

**WGL** Holdings, Inc

**AGA Financial Forum**

Terry McCallister, Chairman and CEO  
May 16, 2011



# Forward-Looking Statements

This document 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,” “forecasts,” 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.

Factors that could cause actual results to differ materially from those expressed or implied include, but are not limited to, general economic conditions and the factors discussed under the “Risk Factors” heading in our most recent annual report on Form 10-K and other documents filed with or furnished to the Securities and Exchange Commission.

# A Clear, Consistent Strategic Vision

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## **Our vision:**

**WGL Holdings is the preferred source of clean and efficient energy solutions that produce value for our customers, investors and communities.**

**Deliver sustainable EPS growth from both utility and non-utility businesses**

- ▶ **Offer clean and efficient energy solutions that customers value**
- ▶ **Drive excellence in developing, marketing, and delivering solutions**
- ▶ **Sustain an engaged workforce that delivers results**

# Key Statistics

<b>WGL Holdings, Inc.</b>	<b>FY10</b>	<b>FY09</b>
Total Assets (\$millions)	\$3,643.9	\$3,349.9
Operating Revenues (\$millions)	\$2,708.9	\$2,706.9
Non-GAAP Operating Earnings (\$millions)	\$115.0	\$127.7
Utility	\$96.0	\$102.7
Non-utility	\$19.0	\$25.0
Capitalization (\$millions)	\$1,774.4	\$1,687.7
Shares Outstanding	50.8 million	50.4 million
Dividend Yield	4.0%	4.4%
Return on Average Common Equity (GAAP)	9.8%	11.2%

# WGL Holdings Overview

## Business

## Markets



**Washington Gas**

Regulated natural gas utility


Washington, DC  
Maryland  
Virginia



**Washington Gas Energy Services**  
*A Washington Gas Affiliated Company*

Sells natural gas and electricity to commercial and residential customers

Washington, DC  
Maryland  
Virginia  
Delaware  
Pennsylvania



**Washington Gas Energy Systems**  
*A Washington Gas Affiliated Company*

Provides design-build solutions to government and commercial clients

Washington, DC  
Maryland  
Virginia

**Capitol Energy Ventures**  
(wholesale energy)

**WGSW, Inc.**  
(solar investments)

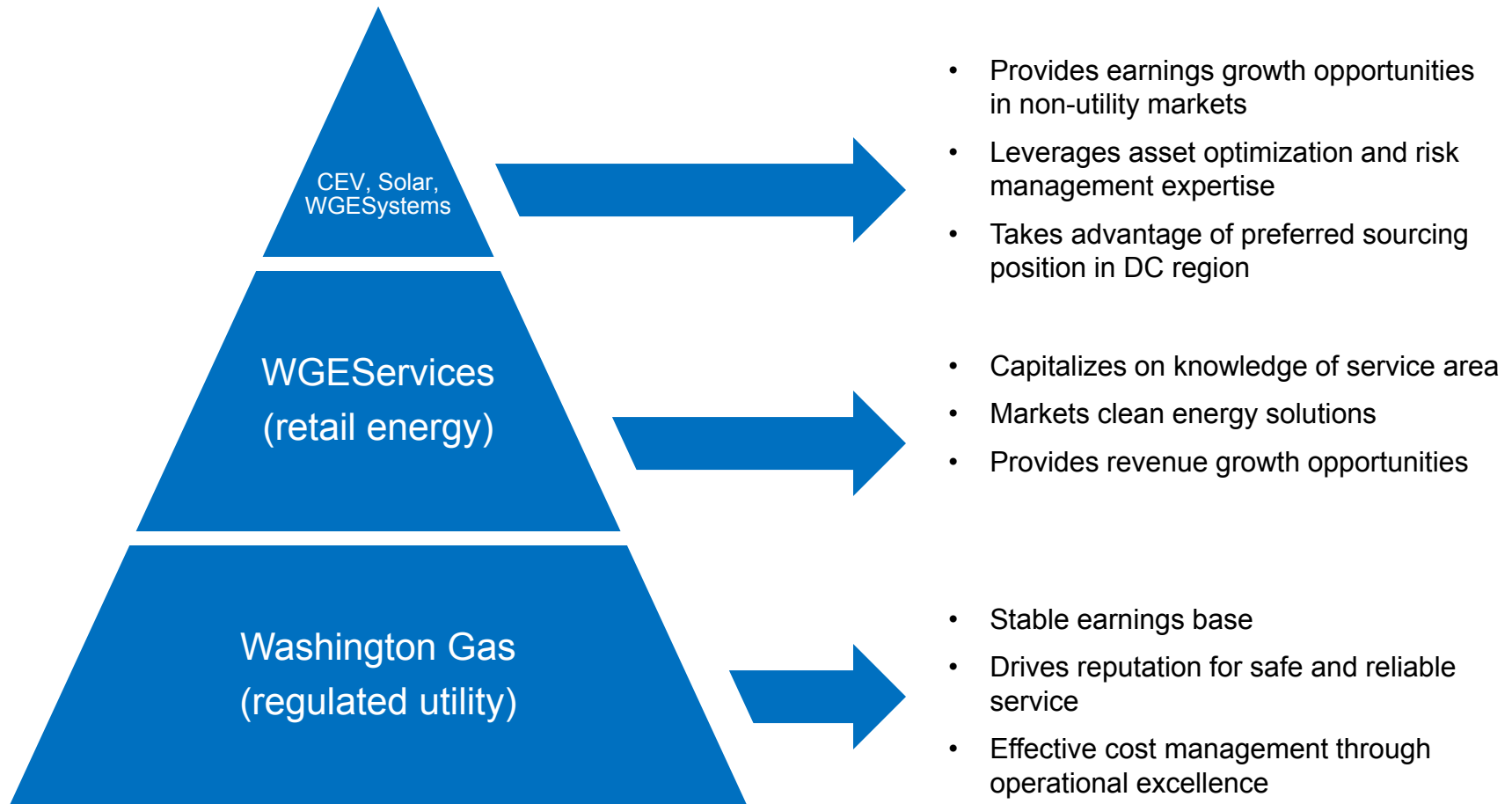
Acquires and optimizes natural gas storage & transportation assets

