

Washington Gas Light Company

Quarterly Financial Report

For the Quarter Ended September 30, 2021

Washington Gas Light Company

For the Quarter Ended September 30, 2021

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SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

Washington Gas Light Company (Washington Gas) is an indirect, wholly owned subsidiary of, among other entities, AltaGas Ltd. (AltaGas) and WGL Holdings, Inc (WGL). WGL is an indirect wholly owned subsidiary of AltaGas. Except where the content clearly indicates otherwise, any reference in this report to “Washington Gas,” “we,” “us,” “our” or “the Company” refers to Washington Gas Light Company. References to “WGL” refer to WGL Holdings, Inc. and all of its subsidiaries.

Certain matters discussed in this report, excluding historical information, 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, strategies, financing plans and other 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 terms such as “will,” “should,” “would” and “could.” Forward-looking statements speak only as of the posting date of this report, and the Company assumes no duty to update them. Factors that could cause actual results to differ materially from forward-looking statements or historical performance include those discussed in Item 1A. Risk Factors in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (Annual Report), and may include, but are not limited to the following:

- Impacts related to the COVID-19 global health pandemic;
- increasing levels of political insecurity and civil unrest that could threaten Company property and personnel; hazards involved in the storage, transportation, moving, and marketing of hydrocarbon products;
- leaks, mechanical problems, incidents, or other operational issues that could affect public safety and the reliability of Washington Gas’ distribution system;
- cyberattacks, including cyberterrorism, or other information technology security breaches or failures;
- the availability of natural gas supply or an inability to obtain an adequate supply of gas to satisfy present and future demands;
- challenges in securing the necessary transportation or storage capacity to deliver or acquire the volume of gas necessary to meet customer demands and future growth expectations;
- the outcome of new and existing matters before courts, regulators, government agencies or arbitrators;
- concerns involving climate change and the movement for carbon neutral energy sources;
- the extent to which we are allowed to recover from our customers, through the regulatory process, costs and expenses related to our operations and the ability of the Company to earn a reasonable rate of return on its invested capital;
- the inability to meet commitments under various orders and agreements associated with regulatory approvals for the 2018 merger between AltaGas and WGL (the Merger);
- the loss of certain administrative and management functions and services provided by AltaGas;
- changes in AltaGas’ strategy or relationship with Washington Gas that could affect our performance or operations;
- the ability to access capital and the costs at which Washington Gas is able to access capital and credit markets, including changes in the credit ratings of Washington Gas, WGL, and AltaGas;
- disruptions or decline in the local economy in which Washington Gas operates;
- the credit-worthiness of customers, suppliers and derivatives counterparties;
- changes in the value of derivative contracts and the availability of suitable derivative counterparties;
- rules implementing the derivatives transaction provisions of the Dodd-Frank Act may impose costs on our derivatives activities;
- failures of Washington Gas service providers that could negatively impact the Company’s business;
- acts of nature and catastrophic events, including terrorist acts;

- an inability to attract and retain key management and sufficiently skilled operational personnel;
- strikes or work stoppages by unionized employees;
- changes in the costs of providing retirement plan benefits;
- changes in energy commodity market conditions, including the relative prices of alternative forms of energy such as electricity, fuel oil and propane;
- physical and financial risks associated with climate change;
- unusual weather conditions and changes in natural gas consumption patterns;
- costs associated with certain legacy operations of Washington Gas and environmental remediation efforts;
- changes to government fiscal and trade policies;
- regulatory and financial risks related to pipeline safety legislation;
- changes to the tax code and our ability to quantify such changes and seek recovery for the manner in which corporate taxes are shared with customers and
- changes in accounting principles and the effect of accounting pronouncements issued periodically by accounting standard-setting bodies.

All such factors are difficult to predict accurately and are generally beyond the direct control of the Company. Readers are urged to use care and consider the risks, uncertainties and other factors that could affect the Company's business as described in this Quarterly Financial Report.

Washington Gas Light Company
Condensed Balance Sheets (Unaudited)
Financial Statements

<i>(In thousands)</i>	September 30, 2021	December 31, 2020
ASSETS		
Property, Plant and Equipment		
At original cost	\$ 6,640,588	\$ 6,363,392
Accumulated depreciation and amortization	(1,722,280)	(1,668,491)
Net property, plant and equipment	4,918,308	4,694,901
Current Assets		
Cash and cash equivalents	1	1
Receivables (net of allowance for doubtful accounts of \$27,700 and \$27,283, respectively)	210,439	339,759
Gas costs and other regulatory assets	4,983	31,376
Materials and supplies	20,985	20,389
Storage gas	115,032	70,582
Prepaid taxes	36,716	23,547
Other prepayments	14,761	30,980
Receivables from associated companies	14,359	128,254
Derivatives	5,839	5,049
Other	2,279	6,836
Total current assets	425,394	656,773
Deferred Charges and Other Assets		
Regulatory assets		
Gas costs	75,651	109,034
Pension and other post-retirement benefits	2,802	3,880
Other	91,739	99,793
Prepaid post-retirement benefits	439,617	433,319
Operating lease right of use asset	37,295	38,097
Derivatives	22,854	11,263
Other	18,414	22,637
Total deferred charges and other assets	688,372	718,023
Total Assets	\$ 6,032,074	\$ 6,069,697
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholder's equity	\$ 1,872,150	\$ 1,855,925
Long-term debt	1,548,372	1,547,202
Total capitalization	3,420,522	3,403,127
Current Liabilities		
Notes payable	212,939	184,953
Accounts payable and other accrued liabilities	241,505	292,454
Customer deposits and advance payments	38,835	38,743
Gas costs and other regulatory liabilities	17,690	72,197
Accrued taxes	17,768	26,637
Payables to associated companies	24,671	29,526
Operating lease liability	5,856	5,734
Derivatives	20,849	7,053
Other	5,788	6,543
Total current liabilities	585,901	663,840
Deferred Credits		
Deferred income taxes	718,820	656,876
Accrued pensions and benefits	61,099	65,276
Asset retirement obligations	218,837	212,161
Regulatory liabilities		
Accrued asset removal costs	228,628	239,259
Pension and other post-retirement benefits	249,868	262,411
Excess deferred taxes and other	356,998	376,975
Operating lease liability	49,573	50,894
Derivatives	82,778	88,559
Other	59,050	50,319
Total deferred credits	2,025,651	2,002,730
Commitments and Contingencies (Note 9)		
Total Capitalization and Liabilities	\$ 6,032,074	\$ 6,069,697

The accompanying notes are an integral part of these statements.

Washington Gas Light Company
Condensed Statements of Operations (Unaudited)
Financial Statements (continued)

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
OPERATING REVENUES	\$ 174,469	\$ 143,383	\$ 1,006,526	\$ 856,284
OPERATING EXPENSES				
Utility cost of gas	40,753	20,846	350,088	221,301
Operation and maintenance	102,143	94,175	298,449	291,885
Depreciation and amortization	37,220	36,298	110,798	108,485
General taxes and other assessments	27,384	27,992	114,780	110,006
Total Operating Expenses	207,500	179,311	874,115	731,677
OPERATING INCOME (LOSS)	(33,031)	(35,928)	132,411	124,607
Other income — net	10,698	4,070	29,914	16,419
Interest expense	16,640	16,088	48,557	49,011
INCOME (LOSS) BEFORE INCOME TAXES	(38,973)	(47,946)	113,768	92,015
INCOME TAX EXPENSE (BENEFIT)	(8,045)	(11,324)	23,534	15,477
NET INCOME (LOSS)	\$ (30,928)	\$ (36,622)	\$ 90,234	\$ 76,538

The accompanying notes are an integral part of these statements.

Washington Gas Light Company
Condensed Statements of Comprehensive Income (Unaudited)
Financial Statements (continued)

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
NET INCOME (LOSS)	\$ (30,928)	\$ (36,622)	\$ 90,234	\$ 76,538
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE INCOME TAXES				
Pension and other post-retirement benefit plans				
Change in prior service cost	(81)	(292)	(245)	(924)
Change in actuarial net gain	31	1,713	1,664	4,628
Total pension and other post-retirement benefit plans	\$ (50)	\$ 1,421	\$ 1,419	\$ 3,704
INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER COMPREHENSIVE INCOME (LOSS)	(7)	366	428	959
OTHER COMPREHENSIVE INCOME (LOSS)	\$ (43)	\$ 1,055	\$ 991	\$ 2,745
COMPREHENSIVE INCOME (LOSS)	\$ (30,971)	\$ (35,567)	\$ 91,225	\$ 79,283

The accompanying notes are an integral part of these statements.

