of the related physical sales contracts under derivative accounting requirements. The remaining storage optimization inventory is valued using delivered market prices for the month following the end of the reporting period. This adjustment also includes the estimated effects of certain sharing mechanisms on all of our non-GAAP unrealized gains and losses. Adjusting our storage optimization inventory in this fashion allows our reported non-GAAP earnings to better align with 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.

- Washington Gas has a weather protection strategy designed to neutralize the estimated financial effects of weather. To the extent, however, the financial effects of warm or cold weather exceed our weather protection, we will exclude these effects from non-GAAP operating earnings (loss). 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.

- We exclude certain incremental legal and consulting costs associated with business development activities. These costs are unpredictable and may vary greatly with each opportunity. Management believes by excluding these costs, it allows both management and investors to better compare, analyze and forecast the performance of our revenue generating operations.

- We exclude certain unusual transactions that may be the result of regulatory or legal decisions, or items that we may deem outside of the ordinary course of business.

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 (LOSS) TO NON-GAAP OPERATING EARNINGS (LOSS)
(Unaudited)

Three Months Ended September 30, 2013

(In thousands, except per share data)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities*	Intersegment Eliminations	Consolidated
GAAP net income (loss)	$ (39,688)	$ 2,539	$ 1,051	$ (11,785)	$ (2,939)	$ (803)	$ (51,625)
Adjusted for (items shown after-tax): *(a)*							
Unrealized mark-to-market loss (gain) on energy-related derivatives *(b)*	15,765	(1,957)	-	8,584	-	-	22,392
Storage optimization program *(c)*	(208)	-	-	-	-	-	(208)
Weather derivative products *(d)*	256	-	-	-	-	-	256
Change in measured value of inventory *(e)*	-	-	-	(661)	-	-	(661)
Competitive service provider imbalance cash settlement*(f)*	76	-	-	-	-	-	76
Impairment loss on Springfield Operations Center*(i)*	1,560	-	-	-	-	-	1,560
Non-GAAP operating earnings (loss)	$ (22,239)	$ 582	$ 1,051	$ (3,862)	$ (2,939)	$ (803)	$ (28,210)
GAAP diluted earnings (loss) per average common share (51,756 shares)	$ (0.77)	$ 0.05	$ 0.02	$ (0.23)	$ (0.05)	$ (0.02)	$ (1.00)
Per share effect of non-GAAP adjustments	0.34	(0.04)	-	0.16	(0.01)	-	0.45
Non-GAAP operating earnings (loss) per share	$ (0.43)	$ 0.01	$ 0.02	$ (0.07)	$ (0.06)	$ (0.02)	$ (0.55)

Three Months Ended September 30, 2012*(m)*

(In thousands, except per share data)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities	Intersegment Eliminations	Consolidated
GAAP net income (loss)	$ (1,215)	$ 14,355	$ 907	$ (5,647)	$ (656)	$ -	$ 7,744
Adjusted for (items shown after-tax): *(a)*							
Unrealized mark-to-market gain on energy-related derivatives *(b)*	(7,104)	(7,428)	-	-	-	-	(14,532)
Storage optimization program *(c)*	(540)	-	-	-	-	-	(540)
Weather derivative products *(d)*	(139)	-	-	-	-	-	(139)
Change in measured value of inventory*(e)*	-	-	-	4,137	-	-	4,137
Competitive service provider imbalance cash settlement*(f)*	(2,286)	1,975	-	-	-	-	(311)
DC weather impact*(j)*	21	-	-	-	-	-	21
VA retroactive depreciation expense adjustment*(k)*	(1,379)	-	-	-	-	-	(1,379)
Non-GAAP operating earnings (loss)	$ (12,642)	$ 8,902	$ 907	$ (1,510)	$ (656)	$ -	$ (4,999)
GAAP diluted earnings (loss) per average common share (51,637 shares)	$ (0.02)	$ 0.28	$ 0.02	$ (0.11)	$ (0.02)	$ -	$ 0.15
Per share effect of non-GAAP adjustments	(0.22)	(0.11)	-	0.08	-	-	(0.25)
Non-GAAP operating earnings (loss) per share	$ (0.24)	$ 0.17	$ 0.02	$ (0.03)	$ (0.02)	$ -	$ (0.10)

