

**WGL** Holdings, Inc



## First Quarter Fiscal Year 2007 Earnings Conference Call

*February 1, 2007*

# Forward-Looking Statements



This presentation and other statements by us include forward-looking statements within the meaning of the *Private Securities Litigation Reform Act of 1995*, with respect to the outlook for earnings, revenues and other future financial business performance or strategies and expectations. Forward-looking statements are typically identified by words such as, but not limited to, “estimates,” “expects,” “anticipates,” “intends,” “believes,” “plans,” and similar expressions, or future or conditional verbs such as “will,” “should,” “would,” and “could.” Although we believe such forward-looking statements are based on reasonable assumptions, we cannot give assurance that every objective will be achieved. Forward-looking statements speak only as of today, and we assume no duty to update them. As previously disclosed in our filings with the Securities and Exchange Commission, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: the level and rate at which costs and expenses are incurred and the extent to which they are allowed to be recovered from customers through the regulatory process in connection with constructing, operating and maintaining Washington Gas’ natural gas distribution system; the ability to implement successful approaches to modify the current or future composition of gas delivered to customers as a result of the introduction of gas from the Dominion Cove Point facility to Washington Gas’ natural gas distribution system; the ability to recover the costs of implementing steps to accommodate delivery of natural gas to customers as a result of the receipt of gas from the Cove Point facility; variations in weather conditions from normal levels; the availability of natural gas supply and interstate pipeline transportation and storage capacity; the ability of natural gas producers, pipeline gatherers and natural gas processors to deliver natural gas into interstate pipelines for delivery by those interstate pipelines to the entrance points of Washington Gas’ natural gas distribution system as a result of factors beyond our control; [continued on next slide]

# Forward-Looking Statements (continued)



[continued from previous slide] changes in economic, competitive, political and regulatory conditions and developments; changes in capital and energy commodity market conditions; changes in credit ratings of debt securities of WGL Holdings, Inc. or Washington Gas Light Company that may affect access to capital or the cost of debt; changes in credit market conditions and creditworthiness of customers and suppliers; changes in relevant laws and regulations, including tax, environmental and employment laws and regulations; legislative, regulatory and judicial mandates or decisions affecting business operations or the timing of recovery of costs and expenses; the timing and success of business and product development efforts and technological improvements; the pace of deregulation efforts and the availability of other competitive alternatives to our products and services; changes in accounting principles; acts of God and terrorist activities; and other uncertainties. The outcome of negotiations and discussions we may hold with other parties from time to time regarding utility and energy-related investments and strategic transactions that are both recurring and non-recurring may also affect future performance. For a further discussion of the risks and uncertainties, see our most recent annual report on Form 10-K and other reports filed with the Securities and Exchange Commission. Please see the January 31, 2007 news release for comparative financial statements and other additional information including a reconciliation of our earnings (loss) per share reported in accordance with Generally Accepted Accounting Principles in the United States of America to earnings (loss) per share from normal operations.

# 1Q FY2007 Consolidated Results

## Earnings (Loss) Per Share



	12/31/06	12/31/05
<b>Reported Consolidated Results (GAAP)</b>	<b>\$0.92</b>	<b>\$0.91</b>
<b>Less: (Loss) from Discontinued HVAC Ops ACI</b>	<b>--</b>	<b>(\$0.02)</b>
<b>Reported Results from Continuing Ops (GAAP)</b>	<b>\$0.92</b>	<b>\$0.93</b>
<b>Utility</b>	<b>\$0.88</b>	<b>\$0.92</b>
<b>Energy Marketing</b>	<b>\$0.05</b>	<b>\$0.01</b>
<b>HVAC (Continuing Operations)</b>	<b>--</b>	<b>\$0.01</b>
<b>Other Non-Utility</b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>
<b>Reported Results from Continuing Ops (GAAP)</b>	<b>\$0.92</b>	<b>\$0.93</b>
<b>Net Normalizing Adjustments</b>	<b>(\$0.05)</b>	<b>(\$0.07)</b>
<b>Normalized Results from Continuing Ops (non-GAAP)<sup>1</sup></b>	<b>\$0.87</b>	<b>\$0.86</b>