Washington Gas Light Company
Condensed Statements of Cash Flows (Unaudited)
Financial Statements (continued)

<i>(In thousands)</i>	Nine Months Ended September 30,	
	2021	2020
OPERATING ACTIVITIES		
Net income	\$ 90,234	\$ 76,538
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	110,798	108,485
Amortization of:		
Other regulatory assets and liabilities — net	9,099	6,044
Debt related costs	717	1,072
Deferred income taxes — net	42,578	15,908
Accrued/deferred pension and other post-retirement benefit cost (benefit)	(20,119)	(6,758)
Compensation expense related to stock-based awards	7,510	2,156
Provision for doubtful accounts	11,959	11,101
Unrealized (gain) loss on derivative contracts	(5,133)	(5,501)
Other non-cash charges (credits) — net	1,413	(67)
Changes in operating assets and liabilities (Note 14)	113,813	53,708
Net Cash Provided by Operating Activities	362,869	262,686
FINANCING ACTIVITIES		
Capital contribution from parent	—	175,000
Notes payable issued (retired) — net	27,983	(129,524)
Dividends on common stock	(75,000)	(75,000)
Other financing activities — net	(372)	(10)
Net Cash Used in Financing Activities	(47,389)	(29,534)
INVESTING ACTIVITIES		
Capital expenditures	(322,412)	(265,060)
Net Cash Used in Investing Activities	(322,412)	(265,060)
INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
	(6,932)	(31,908)
Cash, Cash Equivalents, and Restricted Cash at Beginning of the Period	21,962	61,148
Cash, Cash equivalents and Restricted Cash at End of the Period	\$ 15,030	\$ 29,240
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (Note 14)		

The accompanying notes are an integral part of these statements.

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

Washington Gas is an indirect, wholly owned subsidiary of, among other entities, AltaGas and WGL. Wrangler SPE LLC (Wrangler), a bankruptcy remote, special purpose entity, directly owns the common stock of Washington Gas. Wrangler was formed for the purpose of “ring fencing” Washington Gas, that is removing Washington Gas from the bankruptcy estate of AltaGas and its affiliates in the event that any parent or affiliate entity becomes the subject of bankruptcy or insolvency proceedings. Wrangler is a wholly owned subsidiary of WGL and AltaGas.

The condensed financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP). Certain financial information and note disclosures accompanying annual financial statements are omitted in this interim report. The interim condensed financial statements and accompanying notes should be read in conjunction with the Annual Report. Due to the seasonal nature of our business, the results of operations for the periods presented in this report are not necessarily indicative of actual results for the full years ending December 31, 2021 and 2020.

The accompanying unaudited condensed financial statements for Washington Gas reflect all normal recurring adjustments that are necessary, in our opinion, to present fairly the results of operations in accordance with GAAP.

For a complete description of our significant accounting policies, refer to Note 1 — *Accounting Policies* of the Notes to Financial Statements of the Annual Report. We include herein certain updates to those policies.

Accounting Standards Adopted in the Calendar Year and Other Newly Issued Accounting Standards

The following table represents accounting standards adopted by Washington Gas during the nine months ended September 30, 2021.

ACCOUNTING STANDARDS ADOPTED IN CALENDAR YEAR 2021

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
<i>ASU 2019-12, Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes</i>	As part of FASB's Simplification Initiative, this standard amends ASC Topic 740 by removing certain exceptions to the general principles and clarifying and amending other current guidance. Early adoption is permitted.	January 1, 2021	The adoption of this standard did not have a material effect on our financial statements.
<i>ASU 2020-04, Reference Rate Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting, including other subsequent ASUs further amending and clarifying the guidance.</i>	This standard provides optional expedients and exceptions to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The amendments may be elected prospectively to contract modifications and hedging relationships existing on or after the date of adoption and through December 31, 2022.	January 1, 2021	Currently, our credit facility references LIBOR. The discontinuation of LIBOR will require these arrangements to be modified to an alternative interest rate. The credit facility includes fallback provisions that contemplate the replacement of LIBOR. The Company has made a policy election to adopt the optional expedients related to contract modifications related to its debt and will apply the relief on a prospective basis as modifications are made. The Company continues to monitor the activities of regulators and financial institutions to transition to an alternative reference rate, and also continues to review additional arrangements for references to LIBOR. Accordingly, the Company may make additional optional elections in the future.
<i>ASU 2020-10, Codification Improvements</i>	The amendments in this ASU provide clarification and improve the codification in recently issued accounting standards.	January 1, 2021	The adoption of this standard did not have a material effect on our financial statements.

Washington Gas Light Company
 Financial Statements (continued)
Notes to Condensed Financial Statements (Unaudited)

OTHER NEWLY ISSUED ACCOUNTING STANDARDS

Standard	Description	Required date of adoption	Effect on the financial statements or other significant matters
<i>ASU 2021-05, Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments</i>	This standard amends the Codification to require lessors to classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if the lease would have been classified as a sales-type or direct financing lease and a day one loss would have been recognized. The amendments may be applied retrospectively to leases that commenced or were modified on or after the adoption of ASC 842 or prospectively after adoption to new or modified leases. Early adoption is permitted.	January 1, 2022	The adoption of this standard is not expected to have a material effect on our financial statements.

NOTE 2. CREDIT LOSSES

On January 1, 2020, the Company adopted ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) model. Upon implementation of ASU 2016-13, we recorded a \$1.5 million increase to the Company's allowance for doubtful accounts and a decrease to retained earnings.

Customer Receivables: Washington Gas is exposed to customer credit risk resulting from the non-payment of utility bills. To manage this customer credit risk, Washington Gas customers are offered budget billing options, payment plans or higher risk customers may be required to provide a cash deposit until the requirement for deposit refunds are met. Washington Gas can recover a portion of non-payments from customers in future periods through the rate-setting process. For accounts receivable and unbilled revenue generated by the utility business, an allowance for doubtful accounts is recognized using a historical loss-rate based on historical payment and collection experience. This rate may be adjusted based on management's expectations of macroeconomic conditions and other factors. Washington Gas regularly evaluates the reasonableness of the allowance based on a combination of factors, such as the length of time receivables are past due, historical payment and collection experience, financial condition of customers, and other circumstances that could impact customers' ability or desire to make payments.

Based on both previous collection experience and other factors, Washington Gas has not recorded an allowance for doubtful accounts for its contract assets associated with our energy management services projects with the federal government. Refer to Note 12 — *Related Party Transactions* for further information.

Washington Gas Asset Optimization: Washington Gas optimizes the value of its long-term natural gas transportation and storage capacity resources by entering into physical and financial transactions in the form of forwards, futures and option contracts for periods when these resources are not being used to physically serve utility customers. Refer to Note 10 — *Derivatives* for further discussion of asset optimization program. Washington Gas operates under an existing wholesale counterparty credit policy that is designed to mitigate credit risk. Credit limits are established for each counterparty and credit enhancements such as letters of credit, parent guarantees and cash collateral maybe required. The creditworthiness of all counterparties is continuously monitored. The allowance for doubtful accounts is estimated by applying 30-year historical default rates for one-year receivables sourced from external credit rating agencies to the accounts receivable and unbilled revenue balances associated with counterparties Washington Gas has determined to be below investment grade. In the event that a counterparty no longer exhibits similar risk characteristics, the associated receivable is evaluated individually.

COVID-19 and Other Collection Matters: As a result of regulatory orders related to the COVID-19 pandemic, we temporarily suspended customer disconnections for non-payment, temporarily suspended collection activities and temporarily waived assessing and billing late payment fees. While many of these COVID-19 regulatory suspensions have been lifted, as a result of customer service matters, the suspension in the District of Columbia continues and Washington Gas has voluntarily suspended these activities in other jurisdictions until December 31, 2021. Additionally, each of the jurisdictions has disconnection restrictions during the winter period from November 1-March 31.

All jurisdictions have issued orders authorizing Washington Gas to establish a regulatory asset to capture and track incremental COVID-19 related costs. In December 2020, Washington Gas received \$7.7 million of Coronavirus Relief Funds from State Corporation Commission of Virginia (SCC of VA) to provide direct assistance to Virginia customers with balances over 30 days in arrears. In June 2021, the Maryland Public Service Commission (PSC of MD) issued an order allocating \$5.7 million of funds to Washington Gas under the Recovery for the Economy, Livelihoods, Industries, Entrepreneurs and Families Act (RELIEF Act), to be reflected on qualifying customer bills. After considering these Virginia and Maryland funds, Washington Gas' COVID-19 regulatory asset balance associated with the deferral of incremental bad debt expense is \$2.2 million at September 30, 2021.

As of September 30, 2021, we have evaluated the adequacy of our allowance for credit losses in light of these suspensions and the economic downturn. Our evaluation included an analysis of customer payment trends, economic conditions, receivables aging, considerations of past economic downturns, the actions the company is taking to assist customers with past due balances, and other stimulus programs, and customer account write-offs. In addition, we considered benefits available under government COVID-19 relief programs. Based on this evaluation, we have concluded that the allowance for credit losses as of September 30, 2021 adequately reflected the collection risk and net realizable value for our receivables. We will continue to monitor changing circumstances and will adjust our allowance for credit losses as additional information becomes available.

The following table presents the activity of allowance for doubtful accounts by types for the reporting periods.