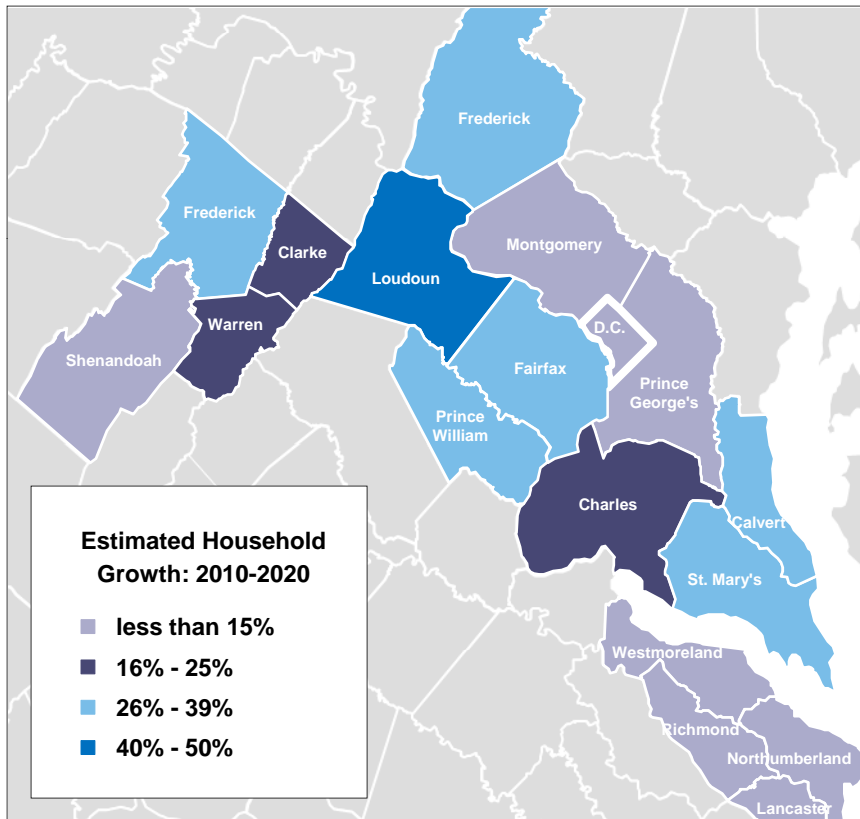
Invests in solar power generating facilities

National

# Each business plays a role in our strategy

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Source: Woods & Poole Economics - based on US Census data

## The Greater Washington, DC Metropolitan Area

- 5th largest regional economy in the US
- 1st nationally in net new job growth over the last decade
- Unemployment rate consistently below national average
- Nation's most-educated workforce
- Highest median household income in US
- Regulatory diversity (service territory split VA 42%, MD 42% and DC 16%)

