

**WGL HOLDINGS, INC.**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
*(Unaudited)*

The tables below reconcile operating earnings (loss) to GAAP net income (loss) applicable to common stock on a consolidated basis and adjusted EBIT on a segment basis to GAAP net income(loss) applicable to common stock. Management believes operating earnings (loss) and adjusted EBIT provide a more 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;
- Significant out of period adjustments;
- Other significant items that may obscure historical earnings comparisons and are not indicative of performance trends; and
- 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 from 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 table summarizes the reconciliation of adjusted EBIT by segment to its most comparable GAAP financial measure, income before income taxes:

<i>(In thousands)</i>	<b>Three Months Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Adjusted EBIT:		
Regulated utility	\$ 96,556	\$ 90,855
Retail energy-marketing	8,955	1,358
Commercial energy systems	1,168	(23)
Midstream energy services	2,566	1,840
Other activities*	(1,474)	(1,910)
Eliminations	(32)	144
Total	<b>107,739</b>	92,264
Non-GAAP adjustments <sup>(1)</sup>	10,892	(58,843)
Interest expense	12,310	8,992
Income before income taxes	<b>106,321</b>	24,429
Income tax expense	42,103	5,470
Dividends on Washington Gas preferred stock	330	330
Net income applicable to common stock	<b>\$ 63,888</b>	\$ 18,629

\* Activities and transactions that are not significant enough on a stand-alone basis to warrant treatment as an operating segment and that do not fit into one of our four operating segments.

**WGL HOLDINGS, INC. (Consolidated by Quarter)**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
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The following tables represent the reconciliation of operating earnings to its most comparable GAAP financial measure, net income applicable to common stock (consolidated by quarter):

<b>Fiscal Year 2015</b>					
<i>(In thousands, except per share data)</i>	Quarterly Period Ended				
	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
Operating earnings	\$ 58,004				\$ 58,004
Non-GAAP adjustments <sup>(1)</sup>	10,892				10,892
Income tax benefit on non-GAAP adjustments	(5,008)				(5,008)
Net income applicable to common stock	\$ 63,888				\$ 63,888
Diluted average common shares outstanding	50,091				50,091
Operating earnings per share	\$ 1.16				\$ 1.16
Per share effect of non-GAAP adjustments	0.12				0.12
Diluted earnings per average common share	\$ 1.28				\$ 1.28

<b>Fiscal Year 2014</b>					
<i>(In thousands, except per share data)</i>	Quarterly Period Ended				
	Dec. 31	Mar. 31	Jun. 30	Sept. 30	Fiscal Year
Operating earnings	\$ 51,398				\$ 51,398
Non-GAAP adjustments <sup>(1)</sup>	(58,843)				(58,843)
Income tax expense on non-GAAP adjustments	22,453				22,453
Regulatory asset - tax effect Medicare Part D <sup>**</sup>	3,621				3,621
Net income applicable to common stock	\$ 18,629				\$ 18,629
Diluted average common shares outstanding	51,827				51,827
Operating earnings per share	\$ 0.99				\$ 0.99
Per share effect of non-GAAP adjustments	(0.63)				(0.63)
Diluted earnings per average common share	\$ 0.36				\$ 0.36

<sup>\*\*</sup> In March 2010, the Patient Protection and Affordable Care Act (PPACA) eliminated future Medicare Part D (Med D) tax benefits for Washington Gas' tax years beginning after September 30, 2013. On March 30, 2012, based on positions taken by the PSC of MD in Washington Gas' rate case, Washington Gas determined that it is not probable that the PSC of MD would permit recovery of this asset. Therefore, the Maryland portion of the regulatory asset related to the Med D benefit was charged to tax expense. In November of 2013, the Public Service Commission of Maryland (PSC of MD) issued an order authorizing Washington Gas to establish a regulatory asset and amortize the costs related to the change in tax treatment of Med D.