Washington Gas Light Company
Financial Statements (continued)
Notes to Condensed Financial Statements (Unaudited)

Three Months Ended September 30,					
2021			2020		
<i>(In millions)</i>	Account Receivables and Unbilled Revenue	Asset Optimization	Account Receivables and Unbilled Revenue	Asset Optimization	
Balance, beginning of period	\$ 28.4	\$ —	\$ 23.2	\$ 0.1	
Provision	2.0	—	1.3	—	
Recorded to regulatory asset due to COVID-19	1.2	—	4.7	—	
Write offs	(4.4)	—	(3.0)	—	
Recoveries	0.5	—	0.3	—	
Balance, end of period	\$ 27.7	\$ —	\$ 26.5	\$ 0.1	

Nine Months Ended September 30,					
2021			2020		
<i>(In millions)</i>	Account Receivables and Unbilled Revenue	Asset Optimization	Account Receivables and Unbilled Revenue	Asset Optimization	
Balance, beginning of period	\$ 27.3	\$ 0.1	\$ 18.7	\$ —	
Provision	12.1	(0.1)	11.1	—	
Recorded to regulatory asset due to COVID-19	(4.0)	—	7.7	—	
Write offs	(9.5)	—	(13.8)	—	
Recoveries	1.8	—	1.4	—	
Adjustment upon adoption of ASC 326	—	—	1.4	0.1	
Balance, end of period	\$ 27.7	\$ —	\$ 26.5	\$ 0.1	

NOTE 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from contracts with customers when the obligation to customers is satisfied and at an amount it expects to be received in exchange for those goods or services. Washington Gas sells natural gas and distribution services to residential, commercial, industrial and governmental customers through regulated tariff rates approved by regulatory commissions in the jurisdictions where it operates. Customers are billed monthly based on regular meter readings. Customer billings are based on two main components: (i) a fixed service fee and (ii) a variable fee based on usage. For customers who choose to purchase their natural gas from Washington Gas, the bill will include a usage based charge for the cost of the commodity. Revenue is recognized over time as natural gas is delivered or as service is performed. Since meter readings are performed on a cycle basis, Washington Gas recognizes accrued revenue for any services rendered to its customers but not billed at month-end. The tariff sales are generally considered daily or “at-will” contracts as customers may cancel their service at any time (subject to notification requirements in the tariff), and revenue generally represents the amount Washington Gas is entitled to invoice. There are certain contracts that have terms of one year or longer. For these contracts, revenue is recognized based on the amount Washington Gas is entitled to bill the customer.

Customers have the choice to purchase natural gas from competitive service providers. Washington Gas charges the competitive service providers balancing fees to manage the natural gas transportation imbalances. Where regulations require, Washington Gas issues customers a consolidated bill to include the natural gas supplied by the competitive service providers and distribution of natural gas. Washington Gas recognizes revenue only for distribution services that it has provided to the customer, and the balancing fees for the services provided to the competitive service provider.

The following table disaggregates revenue by type of service for the periods.

Disaggregated Revenue by Type of Service				
	Three Months Ended September 30,		Nine Months Ended September 30,	
<i>(In millions)</i>	2021	2020	2021	2020
Revenue from contracts with customers				
Gas and transportation sales				
Gas sold and delivered	\$ 109.3	\$ 91.2	\$ 726.1	\$ 592.8
Gas delivered for others	38.9	39.5	192.4	186.5
Other	14.0	3.6	40.8	23.6
Other revenues	1.4	1.3	3.6	2.1
Total revenue from contracts with customers	\$ 163.6	\$ 135.6	\$ 962.9	\$ 805.0
Other sources of revenue				
Revenue from alternative revenue programs ^(a)	\$ 10.2	\$ 7.6	\$ 39.7	\$ 47.7
Other	0.7	0.2	3.9	3.6
Total revenue from other sources	\$ 10.9	\$ 7.8	\$ 43.6	\$ 51.3
Total Operating Revenue	\$ 174.5	\$ 143.4	\$ 1,006.5	\$ 856.3

^(a) Washington Gas has determined that its Revenue Normalization Adjustment (RNA), Weather Normalization Adjustment (WNA), and Conservation and Ratemaking Efficiency (CARE) Ratemaking Adjustment (CRA) billing adjustment mechanisms and accelerated pipe replacement programs are alternative revenue programs and accounted for under ASC Topic 980.

Washington Gas Light Company
Financial Statements (continued)
Notes to Condensed Financial Statements (Unaudited)

Washington Gas accrues unbilled revenues for gas delivered, but not yet billed at the end of each accounting period due to our customer billing cycles. Unbilled revenues of \$30.2 million and \$112.7 million are included within "Receivables" on Washington Gas' balance sheets at September 30, 2021 and December 31, 2020, respectively. Unbilled revenues represent performance obligations that have been satisfied and to which Washington Gas has an unconditional right to payment, except for contract assets related to Washington Gas' area-wide contract, which requires project acceptance by the federal government for the right to payment to occur (refer to Project Financing in Note 12 — *Related Party Transactions* for further discussion of Washington Gas's area-wide contract). Washington Gas did not have any contract liabilities at September 30, 2021 and December 31, 2020. The Company does not have transaction price amounts allocated to future performance obligations. The Company applies the practical expedient available under ASC Topic 606 and does not disclose information about the remaining performance obligations for (i) contracts with an original expected length of one year or less, (ii) contracts for which revenue is recognized at the amount to which the Company has the right to invoice for performance completed, and (iii) contracts with variable consideration that is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied promise to transfer a distinct good or service that forms part of a single performance obligation.

The following table shows the beginning and ending balances of contract assets from contracts with customers for the reporting periods, which were included within "Receivables" on Washington Gas' condensed balance sheets.

<i>(In millions)</i>	Nine Months Ended September 30,	
	2021	2020
Contract assets at January 1	\$ 16.1	\$ 44.2
Contract assets at September 30	6.7	51.8
Increase (decrease) in contract assets ^(a)	\$ (9.4)	\$ 7.6

^(a) Decrease in 2021 is the result of projects accepted by the Federal Government which decrease the contract asset balance with a corresponding decrease to "Payable to associated companies".

Washington Gas Light Company
 Financial Statements (continued)
Notes to Condensed Financial Statements (Unaudited)

NOTE 4. ACCOUNTS PAYABLE AND OTHER ACCRUED LIABILITIES

The table below provides details for the amounts included in “Accounts payable and other accrued liabilities” on the balance sheets.

<i>(In millions)</i>	September 30, 2021	December 31, 2020
Accounts payable—trade	\$ 187.8	\$ 201.2
Employee related accruals	37.6	41.8
Accrued interest	3.3	18.4
Other accrued liabilities ^(a)	12.8	31.1
Total	\$ 241.5	\$ 292.5

^(a) Amount at December 31, 2020 included \$12.5 million liability associated with a judgment against the company which was paid in February 2021.

NOTE 5. SHORT-TERM DEBT

Washington Gas satisfies the short-term financing requirements through the sale of commercial paper, or through bank borrowings. Due to the seasonal nature of our operations, short-term financing requirements can vary significantly during the year. Revolving credit agreements are maintained to support outstanding commercial paper and to permit short-term borrowing flexibility. The policy of Washington Gas is to maintain bank credit facilities in amounts equal to or greater than the expected maximum commercial paper position.

Credit Facility

The following is a summary of committed credit available at September 30, 2021 and December 31, 2020.

Committed Credit Available		
<i>(In millions)</i>	September 30, 2021	December 31, 2020
Committed credit agreements		
Unsecured revolving credit facility, expires July 19, 2024 ^(a)	\$450.0	\$450.0
Less: Commercial Paper outstanding ^(b)	(312.9)	(285.0)
Net committed credit available	\$137.1	\$165.0
Weighted average interest rate	0.23%	0.31%

^(a) Washington Gas has the right to request extensions with the bank group's approval. Washington Gas' revolving credit facility permits it to borrow an additional \$100.0 million, with the bank groups' approval, for a total potential maximum borrowing of \$550.0 million.

^(b) The amount represents carrying amount of commercial paper.

At September 30, 2021 and December 31, 2020, there were no outstanding bank loans from Washington Gas' revolving credit facilities.

Commercial Paper

The total commercial paper carrying value at September 30, 2021 was \$312.9 million. Washington Gas classified \$100.0 million of our commercial paper balance as "Long-term debt" on Washington Gas' condensed balance sheets due to its ability and intent to refinance these balances on a long-term basis. Accordingly, \$212.9 million of commercial paper remained in "Notes payable" at September 30, 2021.

The total commercial paper carrying value at December 31, 2020 was \$285.0 million. Washington Gas classified \$100.0 million of our commercial paper balance as "Long-term debt" on Washington Gas' condensed balance sheets due to its ability and intent to refinance these balances on a long-term basis. Accordingly, \$185.0 million of commercial paper remained in "Notes payable" at December 31, 2020.

Washington Gas Light Company
 Financial Statements (continued)
Notes to Condensed Financial Statements (Unaudited)

NOTE 6. LONG-TERM DEBT

Washington Gas has unsecured long-term debt in the form of medium-term notes (MTNs) and private placement notes with individual terms regarding interest rates, maturities and call or put options. In addition, Washington Gas classifies certain commercial paper balance as "Long-term debt" due to its ability and intent to refinance these balances on a long-term basis.

