

**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) for our regulated utility segment, the estimated financial effects of warmer-than-normal/colder-than-normal weather as measured consistent with our jurisdictional tariffs, to the extent the effects are not offset by weather protection mechanisms; (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 with the primary objective of locking 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

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*(Unaudited)*

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 regulatory weather protection mechanisms in Maryland and Virginia designed to neutralize the estimated financial effects of weather. In the District of Columbia, Washington Gas may enter into weather protection products to help neutralize the estimated financial effects of warm or cold weather. To the extent that Washington Gas does not have weather protection or products, or the effects of 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, 2014**

| <i>(In thousands, except per share data)</i>                                 | Regulated<br>Utility | Retail Energy-<br>Marketing | Commercial<br>Energy<br>Systems | Midstream<br>Energy<br>Services | Other<br>Activities* | Intersegment<br>Eliminations | Consolidated |
|--|----------------------|-----------------------------|---------------------------------|---------------------------------|----------------------|------------------------------|--------------|
| <b>GAAP net income (loss)</b>  | \$ 10,140            | \$ 4,832                    | \$ 262                          | \$ 24,688                       | \$ (1,831)           | \$ (53)                      | \$ 38,038    |
| Adjusted for (items shown after-tax): (a)                                    |                      |                             |                                 |                                 |                      |                              |              |
| Unrealized mark-to-market loss (gain) on energy-related derivatives (b)      | (23,546)             | 1,965                       | -                               | (25,236)                        | -                    | -                            | (46,817)     |
| Storage optimization program (c)   | (523)                | -                           | -                               | -                               | -                    | -                            | (523)        |
| DC weather impact (d)  | 46                   | -                           | -                               | -                               | -                    | -                            | 46           |
| Change in measured value of inventory (e)                                    | -                    | -                           | -                               | (1,205)                         | -                    | -                            | (1,205)      |
| Incremental professional service fees(h)                                     | -                    | -                           | -                               | -                               | 11                   | -                            | 11           |
| Legal related cost accrual(k)  | -                    | -                           | 2,600                           | -                               | -                    | -                            | 2,600        |
| Regulatory order implementation true-up(l)                                   | (949)                | -                           | -                               | -                               | -                    | -                            | (949)        |
| Allocation of tax sharing (m)  | (1)                  | 104                         | -                               | (111)                           | 8                    | -                            | -            |
| <b>Non-GAAP operating earnings (loss)</b>                                    | \$ (14,833)          | \$ 6,901                    | \$ 2,862                        | \$ (1,864)                      | \$ (1,812)           | \$ (53)                      | \$ (8,799)   |
| <b>GAAP diluted earnings (loss) per average common share (51,527 shares)</b> | \$ 0.20              | \$ 0.09                     | \$ 0.01                         | \$ 0.48                         | \$ (0.04)            | \$ -                         | \$ 0.74      |
| Per share effect of non-GAAP adjustments                                     | (0.49)               | 0.04                        | 0.05                            | (0.52)                          | 0.01                 | -                            | (0.91)       |
| <b>Non-GAAP operating earnings (loss) per share</b>                          | \$ (0.29)            | \$ 0.13                     | \$ 0.06                         | \$ (0.04)                       | \$ (0.03)            | \$ -                         | \$ (0.17)    |

**Three Months Ended September 30, 2013**

| <i>(In thousands, except per share data)</i>                                 | Regulated<br>Utility | Retail Energy-<br>Marketing | Commercial<br>Energy<br>Systems | Midstream<br>Energy<br>Services | Other<br>Activities* | Intersegment<br>Eliminations | Consolidated |
|--|----------------------|-----------------------------|---------------------------------|---------------------------------|----------------------|------------------------------|--------------|
| <b>GAAP net income (loss)</b>  | \$ (39,688)          | \$ 2,539                    | \$ 1,051                        | \$ (11,785)                     | \$ (2,939)           | \$ (803)                     | \$ (51,625)  |
| Adjusted for (items shown after-tax): (a)                                    |                      |                             |                                 |                                 |                      |                              |              |
| Unrealized mark-to-market gain on energy-related derivatives (b)             | 15,765               | (1,957)                     | -                               | 8,584                           | -                    | -                            | 22,392       |
| Storage optimization program (c)   | (208)                | -                           | -                               | -                               | -                    | -                            | (208)        |
| 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        |
| Weather derivative products (n)  | 256                  | -                           | -                               | -                               | -                    | -                            | 256          |
| <b>Non-GAAP operating earnings (loss)</b>                                    | \$ (22,239)          | \$ 582                      | \$ 1,051                        | \$ (3,862)                      | \$ (2,939)           | \$ (803)                     | \$ (28,210)  |
| <b>GAAP diluted earnings (loss) per average common share (51,756 shares)</b> | \$ (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         |
| <b>Non-GAAP operating earnings (loss) per share</b>                          | \$ (0.43)            | \$ 0.01                     | \$ 0.02                         | \$ (0.07)                       | \$ (0.06)            | \$ (0.02)                    | \$ (0.55)    |

