

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)

Quarter Ended June 30, 2008

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income (loss)	\$ (8,051)	\$ 8,118	\$ 301	\$ (860)	\$ (492)
Adjusted for (items shown after-tax):					
Unrealized mark-to-market (gain) loss on energy-related derivatives (a)	6,660	(3,020)	-	-	3,640
Non-GAAP operating earnings (loss)	\$ (1,391)	\$ 5,098	\$ 301	\$ (860)	\$ 3,148
GAAP diluted earnings (loss) per average common share (49,638 shares)	\$ (0.16)	\$ 0.16	\$ 0.01	\$ (0.02)	\$ (0.01)
Per share effect of non-GAAP adjustments	0.13	(0.06)	-	-	0.07
Non-GAAP operating earnings (loss) per share	\$ (0.03)	\$ 0.10	\$ 0.01	\$ (0.02)	\$ 0.06

Quarter Ended June 30, 2007

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income (loss)	\$ (1,981)	\$ 16,022	\$ 37	\$ (1,107)	\$ 12,971
Adjusted for (items shown after-tax):					
Colder-than-normal weather (b)	(2,121)	-	-	-	(2,121)
Unrealized mark-to-market gain on energy-related derivatives (a)	(355)	(3,316)	-	-	(3,671)
Non-GAAP operating earnings (loss)	\$ (4,457)	\$ 12,706	\$ 37	\$ (1,107)	\$ 7,179
GAAP diluted earnings (loss) per average common share (49,557 shares)	\$ (0.04)	\$ 0.32	\$ -	\$ (0.02)	\$ 0.26
Per share effect of non-GAAP adjustments	(0.05)	(0.06)	-	(0.01)	(0.12)
Non-GAAP operating earnings (loss) per share	\$ (0.09)	\$ 0.26	\$ -	\$ (0.03)	\$ 0.14

Nine Months Ended June 30, 2008

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income (loss)	\$ 114,123	\$ 14,955	\$ 825	\$ (2,160)	\$ 127,743
Adjusted for (items shown after-tax):					
Reversal of costs related to business process outsourcing (c)	(1,139)	-	-	-	(1,139)
Unrealized mark-to-market (gain) loss on energy-related derivatives (a)	9,722	(1,974)	-	-	7,748
Other regulatory adjustments (d)	(1,242)	-	-	-	(1,242)
Non-GAAP operating earnings (loss)	\$ 121,464	\$ 12,981	\$ 825	\$ (2,160)	\$ 133,110
GAAP diluted earnings (loss) per average common share (49,832 shares)	\$ 2.29	\$ 0.30	\$ 0.02	\$ (0.05)	\$ 2.56
Per share effect of non-GAAP adjustments	0.15	(0.04)	-	-	0.11
Non-GAAP operating earnings (loss) per share	\$ 2.44	\$ 0.26	\$ 0.02	\$ (0.05)	\$ 2.67

Nine Months Ended June 30, 2007

<i>(In thousands, except per share data)</i>	Regulated Utility	Retail Energy- Marketing	HVAC	Other Activities*	Consolidated
GAAP net income (loss)	\$ 106,639	\$ 17,109	\$ 175	\$ (2,479)	\$ 121,444
Adjusted for (items shown after-tax):					
Colder-than-normal weather (b)	(3,294)	-	-	-	(3,294)
Retroactive depreciation expense adjustment (e)	(2,400)	-	-	-	(2,400)
Unrealized mark-to-market (gain) loss on energy-related derivatives (a)	680	(2,882)	-	-	(2,202)
Non-GAAP operating earnings (loss)	\$ 101,625	\$ 14,227	\$ 175	\$ (2,479)	\$ 113,548
GAAP diluted earnings (loss) per average common share (49,313 shares)	\$ 2.16	\$ 0.35	\$ -	\$ (0.05)	\$ 2.46
Per share effect of non-GAAP adjustments	(0.10)	(0.06)	-	-	(0.16)
Non-GAAP operating earnings (loss) per share	\$ 2.06	\$ 0.29	\$ -	\$ (0.05)	\$ 2.30

Footnotes

* Per share amounts for "Other Activities" may include adjustments for rounding
(Footer 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 (loss)	\$47,197	\$81,038	\$ (492)		\$127,743
Adjusted for (items shown after-tax):					
Reversal of costs related to business process outsourcing (c)	(1,139)	-	-		(1,139)
Unrealized mark-to-market loss on energy-related derivatives (a)	2,613	1,495	3,640		7,748
Other regulatory adjustments (d)	(1,242)	-	-		(1,242)
Non-GAAP operating earnings	\$47,429	\$82,533	\$ 3,148		\$133,110
Diluted average common shares outstanding	49,645	49,781	49,638		49,832
GAAP diluted earnings (loss) per average common share	\$ 0.95	\$ 1.63	\$ (0.01)		\$ 2.56
Per share effect of non-GAAP adjustments	0.01	0.03	0.07		0.11
Non-GAAP operating earnings per share	\$ 0.96	\$ 1.66	\$ 0.06		\$ 2.67

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	\$12,971		\$121,444
Adjusted for (items shown after-tax):					
Colder-than-normal weather (b)	-	(1,173)	(2,121)		(3,294)
Retroactive depreciation expense adjustment (e)	(2,400)	-	-		(2,400)
Unrealized mark-to-market (gain) loss on energy-related derivatives (a)	1,359	110	(3,671)		(2,202)
Non-GAAP operating earnings	\$44,057	\$62,312	7,179		\$113,548
Diluted average common shares outstanding	49,130	49,267	49,557		49,313
GAAP diluted earnings per average common share	\$ 0.92	\$ 1.29	\$ 0.26		\$ 2.46
Per share effect of non-GAAP adjustments	(0.02)	(0.03)	(0.12)		(0.16)
Non-GAAP operating earnings per share	\$ 0.90	\$ 1.26	\$ 0.14		\$ 2.30

Footnotes

- (a) 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.
- (b) This adjustment is for our regulated utility segment only. Weather was 4.9 percent and 31.8 percent colder than normal during the quarters ended March 31, 2007 and June 30, 2007, respectively. There were no adjustments related to weather during the quarter ended December 31, 2006.
- (c) 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.
- (d) 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.
- (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	\$2.20	\$2.30
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)	0.16	0.16
Other regulatory adjustments (c)	(0.02)	(0.02)
Other adjustment (d)	(0.01)	(0.01)
Non-GAAP Earnings Guidance Range	\$2.31	\$2.41

Regulated Utility Segment

	Low	High
GAAP Earnings Guidance Range	\$1.97	\$2.03
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)	0.15	0.15
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	\$ 0.23	\$ 0.27
Adjusted for:		
Unrealized mark-to-market loss on energy-related derivatives (b)	0.01	0.01
Non-GAAP Earnings Guidance Range	\$ 0.24	\$ 0.28

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