The following table shows the long-term debt outstanding at September 30, 2021 and December 31, 2020.

Long Term Debt Outstanding

<i>(In millions)</i>	September 30, 2021	December 31, 2020
Washington Gas Unsecured Notes ^(a)	\$ 1,446.0	\$ 1,446.0
Commercial Paper	100.0	100.0
Total Principal Amounts of Long-Term Debt	\$ 1,546.0	\$ 1,546.0
Unamortized premium (discount)	12.1	12.5
Unamortized debt expense	(11.2)	(11.6)
Non-current finance lease liability	1.5	0.3
Total Carrying Amount of Long-Term Debt	\$ 1,548.4	\$ 1,547.2
Weighted average interest rate ^(b)	4.46 %	4.46 %

^(a) Includes MTNs and private placement notes. The amount represents face value of Washington Gas' unsecured notes.

^(b) Weighted average interest rate is for the Washington Gas unsecured notes.

There were no issuances or retirements of unsecured notes for the three and nine months ended September 30, 2021 and 2020.

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NOTE 7. COMPONENTS OF TOTAL EQUITY

(In thousands, except shares)	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Taxes	Total
	Shares	Amount				
Three Months Ended September 30, 2021						
Balance at June 30, 2021	46,479,536	\$ 46,479	\$ 1,204,273	\$ 674,758	\$ 2,611	\$ 1,928,121
Net loss	—	—	—	(30,928)	—	(30,928)
Other comprehensive loss	—	—	—	—	(43)	(43)
Common stock dividends declared	—	—	—	(25,000)	—	(25,000)
Balance at September 30, 2021	46,479,536	\$ 46,479	\$ 1,204,273	\$ 618,830	\$ 2,568	\$ 1,872,150
Three Months Ended September 30, 2020						
Balance at June 30, 2020	46,479,536	\$ 46,479	\$ 1,104,273	\$ 609,881	\$ 6,266	\$ 1,766,899
Net loss	—	—	—	(36,622)	—	(36,622)
Other comprehensive income	—	—	—	—	1,055	1,055
Capital contribution from parent	—	—	50,000	—	—	50,000
Common stock dividends declared	—	—	—	(25,000)	—	(25,000)
Balance at September 30, 2020	46,479,536	\$ 46,479	\$ 1,154,273	\$ 548,259	\$ 7,321	\$ 1,756,332
Nine Months Ended September 30, 2021						
Balance at December 31, 2020	46,479,536	\$ 46,479	\$ 1,204,273	\$ 603,596	\$ 1,577	\$ 1,855,925
Net income	—	—	—	90,234	—	90,234
Other comprehensive income	—	—	—	—	991	991
Common stock dividends declared	—	—	—	(75,000)	—	(75,000)
Balance at September 30, 2021	46,479,536	\$ 46,479	\$ 1,204,273	\$ 618,830	\$ 2,568	\$ 1,872,150
Nine Months Ended September 30, 2020						
Balance at December 31, 2019	46,479,536	\$ 46,479	\$ 979,273	\$ 548,264	\$ 4,576	\$ 1,578,592
Net income	—	—	—	76,538	—	76,538
Other comprehensive income	—	—	—	—	2,745	2,745
Capital contribution from parent	—	—	175,000	—	—	175,000
ASU 2016-13 implementation ^(a)	—	—	—	(1,543)	—	(1,543)
Common stock dividends declared	—	—	—	(75,000)	—	(75,000)
Balance at September 30, 2020	46,479,536	\$ 46,479	\$ 1,154,273	\$ 548,259	\$ 7,321	\$ 1,756,332

^(a) Due to implementation of ASU 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, see Note 2 — Credit Losses for further information.

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NOTE 8. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

The following table shows the components of the net periodic benefit costs (income) recognized in our financial statements.

Components of Net Periodic Benefit Costs (Income)^(a)

<i>(In millions)</i>	Three Months Ended September 30,			
	2021		2020	
	Pension Benefits	Health and Life Benefits	Pension Benefits	Health and Life Benefits
Service cost	\$ 3.0	\$ 1.6	\$ 3.1	\$ 1.3
Interest cost	7.6	2.0	8.9	2.3
Expected return on plan assets	(10.7)	(5.7)	(10.6)	(5.9)
Recognized prior service cost (credit)	—	(3.4)	0.1	(3.4)
Recognized actuarial loss (gain)	0.4	(1.3)	1.8	(0.5)
Settlement charge ^(b)	—	—	2.4	—
Net periodic benefit cost (income)	0.3	(6.8)	5.7	(6.2)
Allocation to affiliates	(0.1)	(0.1)	(0.4)	0.5
Adjusted net periodic benefit cost (income)	0.2	(6.9)	5.3	(5.7)
Amount allocated to construction projects	(0.5)	(0.3)	(0.5)	(0.2)
Amount charged (credited) to expense	\$ (0.3)	\$ (7.2)	\$ 4.8	\$ (5.9)

<i>(In millions)</i>	Nine Months Ended September 30,			
	2021		2020	
	Pension Benefits	Health and Life Benefits	Pension Benefits	Health and Life Benefits
Service cost	\$ 9.0	\$ 4.7	\$ 9.4	\$ 4.0
Interest cost	22.8	6.0	26.6	6.9
Expected return on plan assets	(32.1)	(17.0)	(31.9)	(17.7)
Recognized prior service cost (credit)	0.1	(10.2)	0.2	(10.2)
Recognized actuarial loss (gain)	1.2	(3.8)	5.7	(1.5)
Settlement charge ^(b)	1.2	—	3.6	—
Net periodic benefit cost (income)	2.2	(20.3)	13.6	(18.5)
Allocation to affiliates	—	0.5	(1.2)	1.6
Adjusted net periodic benefit cost (income)	2.2	(19.8)	12.4	(16.9)
Amount allocated to construction projects	(1.7)	(0.9)	(1.6)	(0.7)
Amount charged (credited) to expense	\$ 0.5	\$ (20.7)	\$ 10.8	\$ (17.6)

^(a) The components of net benefit cost (income), other than service cost, are recorded in “Other income (expense)-net” on the accompanying statements of operations.

^(b) Amounts relate to partial settlement charges associated with lump sum payments from the Washington Gas’ defined benefit supplemental executive retirement plan (DB SERP) and defined benefit restoration supplemental executive retirement plan (DB SERP Restoration) that were paid in three and nine months ended September 30, 2021 and 2020.

At September 30, 2021 and December 31, 2020, the rabbi trust balance associated with the DB SERP and DB SERP Restoration plans were \$12.1 million and \$18.8 million, respectively. \$2.1 million and \$10.0 million were recorded in “Current Assets - Other” and “Deferred Charges and Other Assets - Other” on Washington Gas’ balance sheets at September 30, 2021; \$6.7 million and \$12.1 million were recorded in “Current Assets - Other” and “Deferred Charges and Other Assets - Other” at December 31, 2020, respectively, along with other rabbi trust balances.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Commitments

Washington Gas has certain natural gas contracts incurred in the normal course of business that require fixed and determinable payments in the future, including unconditional purchase obligations for pipeline capacity, transportation and storage services. There were no significant changes to contractual obligations that are out of the ordinary course of business during the three and nine months ended September 30, 2021.

Merger Commitments

In connection with the Merger in 2018, Washington Gas and AltaGas have made commitments related to the terms of the Public Service Commission of the District of Columbia (PSC of DC) settlement agreement and the conditions of approval from the PSC of MD and the SCC of VA. Among other things, these commitments included rate credits distributable to both residential and non-residential customers, gas expansion and other programs, various public interest commitments, and safety programs. As of September 30, 2021, the remaining unpaid amount for the previously accrued merger commitments was \$8.2 million. In addition, there are certain additional regulatory commitments that were and will be expensed or capitalized as the costs are incurred, including the hiring of damage prevention trainers in each jurisdiction for a total of \$2.4 million over 5 years; potentially investing up to \$70.0 million over a 10-year period to further extend natural gas service, which if spent, could be a component of our overall capital plan; and spending \$8.0 million for leak mitigation within 3 years after the Merger close, which has been paid. Additionally, there are a number of operational commitments that have an impact on the ongoing business of Washington Gas, including reductions of leak backlogs, funding of damage prevention efforts, maintaining pre-merger quality of service standards including odor call response times, increasing supplier diversity, achieving synergy savings benefits, as well as reporting and tracking related to all the commitments.

Contingencies

We account for contingent liabilities utilizing ASC Topic 450, Contingencies. By their nature, the amount of the contingency and the timing of a contingent event and any resulting accounting recognition are subject to our judgment of such events and our estimates of the amounts. Actual results related to contingencies may be difficult to predict and could differ significantly from the estimates included in reported earnings.

Regulatory Contingencies

Certain legal and administrative proceedings incidental to our business, including regulatory contingencies, involve Washington Gas. In our opinion, we have recorded an adequate provision for probable losses or refunds to customers for regulatory contingencies related to these proceedings.