**Fiscal Year Ended September 30, 2014**

| <i>(In thousands, except per share data)</i>                                 | Regulated<br>Utility | Retail Energy-<br>Marketing | Commercial<br>Energy<br>Systems | Midstream<br>Energy<br>Services | Other<br>Activities* | Intersegment<br>Eliminations | Consolidated |
|--|----------------------|-----------------------------|---------------------------------|---------------------------------|----------------------|------------------------------|--------------|
| <b>GAAP net income (loss)</b>  | \$ 98,040            | \$ 8,242                    | \$ 5,417                        | \$ 6,203                        | \$ (12,274)          | \$ 312                       | \$ 105,940   |
| Adjusted for (items shown after-tax): (a)                                    |                      |                             |                                 |                                 |                      |                              |              |
| Unrealized mark-to-market loss (gain) on energy-related derivatives (b)      | 39,960               | (2,005)                     | -                               | (933)                           | -                    | -                            | 37,022       |
| Storage optimization program (c)   | (3,000)              | -                           | -                               | -                               | -                    | -                            | (3,000)      |
| DC weather impact (d)  | (1,288)              | -                           | -                               | -                               | -                    | -                            | (1,288)      |
| Change in measured value of inventory (e)                                    | -                    | -                           | -                               | (1,149)                         | -                    | -                            | (1,149)      |
| Competitive service provider imbalance cash settlement(f)                    | (294)                | -                           | -                               | -                               | -                    | -                            | (294)        |
| Impairment loss on proposed Chillum liquefied natural gas facility (g)       | 1,127                | -                           | -                               | -                               | -                    | -                            | 1,127        |
| Incremental professional service fees(h)                                     | -                    | -                           | -                               | -                               | 2,100                | -                            | 2,100        |
| Impairment loss on Springfield Operations Center (i)                         | 464                  | -                           | -                               | -                               | -                    | -                            | 464          |
| Regulatory asset - tax effect Medicare Part D (j)                            | (3,621)              | -                           | -                               | -                               | -                    | -                            | (3,621)      |
| Legal related cost accrual(k)  | -                    | -                           | 2,600                           | -                               | -                    | -                            | 2,600        |
| Regulatory order implementation true-up(l)                                   | (949)                | -                           | -                               | -                               | -                    | -                            | (949)        |
| Allocation of tax sharing (m)  | (1,141)              | (134)                       | -                               | (214)                           | 1,489                | -                            | -            |
| <b>Non-GAAP operating earnings (loss)</b>                                    | \$ 129,298           | \$ 6,103                    | \$ 8,017                        | \$ 3,907                        | \$ (8,685)           | \$ 312                       | \$ 138,952   |
| <b>GAAP diluted earnings (loss) per average common share (51,770 shares)</b> | \$ 1.89              | \$ 0.16                     | \$ 0.10                         | \$ 0.12                         | \$ (0.23)            | \$ 0.01                      | \$ 2.05      |
| Per share effect of non-GAAP adjustments                                     | 0.61                 | (0.04)                      | 0.05                            | (0.04)                          | 0.05                 | -                            | 0.63         |
| <b>Non-GAAP operating earnings (loss) per share</b>                          | \$ 2.50              | \$ 0.12                     | \$ 0.15                         | \$ 0.08                         | \$ (0.18)            | \$ 0.01                      | \$ 2.68      |