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<sup>(1)</sup>The following are non-GAAP adjustments, by operating segment as well as 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, dividends on Washington Gas preferred stock, and income taxes.

Three Months Ended December 31, 2014							
<i>(In thousands)</i>	Regulated Utility	Retail-Energy Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities	Intersegment Eliminations	Total
Adjusted EBIT	\$ 96,556	\$ 8,955	\$ 1,168	\$ 2,566	\$ (1,474)	\$ (32)	\$ 107,739
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives <sup>(a)</sup>	25,077	(24,850)	-	8,329	-	-	8,556
Storage optimization program <sup>(b)</sup>	(4,180)	-	-	-	-	-	(4,180)
DC weather impact <sup>(c)</sup>	(2,826)	-	-	-	-	-	(2,826)
Distributed generation asset related investment tax credits <sup>(d)</sup>	-	-	(909)	-	-	-	(909)
Change in measured value of inventory <sup>(e)</sup>	-	-	-	15,876	-	-	15,876
Investment impairment <sup>(f)</sup>	-	-	-	-	(5,625)	-	(5,625)
Total non-GAAP adjustments	\$ 18,071	\$ (24,850)	\$ (909)	\$ 24,205	\$ (5,625)	\$ -	\$ 10,892
EBIT	\$ 114,627	\$ (15,895)	\$ 259	\$ 26,771	\$ (7,099)	\$ (32)	\$ 118,631

Three Months Ended December 31, 2013							
<i>(In thousands)</i>	Regulated Utility	Retail-Energy Marketing	Commercial Energy Systems	Midstream Energy Services	Other Activities	Intersegment Eliminations	Total
Adjusted EBIT	\$ 90,855	\$ 1,358	\$ (23)	\$ 1,840	\$ (1,910)	\$ 144	\$ 92,264
Non-GAAP adjustments:							
Unrealized mark-to-market valuations on energy-related derivatives <sup>(a)</sup>	(26,131)	3,932	-	(22,561)	-	-	(44,760)
Storage optimization program <sup>(b)</sup>	1,861	-	-	-	-	-	1,861
DC weather impact <sup>(c)</sup>	(850)	-	-	-	-	-	(850)
Distributed generation asset related investment tax credits <sup>(d)</sup>	-	-	(573)	-	-	-	(573)
Change in measured value of inventory <sup>(e)</sup>	-	-	-	(13,488)	-	-	(13,488)
Competitive service provider imbalance cash settlement <sup>(g)</sup>	488	-	-	-	-	-	488
Incremental professional services fees <sup>(h)</sup>	-	-	-	-	(751)	-	(751)
Impairment loss on Springfield Operations Center <sup>(i)</sup>	(770)	-	-	-	-	-	(770)
Total non-GAAP adjustments	\$ (25,402)	\$ 3,932	\$ (573)	\$ (36,049)	\$ (751)	\$ -	\$ (58,843)
EBIT	\$ 65,453	\$ 5,290	\$ (596)	\$ (34,209)	\$ (2,661)	\$ 144	\$ 33,421

**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 for the long-term purchase of natural gas for the midstream energy services segment. 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 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, since 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. For fiscal year 2015, Washington Gas did not enter into weather protection products due to the pricing environment. 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 its performance.

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- (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. 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 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.*
- (f) 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. We do not believe this impairment charge is indicative of our historical or future performance trends.*
- (g) Represents amounts collected by the regulated utility segment in relation to the refund to customers ordered by the PSC of MD in September 2011 associated with a cash settlement of gas imbalances with competitive service providers.*
- (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 that excluding these costs allows management and investors to better compare, analyze and forecast the performance of our revenue generating opportunities.*
- (i) During the first quarter of fiscal year 2014, Washington Gas recorded an impairment charge related to its Springfield Operations Center. Non-GAAP earnings have been adjusted to reflect a comparable measure in analyzing period-to-period comparisons.*