Customer Service Matters. On September 15, 2021, the PSC of DC issued an Order directing Washington Gas to submit a corrective action plan to bring Washington Gas into compliance with the Natural Gas Quality of Service Standards (NGQSS) regarding call response time standards. Washington Gas filed a corrective action plan with the PSC of DC on September 27, 2021. On September 30, 2021, the Maryland Office of People's Counsel (MD OPC) filed a motion to establish a corrective action plan and impose civil penalties or, alternatively, to order Washington Gas to show cause why the Commission should not impose civil penalties. The MD OPC's request asserts that Washington Gas has violated its merger commitment to ensure continued compliance with all Commission regulations. On October 15, 2021, the PSC of MD issued a show cause order directing Washington Gas to respond to the MD OPC motion and to show cause why the PSC of MD should not impose civil penalties. Additionally, the PSC of MD ordered Washington Gas to include a proposed corrective plan, which addresses the decline in customer service post-merger. Management is unable to determine a range of potential losses that are reasonably possible of occurring and therefore we have not recorded a reserve associated with these customer service matters.

Environmental Matters

We are subject to federal, state and local laws and regulations related to environmental matters. These laws and regulations may require expenditures over a long time frame to control environmental effects. Almost all of the environmental liabilities we have recorded are for costs expected to be incurred to remediate sites where we or a predecessor affiliate operated manufactured gas plants (MGPs) or gas holder sites.

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Washington Gas has identified up to ten sites where it or its predecessors may have operated MGPs. Washington Gas last used any such plant in 1984. In connection with these operations, we are aware that coal tar and certain other by-products of the gas manufacturing process are present at or near some former sites and may be present at others.

At September 30, 2021 and December 31, 2020, Washington Gas reported a liability of \$12.4 million and \$10.3 million, respectively, on an undiscounted basis related to future environmental response costs. These estimates principally include the minimum liabilities associated with a range of environmental response costs expected to be incurred. At September 30, 2021 and December 31, 2020, Washington Gas estimated the maximum liability associated with all of its sites to be approximately \$35.6 million and \$30.6 million, respectively. The maximum liability at September 30, 2021 included \$19.1 million related to the Anacostia river study and \$9.9 million related to the East Station property, which are discussed further below. The estimates were determined by Washington Gas' environmental experts, based on experience in remediating MGP sites and advice from legal counsel and environmental consultants. The variation between the recorded and estimated maximum liability primarily results from differences in the number of expected years that will be required to perform environmental response processes and the extent of remediation that may be required.

Washington Gas is currently remediating its East Station property, located adjacent to the Anacostia River in Washington D.C., including ground water pump and treat, tar recovery, soil encapsulation and other treatment. Under a 2012 consent decree with the District of Columbia and the federal government, Washington Gas is also conducting a remedial investigation and feasibility study on an adjacent property owned by the District of Columbia. The Draft Remedial Investigation Report was submitted to the National Park Service (NPS) and the Department of Energy and Environment (DOEE) on June 12, 2020. Additional remediation may be required at this property.

In addition, at another adjoining property known as the "Eastern Power Boat Club Property," located to the east of the property owned by the District of Columbia, Washington Gas agreed to perform a site investigation and report the findings pursuant to oversight by the DOEE. This property was subject to a July 12, 2019, Administrative Order from the DOEE. That Administrative Order was withdrawn and the Company entered into a negotiated Administrative Order on Consent with the DOEE that was effective on March 11, 2020. Under the terms of the Administrative Order on Consent, the Company submitted a Remedial Investigative Report on February 26, 2021. On March 11, 2021, the Company received an Administrative Order related to the alleged presence of sheens in the Anacostia River. The Company filed an appeal of the Administrative Order with the District of Columbia Office of Administrative Hearings on March 26, 2021. The appeal is pending.

Washington Gas may be responsible for environmental cleanup and government costs associated with the Anacostia River Sediment Project (ARSP). In February 2016, Washington Gas received a letter from the DOEE and National Park Service (NPS) regarding the ARSP, indicating that the District of Columbia is conducting a separate remedial investigation and feasibility study of the river to determine if and what cleanup measures may be required and to prepare a natural resource damage assessment. Subsequently, the DOEE issued an Interim Record of Decision (ROD) for remediation of "Early Action Areas" in the Anacostia River. Although the Interim ROD identifies East Station as one of fifteen potential environmental cleanup sites, the DOEE is proposing to continue the remediation of East Station under Washington Gas' existing Consent Decree rather than as part of the ARSP. On June 14, 2021, Washington Gas received letters from the DOEE and NPS notifying the Company that it may be responsible for environmental cleanup and government costs associated with the ARSP.

Washington Gas has accrued an amount for estimate study costs based on a potential range of estimates. However, we are not able to estimate the total amount of potential costs or timing associated with the District of Columbia's environmental investigation on the Anacostia River at this time. In addition, an allocation method among the potential parties has not been established.

On May 27, 2021, Washington Gas submitted an application to the Maryland Department of Environment's Voluntary Cleanup Program (VCP) for a former gas holder site located in Chillum, Maryland. Based upon the VCP application, Washington Gas has accrued an amount for the Chillum site based on the potential costs of a range of remedial options.

Regulatory orders issued by the PSC of MD allow Washington Gas to recover the costs associated with the sites applicable to Maryland over the period ending in 2035. Regulatory orders issued by the PSC of DC allow Washington Gas a three-year recovery of prudently incurred environmental response costs and allow Washington Gas to defer additional costs incurred between rate cases. Regulatory orders from the SCC of VA have generally allowed the recovery of prudent environmental remediation costs to the extent they were included in the underlying financial data supporting an application for rate change.

At September 30, 2021 and December 31, 2020, Washington Gas reported a regulatory asset of \$8.4 million and \$7.4 million, respectively, for the portion of environmental response costs that are expected to be recoverable in future rates.

NOTE 10. DERIVATIVES

Washington Gas enters into contracts that qualify as derivative instruments and are accounted for under ASC Topic 815. These derivative instruments are recorded at fair value on our balance sheets and Washington Gas does not currently designate any derivatives as hedges under ASC Topic 815. Washington Gas' derivative instruments relate to: (i) Washington Gas' asset optimization program and (ii) managing price risk associated with the purchase of gas to serve utility customers.

Asset Optimization. Washington Gas optimizes the value of its long-term natural gas transportation and storage capacity resources during periods when these resources are not being used to physically serve utility customers. Specifically, Washington Gas utilizes its transportation capacity assets to benefit from favorable natural gas prices between different geographic locations and utilizes its storage capacity assets to benefit from favorable natural gas prices between different time periods. As part of this asset optimization program, Washington Gas enters into physical and financial derivative transactions in the form of forward, futures and option contracts with the primary objective of securing operating margins that Washington Gas will ultimately realize. The derivative transactions entered into under this program are subject to mark-to-market accounting treatment under ASC Topic 820.

Regulatory sharing mechanisms provide for the annual realized profit from these transactions to be shared between Washington Gas' shareholder and customers; therefore, changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that it is probable that realized gains and losses associated with these derivative transactions will be included in the rates charged to customers when they are realized. Unrealized gains and losses recorded to earnings may cause significant period-to-period volatility; this volatility does not change the operating margins that Washington Gas expects to ultimately realize from these transactions through the use of its storage and transportation capacity resources.

Washington Gas has a collaborative arrangement with a third party to facilitate the asset optimization program. The collaborative arrangement allocates a tiered percentage of profits or losses to the third party as compensation for its participation. The costs recorded by Washington Gas related to the collaborative arrangement totaled \$2.3 million and \$2.4 million for the three months ended September 30, 2021 and 2020, respectively, and \$5.5 million and \$5.8 million for the nine months ended September 30, 2021 and 2020, respectively. These amounts were recorded in "Utility cost of gas" on Washington Gas' statements of operations. Either party may terminate the collaborative arrangement through the delivery of a termination notice. In such an event, Washington Gas may make a payment upon termination.

The following table presents the net margin recorded to "Utility cost of gas" after sharing and management fees associated with our asset optimization transactions.

Net Margins for Asset Optimization

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Realized gain	\$ 5.4	\$ 6.4	\$ 12.2	\$ 14.2
Unrealized gain (loss)	5.6	(1.3)	5.1	5.5
Net margin gain (loss)	\$ 11.0	\$ 5.1	\$ 17.3	\$ 19.7

Managing Price Risk. To manage price risk associated with acquiring natural gas supply for utility customers, Washington Gas enters into physical and financial derivative transactions in the form of forward, option and other contracts, as authorized by its regulators. Any gains and losses associated with these derivatives are recorded as regulatory liabilities or assets, respectively, to reflect the rate treatment for these economic hedging activities.

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Notional Summary

The following table presents notional amounts of our outstanding derivatives at September 30, 2021 and December 31, 2020.