Fiscal Year Ended September 30, 2013

(In thousands, except per share data)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities*	Intersegment Eliminations	Consolidated
GAAP net income (loss)	$ 71,813	$ 33,024	$ 2,991	$ (18,825)	$ (7,947)	$ (803)	$ 80,253
Adjusted for (items shown after-tax): *(a)*							
Unrealized mark-to-market loss (gain) on energy-related derivatives *(b)*	27,382	(2,954)	-	15,705	-	-	40,133
Storage optimization program *(c)*	362	-	-	-	-	-	362
Weather derivative products *(d)*	103	-	-	-	-	-	103
Change in measured value of inventory *(e)*	-	-	-	(2,192)	-	-	(2,192)
Competitive service provider imbalance cash settlement*(f)*	(412)	369	-	-	-	-	(43)
Net insurance proceeds*(g)*	(1,031)	-	-	-	-	-	(1,031)
Incremental professional service fees*(h)*	-	-	-	-	637	-	637
Impairment loss on Springfield Operations Center*(i)*	1,560	-	-	-	-	-	1,560
Non-GAAP operating earnings (loss)	$ 99,777	$ 30,439	$ 2,991	$ (5,312)	$ (7,310)	$ (803)	$ 119,782
GAAP diluted earnings (loss) per average common share (51,808 shares)	$ 1.39	$ 0.64	$ 0.06	$ (0.36)	$ (0.16)	$ (0.02)	$ 1.55
Per share effect of non-GAAP adjustments	0.54	(0.05)	-	0.26	0.01	-	0.76
Non-GAAP operating earnings (loss) per share	$ 1.93	$ 0.59	$ 0.06	$ (0.10)	$ (0.15)	$ (0.02)	$ 2.31

Fiscal Year Ended September 30, 2012*(m)*

(In thousands, except per share data)	Regulated Utility	Retail Energy-Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities*	Intersegment Eliminations	Consolidated
GAAP net income (loss)	$ 109,696	$ 39,331	$ 2,367	$ (9,090)	$ (2,486)	$ -	$ 139,818
Adjusted for (items shown after-tax): *(a)*							
Unrealized mark-to-market gain on energy-related derivatives *(b)*	(9,579)	(5,058)	-	-	-	-	(14,637)
Storage optimization program *(c)*	532	-	-	-	-	-	532
Weather derivative products *(d)*	(502)	-	-	-	-	-	(502)
Change in measured value of inventory *(e)*	-	-	-	6,924	-	-	6,924
Competitive service provider imbalance cash settlement*(f)*	(2,286)	1,975	-	-	-	-	(311)
Impairment loss on Springfield Operations Center*(i)*	3,012	-	-	-	-	-	3,012
DC weather impact*(j)*	2,099	-	-	-	-	-	2,099
VA retroactive depreciation expense adjustment*(k)*	(1,379)	-	-	-	-	-	(1,379)
Regulatory asset write-off - tax effect Medicare Part D*(l)*	2,827	-	-	-	-	-	2,827
Non-GAAP operating earnings (loss)	$ 104,420	$ 36,248	$ 2,367	$ (2,166)	$ (2,486)	$ -	$ 138,383
GAAP diluted earnings (loss) per average common share (51,589 shares)	$ 2.13	$ 0.76	$ 0.05	$ (0.18)	$ (0.05)	$ -	$ 2.71
Per share effect of non-GAAP adjustments	(0.11)	(0.06)	-	0.14	-	-	(0.03)
Non-GAAP operating earnings (loss) per share	$ 2.02	$ 0.70	$ 0.05	$ (0.04)	$ (0.05)	$ -	$ 2.68

** Per share amounts may include adjustments for rounding.*

(Footnote references are described on the following page.)