<sup>1</sup> For a reconciliation of GAAP to non-GAAP financial measures, please go to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Financial Information, GAAP Reconciliation)

# 1Q FY2007 Normalized Utility Results



	12/31/06	12/31/05
<b>Reported Operating Results (GAAP)</b>	<b>\$0.88</b>	<b>\$0.92</b>
<b>Adjustments for:</b>		
Retroactive depreciation expense	(\$0.05)	
Colder-than-normal weather		(\$0.07)
<b>Normalized Operating Results (non-GAAP) <sup>1</sup></b>	<b>\$0.83</b>	<b>\$0.85</b>

<sup>1</sup> For a reconciliation of GAAP to non-GAAP financial measures, please go to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Financial Information, GAAP Reconciliation)

# 1Q FY2007 Utility Results Drivers



1Q FY2006 Normalized Per Share Results	\$0.85
Customer growth – 16,100 active customer meters	\$0.03
Customer usage	(\$0.03)
Other revenue related to implementation of RNA	(\$0.02)
Storage carrying costs	(\$0.02)
Operation and maintenance expense <sup>1</sup>	\$0.03
Other, net (interest expense, miscellaneous)	(\$0.01)
1Q FY2007 Normalized Per Share Results	\$0.83

# 1Q FY2007 Normalized Non-Utility Results



Retail Energy Marketing	12/31/06	12/31/05
Reported Earnings Per Share (GAAP)	\$0.05	\$0.01
Adjustments for: No adjustments in 1Q	--	--
Normalized Earnings Per Share (non-GAAP) <sup>1</sup>	\$0.05	\$0.01

<sup>1</sup> For a reconciliation of GAAP to non-GAAP financial measures, please go to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Financial Information, GAAP Reconciliation)

# 1Q FY2007 Normalized Non-Utility Results



Commercial HVAC (Continuing Ops)	12/31/06	12/31/05
Reported Operating Results (GAAP)	\$0.00	\$0.01
Adjustments for:		
No adjustments in 1Q	--	--
<b>Normalized Operating Results (non-GAAP) <sup>1</sup></b>	<b>\$0.00</b>	<b>\$0.01</b>

Other Non-Utility	12/31/06	12/31/05
Reported Operating Results (GAAP)	(\$0.01)	(\$0.01)
Adjustments for:		
No adjustments in 1Q	--	--
<b>Normalized Operating Results (non-GAAP) <sup>1</sup></b>	<b>(\$0.01)</b>	<b>(\$0.01)</b>

<sup>1</sup> For a reconciliation of GAAP to non-GAAP financial measures, please go to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Financial Information, GAAP Reconciliation)



# 1Q FY2007 Retail Energy Marketing Results Drivers



<b>1Q FY2006 Normalized Earnings Per Share <sup>1</sup></b>	<b>\$0.01</b>
Higher electric sales volumes and unit margins	\$0.11
Lower natural gas gross margins:	
Lower sales volumes and higher gas costs	(\$0.05)
Reduced mark-to-market losses	\$0.01
Higher SG&A and interest expense	(\$0.03)
<b>1Q FY2007 Normalized Earnings Per Share <sup>1</sup></b>	<b>\$0.05</b>

<sup>1</sup> There were no adjustments to reported results in the first quarters of FY06 and FY07.

# Capital Projects

(\$ in millions except per share amounts)



	Targeted Completion	Total Cost Estimate	Spent as of 12/31/06 (Cumulative)	FY07E	Estimated Future Annual EPS Contribution <sup>1</sup>
Prince George's Co. Rehabilitation Project	June 2008	\$144.0 <sup>2</sup>	\$64.6	\$47.2	\$0.16
Conditioning Facilities - Gardiner Rd. & two other facilities	November 2008	\$11.4	\$3.4	\$4.7	\$0.01
LNG Peaking Plant	December 2011	\$148.6	\$7.3	\$1.1	\$0.17

<sup>1</sup> EPS estimated based on full cost recovery in future base rates

<sup>2</sup> Gas conditioning may reduce estimated project spending

# 5-Year Capital Expenditures

(\$ in millions)



