



WGL

ENERGY ANSWERS.
ASK US.

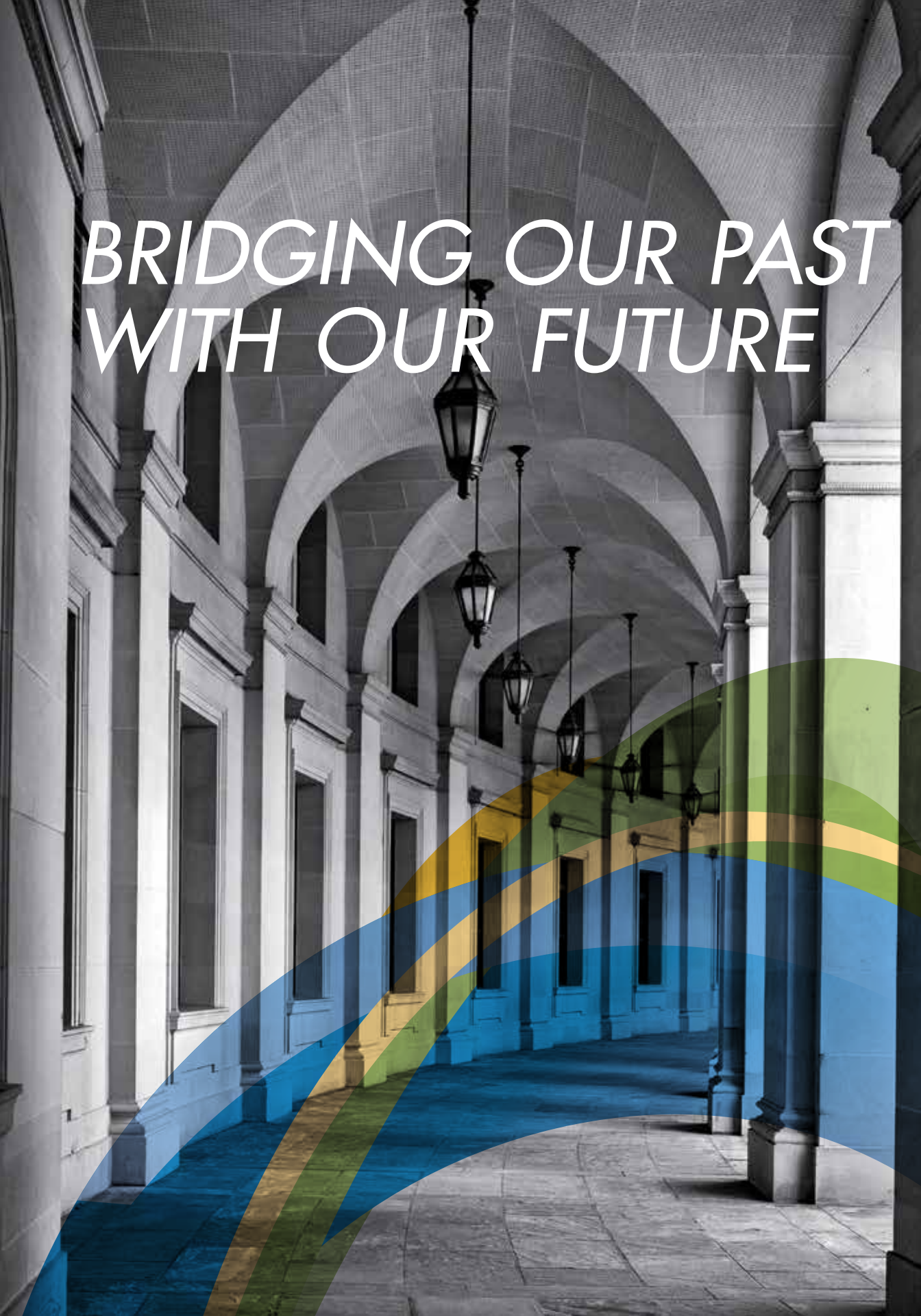
2014 Corporate Performance Report





*BRINGING LIGHT
TO OUR CAPITOL
SINCE 1848*

BRIDGING OUR PAST WITH OUR FUTURE



ENERGY IMPACTS everything we do, our daily lives, our businesses and our communities. Energy can sometimes be complex and we know that our customers need answers that help them make smart choices and stay on top of the constantly evolving energy technology, projects and resources. At WGL, our energy expertise is founded on a 166-year history that provides us with unrivaled experience, now fortified by our diverse energy and service offerings and our ability to put technology and data to work for you.