Source: Greater Washington Board of Trade



**Washington  
Gas**

## Utility Growth

### Rate Cases:

Virginia Filing **\$28.5M<sup>1</sup>**

Maryland Filing **\$30.0M**

### Customer Growth:

Expected Customer Growth **1%**, New Business Projects **\$55M/yr**

### Infrastructure Expenditures:

DC Pipe Replacement  
**\$28M**

VA SAVE Program  
**\$116.5M**

MD Rate Case Proposal  
**\$115M**

New Operations Building **\$74M**

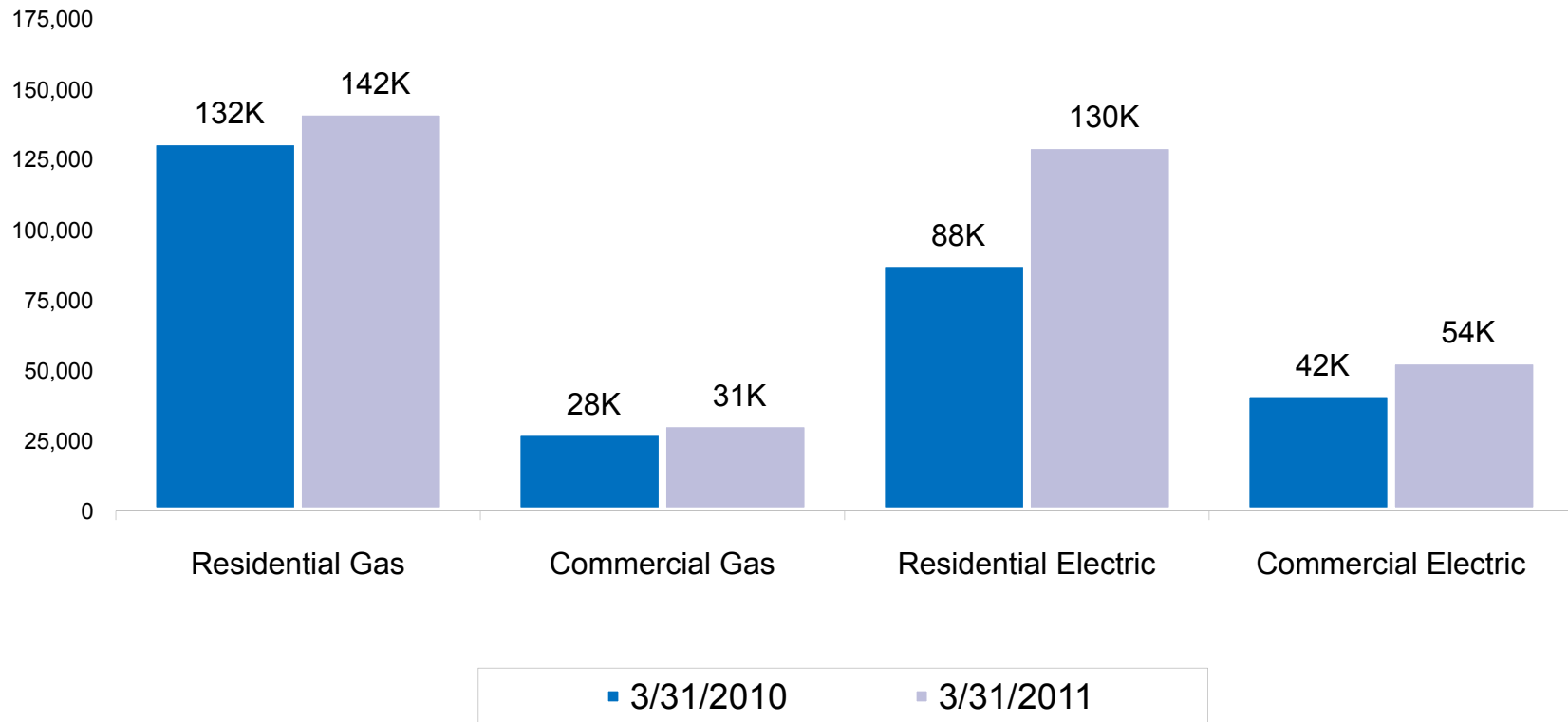
LNG Peaking Plant **\$159M**

<sup>1</sup> Reflects updated depreciation study filed in May 2011. Original request was \$29.6M



# WGES Customer Growth

**Number of Accounts at 3/31/10 and 3/31/11**  
(DC, DE, MD, PA, VA)





**Washington Gas  
Energy Services**

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## **WGES Pennsylvania Expansion**

**WGES entered the Pennsylvania electric market in 2010 and is positioning itself to sell in most of the state's electric and gas markets**

- Electric sales are currently being made in the PPL, PECO, MET, and PNL electric territories
  - Nearly 700,000 MWH per year of commercial load under contract
  - About 12,000 residential accounts under contract
- WGES is licensed to sell electricity in 8 utility territories
- WGES is licensed to sell natural gas in 5 utility territories