	2005A	2006A	2007E	2008E	2009E	2010E	2011E	Total '07-'11
New Business	\$58.2	\$48.7	\$54.8	\$57.0	\$56.9	\$67.3	\$61.6	\$297.6
Rehabilitation Project	8.2	47.8	47.2	40.8	-	-	-	88.0
Other Replacements	22.5	22.7	20.9	20.5	29.9	27.2	26.6	125.1
LNG Peaking Plant <sup>1</sup>	1.5	5.8	1.1	1.5	44.5	60.0	20.0	127.1
Other <sup>2</sup>	33.7	36.5	34.4	39.0	33.2	22.1	20.1	148.9
<b>Total</b>	<b>\$124.1</b>	<b>\$161.5</b>	<b>\$158.5</b>	<b>\$158.8</b>	<b>\$164.5</b>	<b>\$176.6</b>	<b>\$128.3</b>	<b>\$786.7</b>

<sup>1</sup> Does not include \$14.2 million in 2012E

<sup>2</sup> Includes conditioning facilities

# Managing Operations & Maintenance Expense



## Business Outsourcing Project will seek to identify opportunities for long-term savings and service enhancements

- Reviewing information technology, customer service, human resources, and certain finance functions
- Project evaluation costs will be incurred in FY07
- Assessment on track for spring FY07
- Cost to achieve will be incurred if additional outsourcing occurs
- Will consider costs and benefits in pending and future rate cases
- Potential EPS benefits in FY08

# Regulatory Update



Jurisdiction	Timing	Drivers & Key Issues
Virginia	Sept 2006 Filing Feb 13 Interim Rates Apr 10 Testimony Apr 23 Hearing	Rate design, PBR, weather normalization, conservation, depreciation rates, operating and pension expenses, hexane recovery
District of Columbia	Dec 2006 Filing (schedule not set)	Rate base recovery, rate design, performance based rates (PBR), weather normalization, conservation, hexane recovery, operating and pension expenses, depreciation rates
Maryland	Spring 2007 Filing	Rate base recovery, rate design, operating and pension expenses, depreciation rates
Maryland	Feb 6-7 Hearings	Hexane recovery is a separate case
FERC	Notice of Appeal on Jan 26, 2007	Filed notice of appeal in Cove Point Expansion case on WGL Request for Rehearing

# Virginia SCC Filing



Date	Rate Base	ROR	ROE	LT Debt	ST Debt	Preferred	Equity	Other*
12/18/03 Order	\$626,514,067	8.44%	10.50%	39.72%	6.42%	1.80%	50.96%	1.10%
9/15/06 Filing	\$644,605,633	9.12%	11.25%	39.35%	2.44%	1.79%	55.56%	0.86%

\* Job Development Tax Credits

## Filing also requests:

### Revenue Normalization Adjustment (RNA):

Eliminate effect of deviations in customer usage caused by variations in weather from normal levels and other factors such as conservation

### Performance Based Rate Plan (PBR):

Incentivize the company to improve performance while preserving service, reliability and safety. Features include a 3-year base rate freeze, service quality measures, and earnings sharing mechanism

### Recovery of Hexane costs from sales and delivery customers:

Allow recovery of cost through PGC of hexane injected to condition gas deliveries from Cove Point from both sales and unbundled delivery customers

### Gas Administrative Charge (GAC):

Remove cost of uncollectibles related to gas costs from base rates and collect amount through PGC to recover only from sales customers and match this expense with changes in gas costs.

**Seeks increase in annual net revenues (after gas costs) of \$17.2M\*\***

**Interim rates would take effect on Feb. 13, 2007, subject to refund. The PBR, RNA, and other rate design modifications would be implemented upon final approval by the SCC of VA.**

# District of Columbia Filing



Date	Rate Base	ROR	ROE	LT Debt	ST Debt	Preferred	Equity
11/10/03 Order	\$242,262,145	8.42%	10.60%	42.08%	5.84%	1.78%	50.30%
12/21/06 Filing	\$247,712,766	8.89%	11.08%	38.99%	3.80%	1.73%	55.48%

## Filing also requests:

### Revenue Normalization Adjustment (RNA):

Eliminate effect of deviations in customer usage caused by variations in weather from normal levels and other factors such as conservation

### Performance Based Rate Plan (PBR):

Incentivize the company to improve performance while preserving service, reliability and safety. Features include a 3-year base rate freeze, service quality measures, and earnings sharing mechanism