In this 2014 Corporate Performance Report, we will show you how WGL is the source for *anyone* in need of answers about energy and power. Our diversity of offerings across the energy spectrum allows us to provide the best answers for your questions, issues and needs, whether they are simple or highly complex. Whether you are a homeowner or renter, a small or large business or even a local, state or Federal agency, WGL is here and ready to make energy easy and provide **Energy Answers. Ask Us.**

In 2013, we rebranded our company as WGL, bringing all our diverse business segments under one roof to achieve our goal of being a new kind of energy company: answer-oriented, technology and data driven, responsive and built for the complex energy markets of today and tomorrow. In 2014, we continued transforming our company with the expansion of our solar and distributed generation capabilities, the introduction of new technology tools, platforms and experts that provide our customers with the answers they need to their energy questions, and a focus on partnering with our customers to make energy choices simpler. When customers come to us with questions, we are ready with answers.

We believe that our success comes from helping people understand the importance of energy and how it can be an asset that energizes their lives through the successful delivery of smart, integrated services. Armed with this information, our customers can begin to see all of the opportunities—such as potential cost savings, a path to using wind or solar, or using data to better understand future energy use—that come from partnering with a diversified company like WGL.

The many elements of our business provide WGL with the ability to invest in the future of energy and introduce innovative services and products to our customers. This in turn makes us a stronger competitor and positions WGL for continued profitable growth.

We are already beginning to see the impact of this transformation in our financial results. In 2014, we delivered record non-GAAP operating earnings of \$139.0 million, or \$2.68 per share, a 16% improvement over 2013 and the highest level achieved in WGL's 166-year history.

- Our utility segment also achieved record non-GAAP operating earnings for the year of \$129.3 million, or \$2.50 per share, an increase of \$29.5 million, or \$0.57 per share. These results were driven by customer growth, new base rates in the District of Columbia and Maryland, timely rate recovery related to our accelerated pipeline replacement program and strong contributions from our asset optimization program.
- Our midstream energy services segment also reported record non-GAAP operating earnings of \$3.9 million, reflecting higher margins on physical and financial transactions. Through storage and transportation assets and pipeline investments, this business is helping us to meet increasing energy demand and provide more business and residential customers with the benefits of safe and reliable natural gas.
- Our commercial energy systems segment reported strong non-GAAP operating earnings of \$8.0 million, a \$5.0 million increase over the prior year. We anticipate continued growth thanks to strong interest by the large commercial and government sectors in our energy solutions.
- We continued to provide investors with a growing dividend stream, increasing the dividend by 5% this year. This represents our 38th consecutive year of dividend increases in our 165-year dividend payment history.
- We maintained top tier credit ratings and kept on track for our long-term earnings growth of 5% to 7%.

Through the pages that follow, we will highlight these accomplishments and others that align with our core values of diversity, innovation, service, sustainability and performance. These values fuel our success and our vision to be the preferred source of clean and efficient energy solutions that produce value for customers, investors and communities.



Our diversity of offerings allows us to provide the best answers for your questions, issues and needs."

At WGL, we believe in diversity in our markets, our offerings and solutions, our operations and our people. WGL is recognized as one of the best companies for diversity in our employee base, our management team, our board of directors and our suppliers.

Because diversity is a cornerstone of being the Energy Answers company, we are well equipped to answer complex questions about energy options and to help our customers find solutions that benefit their bottom line. We provide all different types of customers with a diverse portfolio of energy solutions that includes natural gas, power, renewable energy platforms such as wind and solar, and support of future innovations like resilient, reliable distributed generation and micro-grid projects. Our businesses include:

- **Distribution:** the safe and reliable delivery of clean and efficient natural gas to residential, commercial and industrial customers. WGL's distribution business includes Washington Gas, our natural gas utility and core enterprise, which currently serves more than 1.1 million customers in the District of Columbia, Maryland and Virginia. Through Hampshire Gas and other transportation, storage and peaking assets, we meet the heating demands of our Washington Gas customers through the coldest winter months.
- **Distributed Generation:** the design, build, operation and ownership of on-site energy systems including solar, hybrid, fuel cell and other clean technologies. Our commercial energy systems segment, WGL Energy Systems, focuses on delivering efficient, environmentally sound and cost-effective solutions to government, institutional, commercial and residential customers across the nation.
- **Retail Supply:** the marketing and sale of natural gas and electricity to customers in competitive energy markets. The growth of competitive retail markets also fuels the future for distributed generation opportunities. WGL Energy Services is recognized as a leader in the Mid-Atlantic retail supply market, particularly with respect to green energy offerings.
- **Midstream:** the ownership and optimization of natural gas storage and transportation assets. Capitalizing on the expanding demand for natural gas, WGL Midstream manages a portfolio of natural gas storage and pipeline assets, and increases efficient access to supply for wholesale customers.