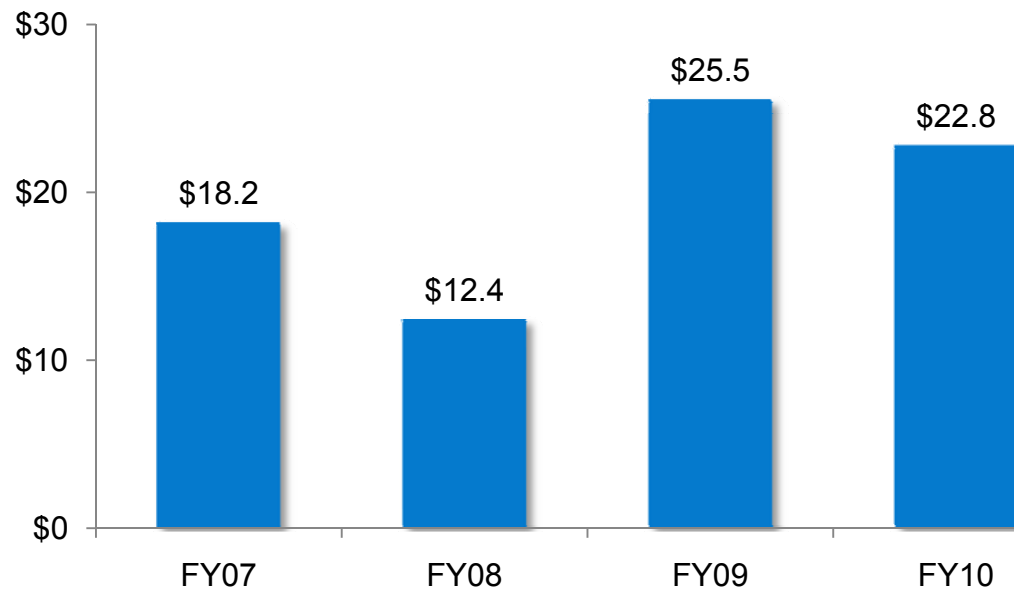




# Retail Energy Marketing

## Operating Earnings & Gross Margins

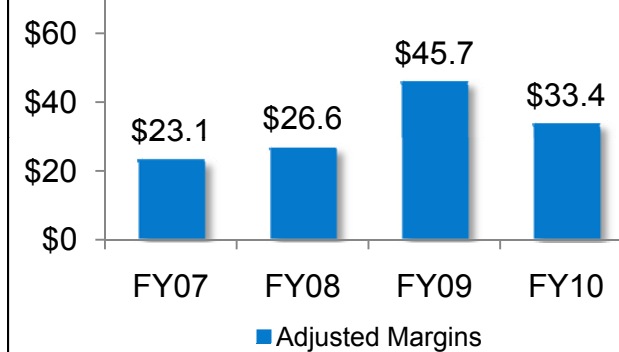
### Non-GAAP Operating Earnings (\$M)



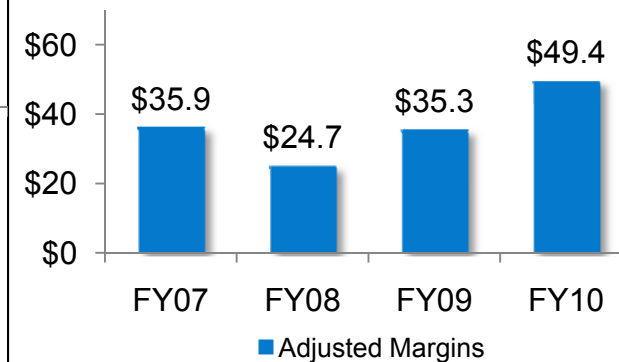
Note: FY08 and FY09 operating earnings were affected by a timing difference for recording withdraws of storage inventory. This "storage effect" resulted in approximately \$3.1 million of earnings for natural gas margins pushed from FY08 into FY09 and approximately \$3.5 million moved into FY09 from FY10.