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

Fiscal Year 2013

	Quarterly Period Ended *(n)*				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
GAAP net income	$ 52,388	$ 89,505	$ (10,015)	$ (51,625)	$ 80,253
Adjusted for (items shown after-tax): *(a)*					
Unrealized mark-to-market loss (gain) on energy-related derivatives *(b)*	4,150	(6,761)	20,352	22,392	40,133
Storage optimization program *(c)*	(90)	1,152	(492)	(208)	362
Weather derivative products *(d)*	143	(425)	129	256	103
Change in the measured value of inventory *(e)*	2,271	7,272	(11,074)	(661)	(2,192)
Competitive service provider imbalance cash settlement *(f)*	-	(1)	(118)	76	(43)
Net insurance proceeds *(g)*	-	-	(1,031)	-	(1,031)
Incremental professional service fees *(h)*	-	-	637	-	637
Impairment loss on Springfield Operations Center *(i)*	-	-	-	1,560	1,560
Non-GAAP operating earnings (loss)	$ 58,862	$ 90,742	$ (1,612)	$ (28,210)	$ 119,782
Diluted average common shares outstanding	51,688	51,828	51,721	51,756	51,808
GAAP diluted earnings per average common share	$ 1.01	$ 1.73	$ (0.19)	$ (1.00)	$ 1.55
Per share effect of non-GAAP adjustments	0.13	0.02	0.16	0.45	0.76
Non-GAAP operating earnings (loss) per share	$ 1.14	$ 1.75	$ (0.03)	$ (0.55)	$ 2.31

Fiscal Year 2012*(m)*

	Quarterly Period Ended *(n)*				
(In thousands, except per share data)	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
GAAP net income (loss)	$ 50,438	$ 74,179	$ 7,457	$ 7,744	$ 139,818
Adjusted for (items shown after-tax): *(a)*					
Unrealized mark-to-market loss (gain) on energy-related derivatives *(b)*	11,997	197	(12,299)	(14,532)	(14,637)
Storage optimization program *(c)*	138	841	93	(540)	532
Weather derivative products *(d)*	(228)	(186)	51	(139)	(502)
Change in measured value of inventory *(e)*	(4,238)	1,604	5,421	4,137	6,924
MD competitive service provider imbalance cash settlement *(f)*	-	-	-	(311)	(311)
Impairment loss on Springfield Operations Center *(i)*	-	-	3,012	-	3,012
DC weather impact *(j)*	-	1,857	221	21	2,099
VA retroactive depreciation expense adjustment *(k)*	-	-	-	(1,379)	(1,379)
Regulatory asset write-off - tax effect Medicare Part D *(l)*	-	2,827	-	-	2,827
Non-GAAP operating earnings (loss)	$ 58,107	$ 81,319	$ 3,956	$ (4,999)	$ 138,383
Diluted average common shares outstanding	51,533	51,561	51,632	51,637	51,589
GAAP diluted earnings (loss) per average common share	$ 0.98	$ 1.44	$ 0.14	$ 0.15	$ 2.71
Per share effect of non-GAAP adjustments	0.15	0.14	(0.06)	(0.25)	(0.03)
Non-GAAP operating earnings (loss) per share	$ 1.13	$ 1.58	$ 0.08	$ (0.10)	$ 2.68

Footnotes:

(a) Non-GAAP adjustments are shown net of tax based on the composite tax rate for each segment. For the three months and fiscal year ended September 30, 2013, the tax expenses related to the adjustments were $14.6 million and $24.7 million, respectively. For the three months and fiscal year ended September 30, 2012, the tax expense(benefit) related to the adjustments were ($8.9) million and ($3.4) million, respectively.

(b) Adjustments to eliminate the change in the unrealized mark-to-market positions of our energy-related derivatives for regulated utility, retail energy-marketing, as well as certain derivatives for the long-term purchase of natural gas for the midstream energy services segment that were recorded to income during the period. For the regulated utility segment, the portion of our unrealized mark-to-market gains and losses that are not recognized as being shared with customers are recorded directly to income for GAAP purposes. All unrealized mark-to-market gains and losses for the retail energy-marketing and midstream energy services segments are recorded directly to income.