Through these diverse solutions, we provide answers to a wide array of energy customers across the nation:

- Whether you're a Fortune 500 company or government agency choosing an energy provider or a homeowner debating among several options for energy answers, **Ask Us.**
- Across the United States, from Massachusetts to Hawaii, from Minnesota to Texas, and in our longest standing service territory in the Mid-Atlantic, **Ask Us.**



**INNOVATION
DRIVES OUR
PERFORMANCE**

- Whether you are looking for natural gas, electricity or green power, **Ask Us.**
- If you are ready to think about energy as an asset, for your budget, for your sustainability goals or to open up new opportunities, **Ask Us.**

As a company with a diverse portfolio of energy solutions, clients who have unique needs and access to the industry's leading technology, WGL is able to deliver innovative answers in real time and to any customer. With these resources, we develop strategic solutions for customers who are seeking fresh ideas to lowering costs, increasing performance and getting more value out of energy. As a company, our innovative and data-forward thinking also ensures that we meet our obligations to regulatory authorities and our commitment to make a better, cleaner and safer world. Our tools, platforms and experts are backed by the right combination of technology and customer service resources you can trust to create an efficient and cost-saving home, business or large-scale project.



Our tools, platforms and experts are backed by technology and customer service resources you can trust."

We continue to expand our portfolio of distributed generation assets. In total, we now have 100 megawatts (MWs) of distributed generation installed or under contract across 15 states and the District of Columbia. We closed on agreements totaling 20 MWs in the fourth quarter alone, and we are continuing this momentum in FY15. In Minnesota, we're one of the first distributed generation asset owners to group together a portfolio of small commercial projects. Customers benefit with efficiency and savings, as well as from the projects using Minnesota-made system components.

In March, we announced a 2.6 MW fuel cell project that will provide clean and efficient energy to Santa Clara County, Ca., through our continued partnership with Bloom Energy. Bloom Energy's solid oxide fuel cell technology generates electricity through a highly efficient electrochemical process to provide clean, on-site energy. Building on our success in California, we continue to partner with Bloom Energy in other areas of the country as we expand our diversified energy portfolio.

We have established a unique investment model that makes solar power accessible to businesses, municipalities, residents and school systems, allowing them to reduce their carbon footprint and energy expenses at no upfront cost. We work with partners such as Bloom Energy and Sol Systems to make it easy for organizations to set up distributed generation projects.



*SERVICE IS
OUR CALLING*

Our commitment to bringing innovative, renewable energy to organizations across the country is unwavering.

We are also proud to announce that WGL Energy Services recently secured a landmark contract to provide power to the vast majority of Federal departments and agencies in the District of Columbia and all Federal buildings in Maryland, as well as an additional contract to supply natural gas to more than 140 state accounts in Delaware. These agreements are examples of our ability to deliver a comprehensive set of energy solutions to customers, and will bring significant savings to the government agencies and American taxpayers.

In February, WGL Midstream announced a \$410 million investment in Transcontinental Gas Pipe Line Company's (Transco) Atlantic Sunrise project. We will co-own with Transco and other partners the Central Penn Line, a 177-mile natural gas pipeline designed with capacity to transport and deliver up to 1.7 million dekatherms (dths) per day of natural gas. We are also optimistic that Transco's Constitution Pipeline project, in which we announced a significant investment last year, will begin construction in early 2015 and be ready to deliver gas to New York by winter 2015 or 2016.

In December, WGL Midstream entered into a long-term relationship with Gas Authority of India Limited (GAIL) Global, a subsidiary of GAIL India, to sell up to 430,000 dths per day of natural gas for a term of approximately 20 years. This unique partnership, our first supply relationship with an overseas customer, will provide WGL with a predictable, low-risk, long-term earnings stream that efficiently maximizes our domestic natural gas supply without a capital investment. This partnership exemplifies our corporate vision and our broader strategy to build a growing, long-term earnings stream consisting of efficient, customized energy solutions.



We deliver value by becoming trusted partners with our customers."