**Fiscal Year Ended September 30, 2013**

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

\* 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 2014

| (In thousands, except per share data)                                   | Quarterly Period Ended |                  |                  |                   |                   |
|---|------------------------|------------------|------------------|-------------------|-------------------|
|   | Dec. 31                | Mar. 31          | Jun. 30          | Sept. 30          | Fiscal Year       |
| <b>GAAP net income</b>  | \$ 18,629              | \$ 61,213        | \$ (11,940)      | \$ 38,038         | \$ 105,940        |
| Adjusted for (items shown after-tax): (a)                               |                        |                  |                  |                   |                   |
| Unrealized mark-to-market loss (gain) on energy-related derivatives (b) | 27,793                 | 44,324           | 11,722           | (46,817)          | 37,022            |
| Storage optimization program (c)  | (1,123)                | (1,301)          | (53)             | (523)             | (3,000)           |
| DC weather impact (d)   | 513                    | (2,153)          | 306              | 46                | (1,288)           |
| Change in the measured value of inventory (e)                           | 8,597                  | (7,930)          | (611)            | (1,205)           | (1,149)           |
| Competitive service provider imbalance cash settlement (f)              | (294)                  | -                | -                | -                 | (294)             |
| Impairment loss on proposed Chillum liquefied natural gas facility (g)  | -                      | -                | 1,127            | -                 | 1,127             |
| Incremental professional service fees (h)                               | 440                    | 1,373            | 276              | 11                | 2,100             |
| Impairment loss on Springfield Operations Center (i)                    | 464                    | -                | -                | -                 | 464               |
| Regulatory asset- tax effect Medicare Part D(j)                         | (3,621)                | -                | -                | -                 | (3,621)           |
| Legal related cost accrual (k)  | -                      | -                | -                | 2,600             | 2,600             |
| Regulatory order implementation true-up(l)                              | -                      | -                | -                | (949)             | (949)             |
| <b>Non-GAAP operating earnings (loss)</b>                               | <b>\$ 51,398</b>       | <b>\$ 95,526</b> | <b>\$ 827</b>    | <b>\$ (8,799)</b> | <b>\$ 138,952</b> |
| <b>Diluted average common shares outstanding</b>                        | <b>51,827</b>          | <b>51,899</b>    | <b>51,921</b>    | <b>51,527</b>     | <b>51,770</b>     |
| <b>GAAP diluted earnings per average common share</b>                   | <b>\$ 0.36</b>         | <b>\$ 1.18</b>   | <b>\$ (0.23)</b> | <b>\$ 0.74</b>    | <b>\$ 2.05</b>    |
| Per share effect of non-GAAP adjustments                                | 0.63                   | 0.66             | 0.25             | (0.91)            | 0.63              |
| <b>Non-GAAP operating earnings (loss) per share</b>                     | <b>\$ 0.99</b>         | <b>\$ 1.84</b>   | <b>\$ 0.02</b>   | <b>\$ (0.17)</b>  | <b>\$ 2.68</b>    |

Fiscal Year 2013

| (In thousands, except per share data)                                   | Quarterly Period Ended |                  |                   |                    |                   |
|---|------------------------|------------------|-------------------|--------------------|-------------------|
|   | Dec. 31                | Mar. 31          | Jun. 30           | Sept. 30           | Fiscal Year       |
| <b>GAAP net income (loss)</b>   | \$ 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               |
| 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)              |
| Incremental professional service fees (h)                               | -                      | -                | 637               | -                  | 637               |
| Impairment loss on Springfield Operations Center (i)                    | -                      | -                | -                 | 1,560              | 1,560             |
| Weather derivative products (n)   | 143                    | (425)            | 129               | 256                | 103               |
| Net insurance proceeds (o)  | -                      | -                | (1,031)           | -                  | (1,031)           |
| <b>Non-GAAP operating earnings (loss)</b>                               | <b>\$ 58,862</b>       | <b>\$ 90,742</b> | <b>\$ (1,612)</b> | <b>\$ (28,210)</b> | <b>\$ 119,782</b> |
| <b>Diluted average common shares outstanding</b>                        | <b>51,688</b>          | <b>51,828</b>    | <b>51,721</b>     | <b>51,756</b>      | <b>51,808</b>     |
| <b>GAAP diluted earnings (loss) per average common share</b>            | <b>\$ 1.01</b>         | <b>\$ 1.73</b>   | <b>\$ (0.19)</b>  | <b>\$ (1.00)</b>   | <b>\$ 1.55</b>    |
| Per share effect of non-GAAP adjustments                                | 0.13                   | 0.02             | 0.16              | 0.45               | 0.76              |
| <b>Non-GAAP operating earnings (loss) per share</b>                     | <b>\$ 1.14</b>         | <b>\$ 1.75</b>   | <b>\$ (0.03)</b>  | <b>\$ (0.55)</b>   | <b>\$ 2.31</b>    |

**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, 2014, the tax expense (benefit) related to the adjustments were \$(30.2) million and \$22.6 million, respectively. 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.
- (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) 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 2014, Washington Gas did not enter into weather protection products due to recent rate case activity and the pricing environment.
- (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) On July 7, 2014, the Virginia State Corporation Commission (SCC of VA) disallowed full recovery of certain costs related to a proposed Chillum liquefied natural gas facility, therefore a portion of the associated regulatory asset was impaired.
- (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 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.

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

- (j) 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 2013, the 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.*
- (k) Legal related costs.*
- (l) Adjustment reflects a retroactive true-up to reflect the effects of a regulatory decision.*
- (m) Represents the tax sharing effect of the non-GAAP adjustment for incremental professional service fees. See letter note (h) for further details.*
- (n) For fiscal year 2013, Washington Gas entered into weather derivatives to neutralize the estimated financial effects of weather in the District of Columbia. These weather derivatives were recorded at fair value rather than being valued based on actual variations from normal weather. This adjustment is to exclude the portion of the fair value that is not directly offset by an increase/decrease in revenue due to weather.*
- (o) Represents the net proceeds of an environmental insurance policy, net of current period environmental claims and regulatory sharing.*