See Appendix for Calculations of Non-GAAP Operating Earnings and Adjusted Gross Margins

### Natural Gas Margins (\$M)



### Electric Margins (\$M)





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# Washington Gas Energy Systems

**Washington Gas Energy Systems provides design-build solutions to government and commercial clients**

Recent projects include:

- National Institutes of Health: phased upgrade of building automation system
- Department of Interior: multi-year contract to replace 4,400 historic windows
- Bureau of Engraving and Printing: replacement of cooling tower
- Bethesda National Naval Medical Center: energy efficiency improvements



# Other Non-Utility

# American Solar Direct

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- \$50 million solar system investment agreement with California-based residential solar system installer, American Solar Direct Inc. (ASDI)
- \$5 million equity investment in parent company, American Solar Direct Holdings Inc. (ASDHI)
- ASDI responsible for marketing and installing residential solar systems
- Partnership will own and maintain the systems, receiving customers' monthly lease payments as well as federal and state incentives



## Capitol Energy Ventures (CEV)

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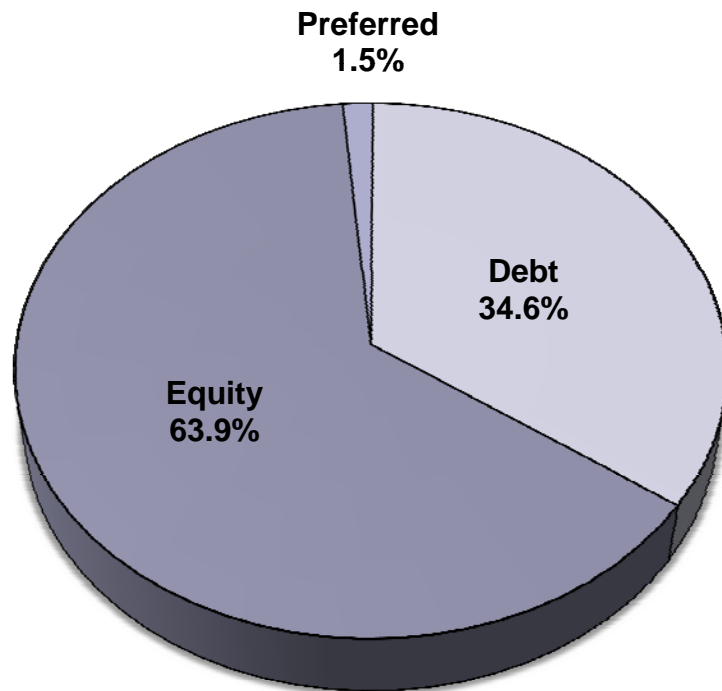
### Capitol Energy Ventures

- Establishing long-term position
  - 20+ year storage contracts
  - 3.0 Bcf currently under contract
  - Additional long-term opportunities being pursued
- Enhancing long-term position with Asset Management Arrangements
  - 13 Bcf storage under management
  - 550,000 Dth / day transportation under management




# Strong Balance Sheet and Top-Tier Credit Ratings

## Total Capitalization (Four Quarter Average Ending March 31, 2011)

Includes current maturities, excludes short-term debt



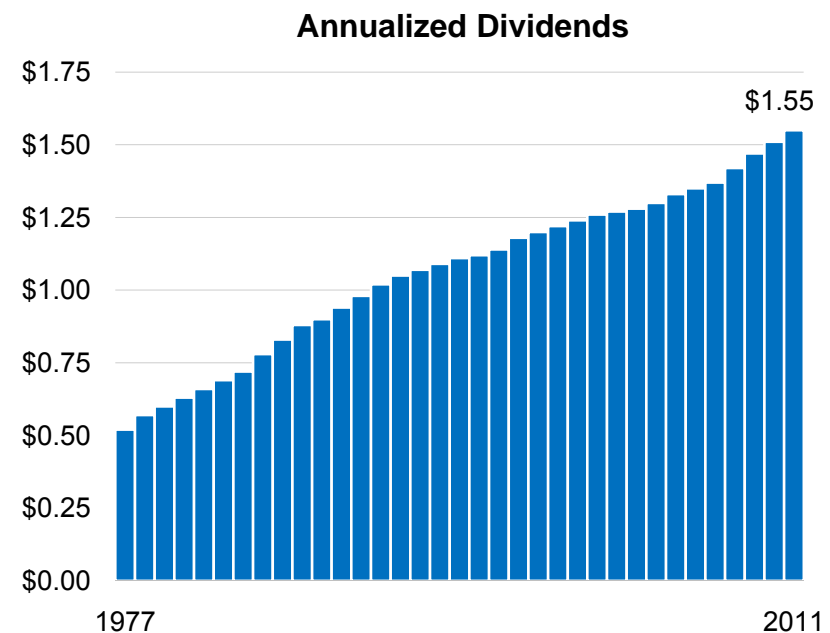
## Credit Ratings for Medium-Term Notes

	<i>WGL</i> Holdings, Inc	 Washington Gas
	<b>A+</b>	<b>A+</b>
	Not Rated	<b>A2</b>
FitchRatings	<b>A+</b>	<b>AA-</b>

# Rewarding Investors with Growing & Reliable Income Stream

**\$0.04 per share increase in annual dividend on March 3, 2011**

- Sustainable EPS outlook
- Target 65% consolidated payout ratio
- Competitive with peer yields
- Increased dividend 35 consecutive years
- Paid dividend for 160 consecutive years