(c) Adjustments to shift the timing of storage optimization margins 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, since the margins will be recognized for regulatory purposes when the withdrawals are made at the unadjusted historical cost of storage inventory.

(d) Represents weather derivatives that are recorded at fair value rather than being valued based on actual variations from normal weather. Thus, any portion of recorded fair value that is not directly offset by an increase/decrease in revenue due to weather is excluded for non-GAAP purposes.

(e) 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. This adjustment also includes the estimated effects of certain sharing mechanisms on all of our non-GAAP unrealized gains and losses.

(f) Represents amounts collected and expected to be collected by the regulated utility segment and the expense and payment made by the retail energy-marketing segment to the regulated utility segment in relation to the refund to customers ordered by the Public Service Commission of Maryland (PSC of MD) in September 2011 associated with a cash settlement of gas imbalances with competitive service providers. The order remanded the matter to a hearing examiner to determine the amount of the refund as the difference between charges made to customers and the charges that would have been incurred had the imbalances been made up through volumetric adjustments.

(g) Represents the net proceeds of an environmental insurance policy, net of current period environmental claims and regulatory sharing.

(h) These costs include incremental legal and consulting costs in connection with business development activities. These costs are unpredictable and may vary greatly with each opportunity. Management believes by excluding these costs, it allows both management and investors to better compare, analyze and forecast the performance of our revenue generating opportunities.

(i) During the fourth quarter of fiscal year 2013 and third quarter of fiscal year 2012, Washington Gas recorded impairment charges related to its Springfield Operations Center. Non-GAAP earnings have been adjusted to reflect a comparable measure in analyzing period-to-period comparisons.

(j) Represents the financial effects of warm or cold weather that exceeds weather protection for our regulated utility segment.

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

(k) *Adjustment that eliminates the reduction in depreciation expense applicable to the period from January 1, 2010 through September 30, 2011 resulting from the Virginia State Corporation Commission (SCC of VA) decision received on July 24, 2012. This adjustment was recorded in the fourth quarter of 2012.*

(l) *In March 2010, the PPACA eliminated future Med D tax benefits for Washington Gas' tax years beginning after September 30, 2013. The deferred tax asset related to this benefit was reversed and a regulatory asset was established to reflect the probable recovery of higher future tax expense from customers. Based on positions taken by the SCC of VA in Washington Gas' rate case and in other cases, we determined that it was not probable that the SCC of VA would permit recovery of this asset.*

(m) *During the first quarter of fiscal year 2013, we made certain changes to our operating segments to reflect the recent growth of our non-utility business activities and the impact of those activities on our financial performance. As a result, prior period operating segment information has been recast to conform to current quarter presentation and may not conform to prior year presentation.*

(n) *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, 2014

Consolidated

		Low		High
GAAP Earnings Per Share Guidance Range	**$**	2.22	**$**	2.42
Adjusted for:				
Unrealized mark-to-market gain on energy-related derivatives [(a)]		(0.07)		(0.07)
Non-GAAP Operating Earnings Per Share Guidance Range	**$**	2.15	**$**	2.35

Regulated Utility Segment

		Low		High
GAAP Earnings Per Share Guidance Range	**$**	1.90	**$**	2.00
Adjusted for:				
Unrealized mark-to-market loss on energy-related derivatives [(a)]		(0.07)		(0.07)
Non-GAAP Operating Earnings Per Share Guidance Range	**$**	1.83	**$**	1.93

Non-Utility Business Segments

		Low		High
GAAP Earnings Per Share Guidance Range	**$**	0.32	**$**	0.42
Adjusted for:				
Unrealized mark-to-market gain on energy-related derivatives [(a)]		-		-
Non-GAAP Operating Earnings Per Share Guidance Range	**$**	0.32	**$**	0.42

Footnotes:

(a) 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 2014. For the regulated utility segment, to the extent that our unrealized mark-to-market gains and losses are not recognized as being shared with customers, these amounts are recorded directly to income.