In 2015, we are looking forward to rolling out an online energy management platform for our commercial customers to help manage their electricity and natural gas accounts, implement energy efficiency measures and get the answers they need to their energy questions.

Together, these services and investments represent our innovation in the marketplace, serving the energy needs of customers when, where and how they need it.


ANSWER ORIENTED

Service is a cornerstone of our transformation into the Energy Answers company. We are delivering value through becoming not merely providers, but trusted partners with our customers and making energy easy for you. Whether it's about a line item on your bill, finding ways to increase energy efficiencies for your business or helping you meet carbon reduction goals, we will draw upon our innovation and technology expertise to partner with you and leverage the full energy spectrum to find the best answers.

2014 was a great year for growing the number of customers we serve. Our regulated utility added more than 13,000 active customer meters during the year, which is the highest number of new customer additions since 2007.

One example of this growth through partnership is in the Petershp district of Maryland. We began providing safe and reliable natural gas service to this area in July as part of a planned 10-year build out that will provide service to approximately 1,505 mixed-use units that include residential and commercial customers. The project is the culmination of a five-year collaboration between Washington Gas, Pleasants Development Company and local municipal leaders. Not only are we improving the quality of life for current and future businesses and residents, but together, we and our partners in the community are acting as good stewards of the environment.





"We listen, we understand and we respond. They are three simple concepts, but they are the core of a strong and positive customer experience. As we build strong relationships with our customers, we become their partners in Energy Answers."

—STEPHANIE P. JACKSON
MANAGER, CUSTOMER CARE
WASHINGTON GAS EMPLOYEE FOR 34 YEARS



*BUILDING A
SUSTAINABLE
FUTURE*

Providing great service means measuring the quality of that service. Washington Gas was recognized as the best at serving business customers across all utilities in the U.S. Eastern region according to the 2014 J.D. Power Gas Utility Business Customer Satisfaction Study. Washington Gas' overall customer satisfaction index score increased 50 points this year and was 31 points above the regional average. J.D. Power also recognized WGL Energy Services as the highest rated company among Maryland competitive electricity suppliers in residential customer satisfaction.

Our goal is to achieve satisfaction rates over 90% in coming years. We've introduced new tools, including our intranet, WGL OneSite, which will make it easy for employees to provide customers with answers to their energy questions. We are also using OneSite to bring employees together as one team to make energy surprisingly easy.

Finally, we achieve better service through close partnerships with legislators and regulators. Our regulators in the District of Columbia, Maryland and Virginia have supported our efforts to provide our customers with safe and reliable natural gas service by reducing risk and enhancing safety through replacing aging infrastructure in the natural gas distribution system. This regulatory support includes approval of our accelerated pipe replacement plans, which are designed to expedite the replacement of targeted facilities, while also helping to reduce greenhouse gas emissions. All three jurisdictions have a surcharge in place for current recovery of accelerated replacement costs. Our Virginia plan is in its fourth year of implementation and our Maryland plan was approved this year. The District of Columbia Public Service Commission this year agreed to implement the first five years of a multi-year accelerated replacement plan.



Sustainability means clean energy and also supporting and contributing to the communities in which we live."

As we partner with our customers, suppliers, governments and communities, we recognize that clean and sustainable energy is a top priority. WGL has been a green power leader since 2002, when we supported one of the first wind farms in the PJM grid, which includes electricity transmission across all or parts of 13 states and the District of Columbia. Today, we maintain our leadership by working to provide green power throughout the Mid-Atlantic region and offering a suite of Green-e® Energy certified local and national wind power products.



*PERFORMANCE IS
OUR PROMISE*

As of September 30, our customers are enjoying the benefits of more than 60 MWs of installed solar capacity and 3.4 MWs of installed fuel-cell capacity. We have an additional 40 MWs of distributed generation currently under contract or in construction and we continue to see robust opportunities for future distributed generation projects. During FY14, our commercial distributed generation assets generated over 85,000 MW hours of clean electricity. Among our 2014 projects:

- We worked with the town of Marshfield, Mass., to implement its 4 MW solar array, bringing our total of solar projects in the state to six. The system is expected to produce more than 5,000 MW hours of clean energy each year, which is equivalent to the total annual electrical usage of approximately 485 average single-family homes. The array will help power Marshfield municipal buildings and schools.
- We signed an agreement to participate in the second round of the Advanced Solar Initiative Program in Georgia. WGL Energy Systems will own and operate these solar projects, which total 9.5 MWs of installed capacity, under a 20-year purchase power agreement.
- We partnered with Sol Systems to help Presbyterian Senior Living bring online a 1,230-kilowatt (kW) solar array at Glen Meadows Retirement Community in Glen Arm, Md. It is expected to generate approximately 1,680 MW hours of solar energy per year, reducing greenhouse gas emissions equivalent to taking 244 cars off the road each year. WGL now owns and operates approximately 17 MWs in 14 solar projects throughout the state of Maryland.