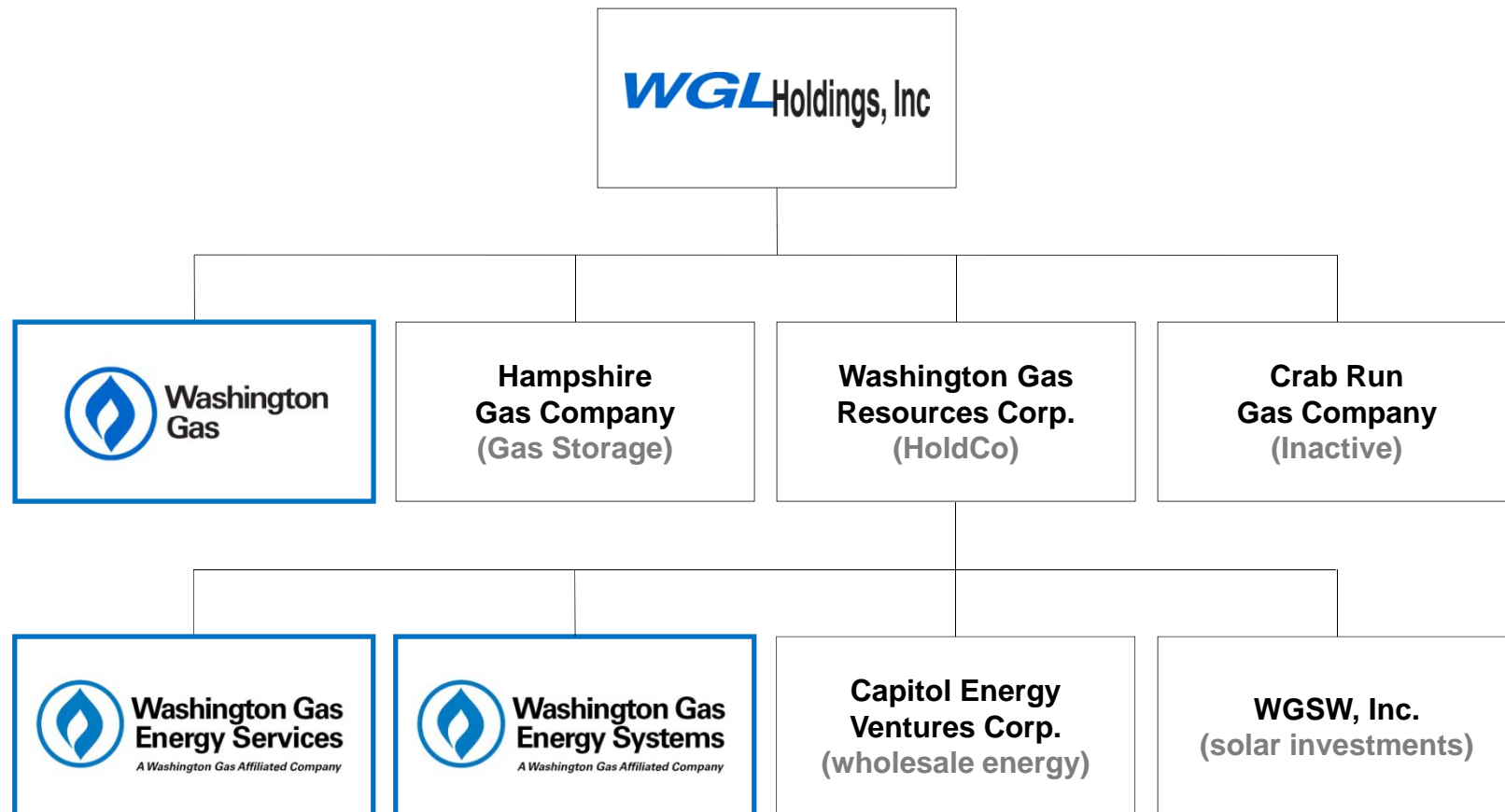
# Attractive Investment Credentials

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- High-growth service territory
- Strong, operationally efficient utility operations
- Profitable non-utility businesses
- Strong balance sheet and top-tier credit ratings
- Thirty-five consecutive years of dividend increases

# Appendix

# WGL Holdings Corporate Structure



# Regulatory Strategy

	DC	MD	VA
Infrastructure investment program	✓	Rate Case	✓
Recovery of hexane costs	✓	✓	✓
Carrying costs on gas storage balances	✓	✓	✓
Carrying costs on over/under collected gas costs	✓	---	✓
Gas cost uncollectibles	✓	✓	✓
Bill Normalization (RNA/WNA)	---	RNA	RNA/WNA