**Absolute Notional Amounts
of Open Positions on Derivative Instruments**

	September 30, 2021	December 31, 2020
Natural Gas (In millions of therms)		
Asset optimization	10,049.0	10,471.0
Other risk-management activities	740.0	881.0

Location, Fair Value and Offsetting of Derivative Assets and Liabilities Recognized in the Balance Sheets

The following table presents the balance sheet line items where derivatives are recognized. Washington Gas has elected to offset the fair value of recognized derivative instruments against the right to reclaim or the obligation to return collateral for derivative instruments executed under the same master netting arrangement in accordance with ASC Topic 815. All recognized derivative contracts and associated financial collateral subject to a master netting arrangement or similar that is eligible for offset under ASC Topic 815 have been presented net in the balance sheets.

Balance Sheet Classification of Derivative Instruments

<i>(In millions)</i>	Gross amounts of recognized assets/ (liabilities)	Gross amounts offset in balance sheet	Netting of collateral	Net amounts presented on balance sheet
September 30, 2021				
Derivative assets ^(a)	\$ 30.6	\$ (1.9)	\$ —	\$ 28.7
Derivative liabilities ^(b)	(105.5)	1.9	—	(103.6)
Net derivative assets (liabilities)	\$ (74.9)	\$ —	\$ —	\$ (74.9)
December 31, 2020				
Derivative assets ^(a)	\$ 17.8	\$ (1.5)	\$ —	\$ 16.3
Derivative liabilities ^(b)	(98.8)	1.5	1.6	(95.7)
Net derivative assets (liabilities)	\$ (81.0)	\$ —	\$ 1.6	\$ (79.4)

^(a) Derivative assets at September 30, 2021 include \$5.8 million recorded in "Current assets — Derivatives" and \$22.9 million in "Deferred charges and other assets — Derivatives" on Washington Gas' balance sheets; Derivative assets at December 31, 2020 include \$5.0 million recorded in "Current assets — Derivatives" and \$11.3 million in "Deferred charges and other assets — Derivatives" on Washington Gas' condensed balance sheets.

^(b) Derivative liabilities at September 30, 2021 include \$20.8 million recorded in "Current liabilities — Derivatives" and \$82.8 million recorded in "Deferred credits — Derivatives" on Washington Gas' balance sheets; Derivative liabilities at December 31, 2020 include \$7.1 million recorded in "Current liabilities — Derivatives" and \$88.6 million recorded in "Deferred credits — Derivatives" on Washington Gas' condensed balance sheets.

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Gains and (Losses) on Derivatives

The following tables present all gains and losses associated with derivative instruments for the three and nine months ended September 30, 2021 and 2020.

<i>(In millions)</i>	Gains and (Losses) on Derivative Instruments			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Recorded to income-Utility cost of gas	\$ 3.4	\$ (0.3)	\$ (3.7)	\$ 6.2
Recorded to regulatory assets-Gas costs	6.1	(7.1)	(18.9)	9.8
Total	\$ 9.5	\$ (7.4)	\$ (22.6)	\$ 16.0

Collateral

Washington Gas utilizes standardized master netting agreements, which facilitate the netting of cash flows into a single net exposure for a given counterparty. As part of these master netting agreements, cash, letters of credit and parent company guarantees may be required to be posted or obtained from counterparties in order to mitigate credit risk related to both derivatives and non-derivative positions. Under Washington Gas' offsetting policy, collateral balances are offset against the related counterparties' derivative positions to the extent the application would not result in the over-collateralization of those derivative positions on the balance sheets. Any collateral posted that is not offset against derivative assets and liabilities is included in "Other prepayments" on the balance sheets. Collateral received and not offset against derivative assets and liabilities is included in "Customer deposits and advance payments" on the accompanying balance sheets.

At September 30, 2021 and December 31, 2020, Washington Gas had \$0.6 million and \$2.8 million, respectively, in collateral deposits posted with counterparties that are not offset against derivative asset and liabilities. At September 30, 2021 and December 31, 2020, Washington Gas had \$1.8 million and \$0.2 million, respectively, cash collateral held representing an obligation, and are not offset against derivative asset and liabilities.

Certain derivative instruments of Washington Gas contain contract provisions that require collateral to be posted if the credit rating of Washington Gas falls below certain levels or if counterparty exposure to Washington Gas exceeds a certain level (credit-related contingent features). At September 30, 2021 and December 31, 2020, Washington Gas was not required to post collateral related to a derivative liability that contained a credit-related contingent feature.

The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required if the most intrusive credit-risk-related contingent features underlying these agreements were triggered on September 30, 2021 and December 31, 2020, respectively.

Potential Collateral Requirements for Derivative Liabilities with Credit-Risk-Contingent Features

<i>(In millions)</i>	September 30, 2021	December 31, 2020
Derivative liabilities with credit-risk-contingent features	\$ —	\$ 0.7
Maximum potential collateral requirements	\$ —	\$ 0.6

We do not enter into derivative contracts for speculative purposes.

Concentration of Credit Risk

We are exposed to credit risk from derivative instruments with wholesale counterparties, which is represented by the fair value of these instruments at the reporting date. We actively monitor and work to minimize counterparty concentration risk through various practices. At September 30, 2021, three counterparties represented over 10% of Washington Gas' credit exposure to wholesale derivative counterparties for a total credit risk of \$27.2 million.

NOTE 11. FAIR VALUE MEASUREMENTS

We measure the fair value of our financial assets and liabilities using a combination of the income and market approaches in accordance with ASC Topic 820. These financial assets and liabilities primarily consist of derivatives recorded on our balance sheets under ASC Topic 815 and short-term investments, other long-term receivable, commercial paper and long-term debt outstanding required to be disclosed at fair value. Under ASC Topic 820, fair value is defined as the exit price, representing the amount that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. To value our financial instruments, we use market data or assumptions that market participants would use, including assumptions about credit risk (both our own credit risk and the counterparty's credit risk) and the risks inherent in the inputs to valuation.

We enter into derivative contracts in the futures and over-the-counter (OTC) wholesale and retail markets. These markets are the principal markets for the respective wholesale and retail contracts. Our relevant market participants are our existing counterparties and others who have participated in energy transactions at our delivery points. These participants have access to the same market data as Washington Gas. Valuations are generally based on pricing service data or indicative broker quotes depending on the market location. We measure the net credit exposure at the counterparty level where the right to set-off exists. The net exposure is determined using the mark-to-market exposure adjusted for collateral, letters of credit and parent guarantees. We use published default rates from Standard & Poor's Ratings Services and Moody's Investors Service as inputs for determining credit adjustments.

ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under ASC Topic 820 are described below:

Level 1. Level 1 of the fair value hierarchy consists of assets or liabilities that are valued using observable inputs based upon unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date. Included in this category are cash equivalents and Rabbi trust investments in money market funds which are recorded on the balance sheets at fair value on a recurring basis.

Level 2. Level 2 of the fair value hierarchy consists of assets or liabilities that are valued using directly or indirectly observable inputs either corroborated with market data or based on exchange traded market data. Level 2 includes fair values based on industry-standard valuation techniques that consider various assumptions: (i) quoted forward prices, including the use of mid-market pricing within a bid/ask spread; (ii) discount rates; (iii) implied volatility and (iv) other economic factors. Substantially all of these assumptions are observable throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the relevant market. Level 2 financial assets and liabilities included energy-related physical and financial derivative transactions such as forward, option and other contracts for deliveries at active market locations.

Level 3. Level 3 of the fair value hierarchy consists of assets or liabilities that are valued using significant unobservable inputs at the reporting date. These unobservable assumptions reflect our assumptions about estimates that market participants would use in pricing the asset or liability, including natural gas basis prices and annualized volatilities of natural gas prices. A significant change to any one of these inputs in isolation could result in a significant upward or downward fluctuation in the fair value measurement. These inputs may be used with industry standard valuation methodologies that result in our best estimate of fair value for the assets or liabilities at the reporting date.

Level 3 derivative assets and liabilities included: (i) physical contracts valued at illiquid market locations with no observable market data; (ii) long-dated positions where observable pricing is not available over the majority of the life of the contract; (iii) contracts valued using historical spot price volatility assumptions and (iv) valuations using indicative broker quotes for inactive market locations.

Our level 2 and level 3 derivatives are recorded on the balance sheets at fair value on a recurring basis.

Other financial instruments including commercial paper, unsecured notes, and other long-term receivables are recorded on the balance sheets at amortized cost. The carrying cost of our commercial paper approximates fair value using Level 2 inputs. The fair value of Washington Gas unsecured notes was estimated based on valuation techniques using indirectly observable inputs corroborated with market data and therefore is classified as Level 2.

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Summary of Carrying Amounts and Fair value of Financial Instruments

The following table summarizes the carrying amounts and fair value of financial assets and liabilities. A financial instrument's classification within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy.