### Recovery of Hexane costs from sales and delivery customers:

If recovery of cost of hexane injected to condition gas deliveries from Cove Point through PGC is not authorized, requests deferral for future recovery through proposed hexane tracking mechanism

### Gas Administrative Charge (GAC):

Remove cost of uncollectibles related to gas costs from base rates and collect amount through PGC to recover only from sales customers and match this expense with changes in gas costs

**Seeks increase in annual net revenues (after gas costs) of \$20.0M**

**Washington Gas proposes the new rates and innovations be implemented Oct. 1, 2007.**

# FY 2007 Earnings Guidance for Continuing Operations



	2Q FY2007	FY2007
Utility	\$1.25 – \$1.29	\$1.56 – \$1.62
Non-Utility	(\$0.13) – (\$0.11)	\$0.18 – \$0.22
Total	\$1.12 – \$1.18	\$1.74 – \$1.84

## Guidance Assumptions on Issue Date

This guidance reflects the estimated effect of actual weather through January 28, 2007, and assumes normal weather thereafter. The annual guidance also includes an estimated increase in revenues in Virginia in connection with a rate case pending before the Virginia State Corporation Commission. This increase in Virginia rates is subject to a final determination by the Virginia State Corporation Commission. The guidance assumes that the revenue effects of new rates in the District of Columbia will occur after fiscal year 2007. The guidance also assumes no effect of unusual items that could arise in the future, and no future gains or losses related to discontinued operations. This guidance includes the forecasted results of continuing operations only.

This guidance has been determined as of January 28, 2007, and the Company assumes no obligation to update this guidance. The absence of any statement by the Company in the future should not be presumed to represent an affirmation of this earnings guidance.



# Drivers of Change in Projected Utility Earnings



<b>2Q06 Normalized Utility EPS</b>	<b>\$1.30</b>
Customer growth	\$0.04
Higher FY07 customer usage and Virginia rates <sup>1</sup>	\$0.08
Storage carrying charge	(\$0.04)
Operations & maintenance expense	(\$0.07)
Income taxes	(\$0.02)
Other	(\$0.02)
<b>Midpoint of 2Q07 Utility EPS Guidance</b>	<b>\$1.27</b>

<sup>1</sup> Subject to a final determination by the State Corporation Commission of Virginia

# Drivers of Change in Projected Non-Utility Earnings



## 2Q06 Normalized Non-Utility EPS (Continuing Ops) (\$0.09)

Retail Energy Marketing (\$0.04)

Lower FY06 uncollectible expense

Lower gas margins

Potentially offset by higher electricity volumes & margins

Commercial HVAC \$0.01

## Midpoint of 2Q07 Non-Utility EPS Guidance (\$0.12)

# Five-Year Financial Objectives



Objective	FY2004	FY2005	FY2006	FY03- FY08
5% average annual growth of EPS from normal operations from FY2003 through FY2008 <sup>1</sup>	6.6%	14.0%	-5.9%	✓ <sup>2</sup>
Maintain positive free cash flow in excess of capital expenditures <sup>1,3</sup>	\$47.9 million	\$17.9 million	-\$28.0 million	— <sup>4</sup>
Maintain strong balance sheet	56% equity	57% equity	58% equity	✓
Maintain superior credit ratings	Yes	Yes	Yes	✓
Sustainable dividend growth	\$1.30	\$1.33	\$1.35	✓

<sup>1</sup> Adjusted to reflect earnings from continuing operations

<sup>2</sup> EPS cumulative average annual growth rate includes assumptions regarding compensatory rates

<sup>3</sup> For a reconciliation of GAAP to non-GAAP financial measures, please go to our website at [www.wglholdings.com](http://www.wglholdings.com) (Investor Relations, Financial Information, GAAP Reconciliation)

<sup>4</sup> Excluding expenditures related to Prince George's Rehabilitation Project, this objective would be achieved in each fiscal year of the 5-year period

# Investment Highlights



- High-growth, demographically attractive service area
- Strong, operationally efficient utility operations
- Profitable retail energy marketing business
- Solid balance sheet and top-tier credit ratings
- Thirty consecutive years of dividend increases; 156 consecutive years of dividend payouts