# Virginia Rate Case

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**Case Number: PUE-2010-00139**

Case filed January 31, 2011

\$28.5 million revenue increase request<sup>1</sup>

8.58% Rate of Return and 10.5% Return on Equity

Test year: 12 months ended September 30, 2010

Rates effective (subject to refund): October 2011

Expected Final Decision: 1st Quarter Calendar 2012



<sup>1</sup> Reflects updated depreciation study filed in May 2011. Original request was \$29.6M

# Maryland Rate Case

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**Case Number: 9267**

Case filed April 15, 2011

\$30.0 million revenue increase request

8.59% Rate of Return and 10.45% Return on Equity

Test year: 12 months ended December 31, 2010

Expected rates effective: November 2011



# Rate Case Filings

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## Virginia

Date	ROR	ROE	Equity	LT Debt	ST Debt	Preferred	Other <sup>1</sup>
9/19/07 Order	8.41%	10.00%	55.70%	39.02%	2.70%	1.77%	0.81%
1/31/11 Filing	8.58%	10.50%	57.86%	38.21%	1.73%	1.62%	0.58%

## Maryland

Date	ROR	ROE	Equity	LT Debt	ST Debt	Preferred	Other
11/16/07 Order	8.20%	10.00%	53.02%	37.95%	7.34%	1.69%	N/A
4/15/11 Filing	8.59%	10.45%	58.22%	39.14%	1.04%	1.60%	N/A

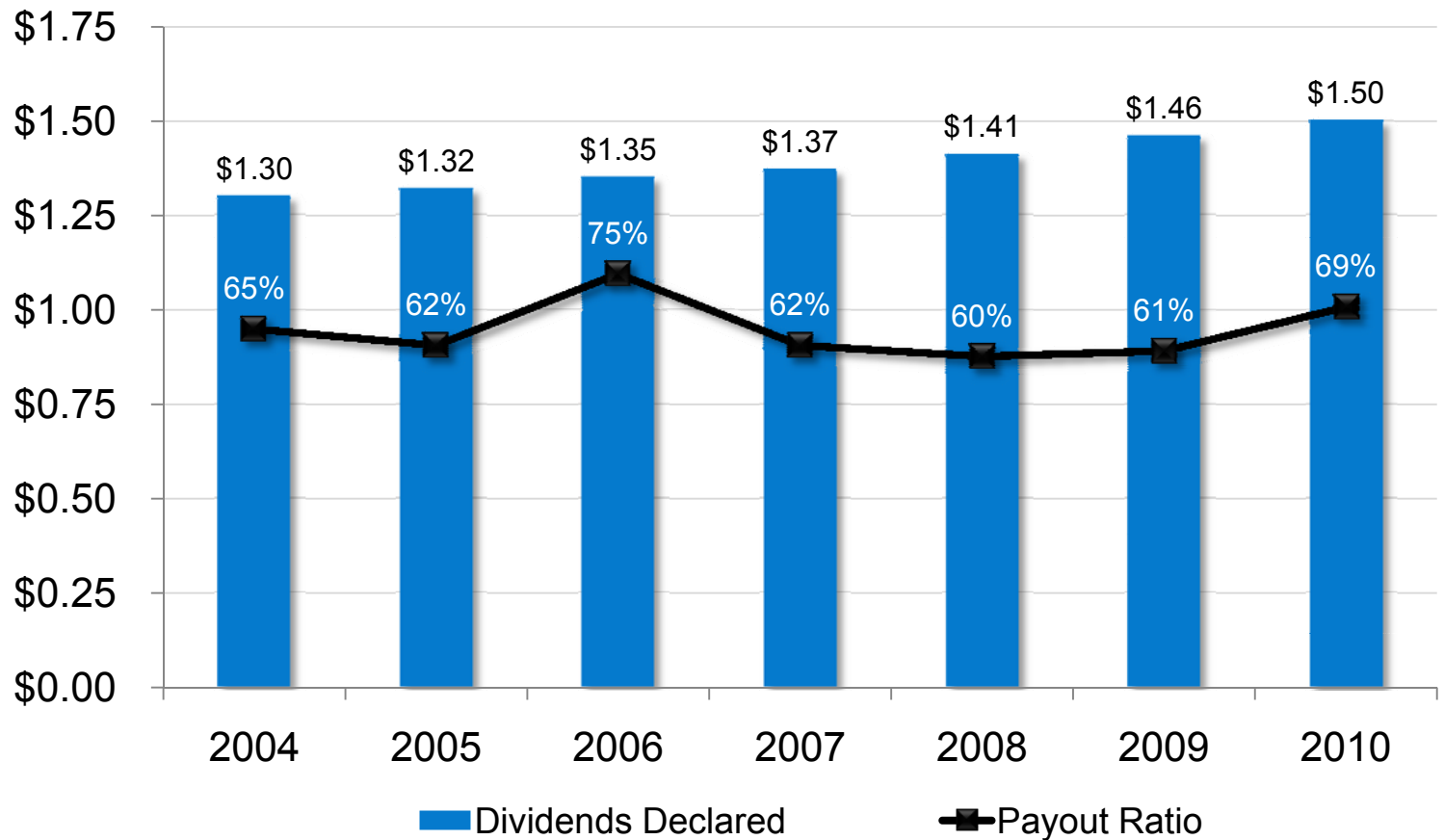
<sup>1</sup> Job Development Tax Credits