Fair Value Under the Fair Value Hierarchy

<i>(In millions)</i>	Carrying Amount	Level 1	Level 2	Level 3	Total
At September 30, 2021					
Financial assets					
Fair value through net income					
Cash equivalents ^(a)	\$ 2.6	\$ 2.6	\$ —	\$ —	\$ 2.6
Rabbi trust investments ^(b)	15.0	15.0	—	—	15.0
Derivative asset - current	2.3	—	1.3	1.0	2.3
Derivative asset - deferred	9.2	—	0.1	9.1	9.2
Fair value through regulatory assets/liabilities					
Derivative asset - current	3.5	—	2.0	1.5	3.5
Derivative asset - deferred	13.7	—	0.3	13.4	13.7
Total Assets	\$ 46.3	\$ 17.6	\$ 3.7	\$ 25.0	\$ 46.3
Financial Liabilities					
Fair value through net income					
Derivative liabilities - current	\$ (6.1)	\$ —	\$ (2.1)	\$ (4.0)	\$ (6.1)
Derivative liabilities - deferred	(21.7)	—	—	(21.7)	(21.7)
Fair value through regulatory assets/liabilities					
Derivative liabilities - current	(14.8)	—	(3.0)	(11.8)	(14.8)
Derivative liabilities - deferred	(61.0)	—	—	(61.0)	(61.0)
Amortized cost					
Commercial paper ^(d)	(312.9)	—	(312.9)	—	(312.9)
Unsecured notes ^(e)	(1,446.9)	—	(1,711.0)	—	(1,711.0)
Total Liabilities	\$ (1,863.4)	\$ —	\$ (2,029.0)	\$ (98.5)	\$ (2,127.5)

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<i>(In millions)</i>	Carrying Amount	Level 1	Level 2	Level 3	Total
At December 31, 2020					
Financial assets					
Fair value through net income					
Cash equivalents ^(a)	\$ 3.2	\$ 3.2	\$ —	\$ —	\$ 3.2
Rabbi trust investments ^(b)	22.0	22.0	—	—	22.0
Derivative asset - current	2.1	—	0.7	1.4	2.1
Derivative asset - deferred	4.5	—	—	4.5	4.5
Fair value through regulatory assets/liabilities					
Derivative asset - current	2.9	—	0.9	2.0	2.9
Derivative asset - deferred	6.8	—	—	6.8	6.8
Amortized cost					
Other long-term receivables ^(c)	1.4	—	1.4	—	1.4
Total Assets	\$ 42.9	\$ 25.2	\$ 3.0	\$ 14.7	\$ 42.9
Financial Liabilities					
Fair value through net income					
Derivative liabilities - current	\$ (0.4)	\$ —	\$ —	\$ (0.4)	(0.4)
Derivative liabilities - deferred	(26.8)	—	—	(26.8)	(26.8)
Fair value through regulatory assets/liabilities					
Derivative liabilities - current	(6.7)	—	(0.3)	(6.4)	(6.7)
Derivative liabilities - deferred	(61.8)	—	(0.7)	(61.1)	(61.8)
Amortized cost					
Commercial paper ^(d)	(285.0)	—	(285.0)	—	(285.0)
Unsecured notes ^(e)	(1,446.9)	—	(1,779.8)	—	(1,779.8)
Total Liabilities	\$ (1,827.6)	\$ —	\$ (2,065.8)	\$ (94.7)	\$ (2,160.5)

^(a) Cash equivalents represent the amounts invested in money market funds and were included in "Cash and cash equivalents" of the accompanying balance sheets.

^(b) Rabbi Trust investments are invested in money market funds. At September 30, 2021, the carrying amount of \$2.1 million and \$12.9 million was included in "Current assets — Other" and "Deferred charges and other assets — Other" of the accompanying balance sheets, respectively; At December 31, 2020, the carrying amount of \$6.7 million and \$15.3 million was included in "Current assets — Other" and "Deferred charges and other assets — Other", respectively.

^(c) Amount represents a long-term receivable from one of our trading partners related to the Antero contract at December 31, 2020. The carrying amount approximated fair value, using a Level 2 input to estimate the credit loss associated with the receivable. This receivable was settled in the quarter ending June 30, 2021.

^(d) The balance at September 30, 2021 included \$100.0 million located in "Long-term debt" on the accompanying balance sheets. The balance at December 31, 2020 included \$185.0 million located in "Notes payable", and \$100.0 million located in "Long-term debt" on the accompanying balance sheets.

^(e) Includes adjustments for current maturities and unamortized discounts, as applicable. The amount was included in "Long-term debt" on the accompanying balance sheets.

Quantitative Information About Unobservable Inputs

The following table includes quantitative information about the significant unobservable inputs used in the fair value measurement of our Level 3 financial instruments and the respective fair values of the net derivative asset and liability positions.

Quantitative Information about Level 3 Fair Value Measurements					
<i>(In millions)</i>	Net Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average	Range
September 30, 2021	\$(73.50)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	\$(0.40)	\$(1.375)-\$3.530
December 31, 2020	\$(80.00)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	\$(0.36)	\$(0.910)-\$2.073

Washington Gas Light Company
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Reconciliation of Level 3 Assets and Liabilities

The following table presents a reconciliation of changes in net fair value of Level 3 derivative instruments measured at fair value on a recurring basis.

Reconciliation of Fair Value Measurements Using Significant Level 3 Inputs				
<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Balance at beginning of period	\$ (87.4)	\$ (65.8)	\$ (80.0)	\$ (84.8)
Realized and unrealized gains (losses)				
Recorded to income	7.1	(0.2)	6.5	5.2
Recorded to regulatory assets — Gas costs	5.3	(6.4)	(10.5)	9.0
Settlements	1.5	0.2	10.5	(1.6)
Balance at end of period	\$ (73.5)	\$ (72.2)	\$ (73.5)	\$ (72.2)

Transfers between different levels of the fair value hierarchy may occur based on fluctuations in the valuation inputs and on the level of observable inputs used to value the instruments from period to period. Transfers out of Level 3 were due to valuations that experienced an increase in observable market inputs. Transfers into Level 3 were due to an increase in unobservable market inputs, primarily pricing points. All amounts recorded to income are from the utility cost of gas.

The following table presents the unrealized gains (losses) attributable to Level 3 derivative instruments measured at fair value on a recurring basis.

Unrealized Gains (Losses) Recorded for Level 3 Measurements				
<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Recorded to income — Utility cost of gas	\$ 4.3	\$ 0.2	\$ 9.1	\$ 8.6
Recorded to regulatory assets — Gas costs	8.1	(4.4)	3.6	14.5
Total	\$ 12.4	\$ (4.2)	\$ 12.7	\$ 23.1

NOTE 12. RELATED PARTY TRANSACTIONS

Corporate Service Allocation

As a subsidiary of AltaGas, Washington Gas is charged a proportionate share of corporate governance and other shared services costs from AltaGas, primarily related to human resources, employee benefits, finance, legal, accounting, tax, information technology services, and office services. AltaGas charges Washington Gas for the total shared service costs at the lower of cost or market, and Washington Gas in turn allocates a portion of the costs to WGL's other subsidiaries at the higher of cost or market. Washington Gas records a payable for the total shared service costs allocated from WGL's other subsidiaries in "Payable to associated companies" and a receivable for the shared service costs allocated to WGL's other subsidiaries in "Receivables from associated companies" on its balance sheets. Additionally, Washington Gas receives certain corporate services from SEMCO Energy, Inc., (SEMCO), a subsidiary of AltaGas. Washington Gas records in "Payable to associated companies" on its balance sheets for the services provided by SEMCO. The expenses associated with services provided by AltaGas and SEMCO are recorded to "Operation and maintenance" on Washington Gas' statements of operations.

The net expenses of \$5.2 million and \$15.5 million were included in "Operation and maintenance" on the statements of operations for the three and nine months ended September 30, 2021, respectively, reflecting the corporate service cost allocated to Washington Gas.

The net expenses of \$5.0 million and \$12.5 million were included in "Operation and maintenance" on the statements of operations for the three and nine months ended September 30, 2020, respectively, reflecting the corporate service cost allocated to Washington Gas.

In addition, Washington Gas provides accounting, treasury, legal and other administrative and general support to WGL's subsidiaries and various AltaGas U.S. entities, and files consolidated tax returns that include affiliated taxable transactions. Washington Gas bills affiliates to which it provides services in accordance with regulatory requirements for the actual cost of providing these services, which approximates their market value. To the extent such billings are outstanding, they are reflected in "Receivables from associated companies" on Washington Gas' balance sheets. Washington Gas assigns or allocates these costs directly to its affiliates and, therefore, does not recognize revenues or expenses associated with providing these services. Washington Gas believes that allocations based on broad measures of business activity are appropriate for allocating expenses resulting from common services. Affiliate entities are allocated a portion of common services based on a formula driven by appropriate indicators of activity, as approved by management.

Project Financing

WGL Energy Systems, Inc. (WGL Energy Systems), an indirect, wholly owned subsidiary of WGL, obtains third-party project financing for energy management services projects with the federal government under Washington Gas's area-wide contract. As work is performed, Washington Gas establishes a contract asset in "Receivables" representing the government's obligation to remit principal and interest and records a "Payable to associated company" to WGL Energy Systems for the construction work performed for the same amount.

At September 30, 2021, Washington Gas recorded \$6.7 million of contract assets in "Receivables" and a \$6.7 million payable to WGL Energy Systems in "Payables to associated companies," respectively, for energy management services projects financed by WGL Energy Systems that were not complete.