In total, our solar assets helped reduce greenhouse gas emissions by more than 50,000 metric tons this year, the equivalent of 2.1 million gallons of gasoline or saving almost 50,000 trees. Since 2003, our customers have purchased approximately 4 billion kW hours of wind power, and they can now opt to green their entire energy supply by choosing wind power and carbon offsets.

We are making strong progress toward our goals of a 70% reduction in greenhouse gas emissions from our fleet and facilities operations by 2020, and an 18% reduction from our gas delivery system over the same period. We have achieved significant benefits in our internal operations this year, including:

- A total of 183 natural gas vehicles in the Washington Gas fleet, helping to reduce our fleet's greenhouse gas emissions by 21% below 2008 baseline levels.
- A Reduce the Commute program for employees that avoided more than 200,000 commuter miles by teleworking and flexworking in 2014. Since we launched this program in 2010, more than 800,000 commuter miles and at least 325 metric tons of CO₂ have been avoided.
- Strong progress in our pipeline replacement programs, which also enhances service reliability.

The U.S. Environmental Protection Agency has recognized WGL Energy Services with its 2014 Green Power Leadership Award. The annual award honors the country's leading green power suppliers for efforts to grow and advance the nation's voluntary green power market.

Sustainability goes beyond clean energy; it means supporting and contributing to the communities in which we live. Our employees are dedicated community ambassadors, volunteering more than 11,000 hours to those who need our help for the second consecutive year. Through high profile projects—such as our Day of Weatherization that covered the District of Columbia, Maryland, Virginia and West Virginia—to local blood drives and school uniform drives, our employees are recognized for their commitment. For example, the *Washington Business Journal (WBJ)* again ranked WGL as a top 25 company for volunteerism in the greater Washington, D.C., area in 2014. WGL also ranked in *WBJ's* top 25 for corporate giving, based on our contributions of more than \$860,000 to charities in the areas of health, education and the environment.

Our signature philanthropic program, the Washington Area Fuel Fund (WAFF), has been providing energy assistance for more than 30 years. Thanks to the generosity of our employees, customers and friends, since 1983 WAFF has provided more than \$23 million in energy assistance to more than 267,000 low-income residents in the Washington, D.C., area. In May, The Salvation Army recognized our company with one of its highest honors, the William Booth Award, for our continued efforts to provide heating assistance.

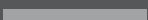
Our volunteer and philanthropic efforts have also been recognized by numerous other civic, charitable and community organizations.

We are proud of the dedication of our employees, who give tirelessly and selflessly to those in need. Their community service reflects a passion for making WGL a new kind of energy company: answer-oriented, responsive and built for the complex energy markets of today and tomorrow.



Beyond the balance sheet, we measure performance in how we meet daily operations and extraordinary circumstances."

Through our performance and the results we achieve, WGL helps customers begin to think of energy as an asset that powers opportunities. We deliver innovative and technology-driven answers that impact customers' bottom line, and ultimately, our own. We measure success by our ability to inspire and empower our employees, communities, customers and investors toward a better energy future.



At the outset of this report, we detailed many of WGL's financial performance achievements in FY14. Beyond the balance sheet, however, we measure performance in how we meet daily operations and extraordinary circumstances. Winter 2014 was a tough season for many of our customers, as the polar vortex dropped temperatures to record lows and drove demand for natural gas to record highs. During one 24-hour period in early January, Washington Gas met customer demand with a record delivery of 1.652 million dths of natural gas, a level 8,000 dths higher than the previous record set five years ago. Across the whole frigid month of January, seven days made the list of Washington Gas' *highest 25 ever* natural gas usage days. Our dedicated employees, supported by our reliable gas delivery system, continued to provide customers with seamless, safe and reliable gas service during these incredibly cold days.

Washington Gas continues to maintain an excellent record for system reliability, with more than 99.7% of our customers experiencing no outages throughout the year. To maintain this high standard for the future, we will continue our proactive and aggressive natural gas safety and damage prevention education with our partners and in the community.