# Projected Capital Expenditures

Projected Capital Expenditures						
Year Ending September 30,						
(in millions)	2011	2012	2013	2014	2015	Total
New business	\$ 50.5	\$ 55.4	\$ 51.7	\$ 53.3	\$ 59.3	\$ 270.2
Replacements - Other	66.6	70.9	68.2	65.6	71.0	342.3
LNG storage facility	0.4	18.7	66.2	39.2	31.5	156.0
SOC redevelopment project	46.7	21.6	-	-	-	68.3
Other <sup>(a)</sup>	98.4	92.5	72.0	38.8	34.7	336.4
<b>Total-accrual basis</b>	<b>\$ 262.6</b>	<b>\$ 259.1</b>	<b>\$ 258.1</b>	<b>\$ 196.9</b>	<b>\$ 196.5</b>	<b>\$ 1,173.2</b>

<sup>(a)</sup> Excludes Allowance for Funds Used During Construction. Includes capital expenditures accrued and capital expenditure adjustments recorded in the fiscal year and amounts for expansion of solar investments and other non-utility projects.

# Sustainable Payout Ratio



Payout ratio reflects both utility and nonutility contribution



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# Washington Gas Energy Services

## Adjusted Gross Margins

### WGEServices Calculations of Adjusted Gross Margins

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
Operating Revenues	\$ 1,138,440	\$ 1,062,692	\$ 1,192,022	\$ 1,390,469
Less: Cost of energy related sales	1,071,563	1,023,297	1,127,409	1,324,003
Revenue taxes	753	548	1,074	3,207
<b>Gross margins</b>	<b>\$ 66,124</b>	<b>\$ 38,847</b>	<b>\$ 63,539</b>	<b>\$ 63,259</b>
Adjustment:				
Unrealized (gains) losses on energy-related derivatives	(7,073)	12,529	19,428	19,627
Reversal of prior period electric costs			(2,033)	
<b>Adjusted gross margins</b>	<b>\$ 59,051</b>	<b>\$ 51,376</b>	<b>\$ 80,934</b>	<b>\$ 82,886</b>
Natural gas gross margins	\$ 21,680	\$ 24,941	\$ 46,008	\$ 17,586
Adjustment:				
Unrealized (gains) losses on energy-related derivatives	1,431	1,706	(329)	15,851
<b>Adjusted natural gas gross margins</b>	<b>\$ 23,111</b>	<b>\$ 26,647</b>	<b>\$ 45,679</b>	<b>\$ 33,437</b>
Electric gross margins	\$ 44,444	\$ 13,906	\$ 17,551	\$ 45,662
Adjustment:				
Unrealized (gains) losses on energy-related derivatives	(8,504)	10,823	19,757	3,776
Reversal of prior period electric costs			(2,033)	
<b>Adjusted electric gross margins</b>	<b>\$ 35,940</b>	<b>\$ 24,729</b>	<b>\$ 35,275</b>	<b>\$ 49,438</b>



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# Washington Gas Energy Services

Reconciliation of GAAP Net Income to Non-GAAP Operating Earnings

**WGEServices**  
**Reconciliation of GAAP Net Income to Non-GAAP Operating Earnings**

	<u>FY07</u>	<u>FY08</u>	<u>FY09</u>	<u>FY10</u>
GAAP net income	\$ 22,426	\$ 4,813	\$ 14,975	\$ 11,124
Non-GAAP adjustments:				
Energy-marketing reversal of fee expense	-	-	-	-
Reversal of prior period electric costs	-	-	(1,229)	-
Unrealized (gains) losses on energy-related derivatives	(4,268)	7,594	11,776	11,719
<b>Non-GAAP operating earnings</b>	<b>\$ 18,158</b>	<b>\$ 12,407</b>	<b>\$ 25,522</b>	<b>\$ 22,843</b>