WGL was founded with the purpose of improving the quality of people's lives. Now, 166 years later, we have changed the way we do business to make energy surprisingly easy for all of our customers and lead the nation's competitive energy marketplace. As your range of energy options continues to become more and more complex, we will work to provide easy answers, and we will challenge ourselves to always deliver new technologies, sustainable options and cost-effective solutions. Our tools, platforms and experts are backed by the right combination of resources you can trust for efficient and cost-saving projects. We endeavor to deliver complete, responsive and useful answers, whether it's about a line item on your bill or using data to increase energy efficiencies for your business. Our performance is matched by our ability to provide you with the right solution based on innovative **Energy Answers**. We look forward to answering your questions throughout the next 166 years. **Ask Us.**



Terry D. McCallister
Chairman and Chief Executive Officer



Adrian P. Chapman
President and Chief Operating Officer



ONE

COMPANY.



ENERGY

ANSWERS.

BOARD OF DIRECTORS

Terry D. McCallister⁽¹⁾

Chairman of the Board and Chief Executive Officer
WGL Holdings, Inc. and Washington Gas

Michael D. Barnes^(1, 4)

Senior Fellow
Center for International Policy

George P. Clancy, Jr.^(1, 2, 3)

Retired Executive Vice President
Chevy Chase Bank

James W. Dyke, Jr.^(3, 4)

Senior Advisor
McGuire Woods Consulting

Nancy C. Floyd⁽⁴⁾

Founder and Managing Director
Nth Power

Linda Gooden⁽²⁾

Retired Executive Vice President
Lockheed Martin Information Systems
& Global Solutions

James F. Lafond^(1, 3)

Retired Area Managing Partner
PricewaterhouseCoopers LLP

Debra L. Lee⁽²⁾

Chairman and Chief Executive Officer
BET Networks

Dale S. Rosenthal⁽²⁾

Division President
Clark Financial Services Group

WE REMEMBER



This year, WGL lost a close friend and valued member of our board of directors. Melvyn J. Estrin passed away on July 9, 2014. Mr. Estrin had been a board member of Washington Gas since 1991 and of WGL Holdings since its foundation in 2000. We are grateful for his years of wisdom and guidance, and we will miss his warmth and friendship. WGL offers our deepest condolences to Mr. Estrin's family.

COMMITTEE MEMBERSHIP

- (1) Executive
- (2) Audit
- (3) Human Resources
- (4) Governance

COMPANY OFFICERS

2014 CORPORATE PERFORMANCE REPORT



TERRY D. McCALLISTER
Chairman of the Board and
Chief Executive Officer
WGL Holdings, Inc.
and Washington Gas



ADRIAN P. CHAPMAN
President and
Chief Operating Officer
WGL Holdings, Inc.
and Washington Gas



VINCENT L. AMMANN, JR.
Senior Vice President and
Chief Financial Officer
WGL Holdings, Inc.
and Washington Gas



GAUTAM CHANDRA
Senior Vice President
WGL Holdings, Inc.
and Washington Gas



WILLIAM R. FORD
Vice President and
Chief Accounting Officer
WGL Holdings, Inc.
and Washington Gas



LUANNE S. GUTERMUTH
Senior Vice President and
Chief Human Resources Officer
WGL Holdings, Inc.
and Washington Gas



LOUIS J. HUTCHINSON, III
Vice President and
Chief Revenue Officer
WGL Holdings, Inc.
and Washington Gas



ANTHONY M. NEE
Vice President and Treasurer
WGL Holdings, Inc.
and Washington Gas



LESLIE T. THORNTON
Senior Vice President, General
Counsel and Corporate Secretary
WGL Holdings, Inc.
and Washington Gas



MARCELLO P. FRYE, JR.
Vice President
Washington Gas



MARK A. LOWE
Vice President
Washington Gas



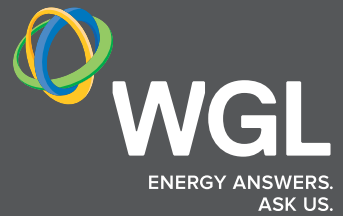
ROBERTA WILLIS SIMS
Vice President
Washington Gas



DOUGLAS A. STAEBLER
Senior Vice President
Washington Gas



TRACY L. TOWNSEND
Vice President
Washington Gas



101 Constitution Avenue, NW
Washington, D.C. 20080
wgl.com

Washington Gas
WGL Energy Services
WGL Energy Systems
Hampshire Gas
WGL Midstream