At December 31, 2020, Washington Gas recorded \$16.1 million of contract assets in "Receivables" and a \$16.1 million payable to WGL Energy Systems in "Payables to associated companies," respectively, for energy management services projects financed by WGL Energy Systems that were not complete.

Related Party Transactions with Hampshire

Hampshire Gas Company (Hampshire), a wholly owned subsidiary of WGL, owns full and partial interests in underground natural gas storage facilities, including pipeline delivery facilities located in and around Hampshire County, West Virginia, and operates those facilities to serve Washington Gas, which purchases all of the storage services of Hampshire. Washington Gas includes the cost of these services in the bills sent to its customers and records the cost of the services in "Operation and maintenance" in its statements of operations. Hampshire operates under a "pass-through" cost of service-based tariff approved by the FERC and adjusts its billing rates to Washington Gas on a periodic basis to account for changes in its investment in utility plant and associated expenses. The arrangement between Hampshire and Washington Gas is classified as an operating lease. A right-of-use (ROU) asset and lease liability was not recognized upon the adoption of ASC 842 because all the costs associated with the arrangement are variable. Washington Gas recorded expenses related to the cost of services provided by Hampshire in "Operation and maintenance" on Washington Gas' statements of operations of \$2.3 million and \$6.6 million for three and nine months ended September 30, 2021, and \$2.3 million and \$6.4 million for three and nine months ended September 30, 2020, respectively. The outstanding balance not cleared between Washington Gas and Hampshire at the end of the reporting period was recorded in "Payable to associated companies" of Washington Gas' balance sheets.

Related Party Income Taxes

Washington Gas is included in the AltaGas Services (US) Inc. (ASUS) consolidated income tax returns. We have a tax sharing policy with ASUS, an indirect, wholly owned subsidiary of AltaGas, that allocates consolidated tax liabilities and benefits using a ratio determined by the separate taxable income for each member applied to the consolidated return tax liability of the group. State income tax returns are filed on a separate company basis in most states and on a unitary basis as required, where we or the consolidated ASUS group have operations and/or a requirement to file.

At September 30, 2021 Washington Gas recorded a \$13.1 million receivable in "Receivables from associated companies" and a \$0.6 million payable in "Payables to associated companies" under the ASUS tax sharing policy on Washington Gas' balance sheets, respectively. At December 31, 2020, Washington Gas recorded a \$112.2 million receivable in "Receivables from associated companies" and a \$0.6 million payable in "Payables to associated companies" under the ASUS tax sharing policy on Washington Gas' balance sheets, respectively.

Other Related Party Transactions

In connection with billing for unregulated third-party marketers, including WGL Energy Services and with other miscellaneous billing processes, Washington Gas collects cash on behalf of affiliates and transfers the cash in a reasonable time period. Cash collected by Washington Gas on behalf of its affiliates but not yet transferred is recorded in "Payables to associated companies" on Washington Gas' balance sheets.

Washington Gas provides gas balancing services related to storage, injections, withdrawals and deliveries to all energy marketers participating in the sale of natural gas on an unregulated basis through the customer choice programs that operate in its service territory. These balancing services include the sale of natural gas supply commodities related to various peaking arrangements contractually supplied to Washington Gas and then partially allocated and assigned by Washington Gas to the energy marketers, including WGL Energy Services. Washington Gas records revenues in "Operating revenue" of its statements of operations for these balancing services pursuant to tariffs approved by the appropriate regulatory bodies. The following table shows the amounts Washington Gas charged WGL Energy Services for balancing services.

Gas Balancing Service Charges

<i>(In millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Gas balancing service charge	\$ 4.3	\$ 2.7	\$ 18.0	\$ 12.4

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Washington Gas participates in a purchase of receivables (POR) program as approved by the PSC of MD and separate program approved by the PSC of DC, whereby it purchases receivables from participating energy marketers at approved discount rates. WGL Energy Services is one of the energy marketers that participates in these POR programs whereby it sells its receivables to various utilities, including Washington Gas, at approved discount rates. The receivables purchased by Washington Gas are included in “Accounts receivable” in the accompanying balance sheets. At September 30, 2021 and December 31, 2020, Washington Gas had balances of \$4.5 million and \$6.9 million, respectively, of purchased receivables from WGL Energy Services.

Washington Gas Light Company
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NOTE 13. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table shows the changes in accumulated other comprehensive income (AOCI) by component for the reporting periods.

Changes in Accumulated Other Comprehensive Income by Component

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Beginning Balance	\$ 2,611	\$ 6,266	\$ 1,577	\$ 4,576
Amortization of prior service credit ^{(a)(b)}	(81)	(292)	(245)	(924)
Amortization of actuarial loss ^{(a)(b)}	31	427	96	1,432
Actuarial gain arising during the period ^(a)	—	1,286	1,568	3,196
Current-period other comprehensive income (loss)	(50)	1,421	1,419	3,704
Income tax expense (benefit) related to pension and other post-retirement benefit plans retained in AOCI	(7)	366	428	959
Ending Balance	\$ 2,568	\$ 7,321	\$ 2,568	\$ 7,321

^(a)The accumulated other comprehensive income components are included in the computation of net periodic benefit cost.

^(b)Amortization of prior service cost and amortization of actuarial loss represent the amounts reclassified out of AOCI to "Other income (expense)-net" of statements of operations for the reporting periods.

Washington Gas Light Company
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NOTE 14. SUPPLEMENTAL CASH FLOW INFORMATION

The following table details the changes in operating assets and liabilities from operating activities, cash payments that have been included in the determination of earnings and non-cash investing and financing activities.

<i>(In thousands)</i>	Nine Months Ended September 30,	
	2021	2020
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Receivables	\$ 117,361	\$ 177,598
(Receivable from)/Payable to associated companies — net	108,619	8,754
Gas costs and other regulatory assets/liabilities — net	(28,114)	(82,387)
Storage gas	(44,450)	15,900
Prepaid taxes	(13,169)	4,097
Accounts payable and other accrued liabilities	(42,366)	(67,114)
Customer deposits and advance payments	92	(1,785)
Accrued taxes	(8,869)	4,500
Other current assets	14,995	20,226
Other current liabilities	(1,092)	4,163
Deferred gas costs — net	32,443	16,360
Deferred assets — other	2,919	(19,523)
Deferred liabilities — other	(19,705)	(14,929)
Pension and other post-retirement benefits	(4,851)	(12,152)
Changes in operating assets and liabilities	\$ 113,813	\$ 53,708
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Income taxes paid (refunded) — net	\$ 10,400	\$ (2,880)
Interest paid including interest for finance leases	\$ 63,964	\$ 62,169
Cash paid for amounts included in the measurement of operating lease liabilities	\$ 4,336	\$ 4,445
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,796	\$ 1,578
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 1,722	\$ —
Capital expenditure accruals included in accounts payable and other accrued liabilities	\$ 68,191	\$ 52,643

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within Washington Gas' balance sheets that sums to the total of such amounts shown on the statements of cash flows.

<i>(In thousands)</i>	September 30, 2021	September 30, 2020
Cash and cash equivalents	\$ 1	\$ 1,214
Restricted cash included in Current assets-Other	2,083	7,507
Restricted cash included in Deferred charges and other assets-Other	12,946	20,519
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	\$ 15,030	\$ 29,240

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Restricted cash included in "Current assets — Other" and "Deferred charges and other assets — Other" on the balance sheets represents amount of investment in rabbi trusts to fund deferred compensation, pension and other post-retirement benefits for certain management personnel and directors. The funds in the rabbi trusts can only be used to pay for plan participant benefits and other plan expenses such as investment fees or trustee fees. The funds are invested in money market funds at the end of September 30, 2021 and 2020. Refer to Note 8 — *Pension and Other Post-Retirement Benefit Plans* for further discussion of rabbi trusts.

NOTE 15. SUBSEQUENT EVENTS

Subsequent events have been reviewed through October 28, 2021, the date these consolidated financial statements were issued.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This Management's Discussion and Analysis analyzes the financial condition, results of operations and cash flows of Washington Gas. It includes management's narrative analysis of results of operations and reasons for material changes. This narrative discusses past financial results and potential factors that may affect future results, potential future risks and approaches that may be used to manage them. Except where the content clearly indicates otherwise, "Washington Gas," "we," "us," "our" or the "Company" refers to Washington Gas Light Company.

Management's Discussion and Analysis is designed to provide an understanding of our operations and financial performance and should be read in conjunction with the company's financial statements and the Notes to Condensed Financial Statements.

Results of Operations

Washington Gas has one operating segment that engages in its core business of delivering and selling natural gas under tariffs approved by regulatory commissions in the District of Columbia, Maryland and Virginia.

The following table summarizes the Company's financial and statistical data for the three and nine months ended September 30, 2021 and 2020.

(\$ in millions)	Financial and Statistical Data					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	2021	2020	Increase/ (Decrease)	2021	2020	Increase/ (Decrease)
Financial Data						
Operating revenues	\$ 174.5	\$ 143.4	\$ 31.1	\$ 1,006.5	\$ 856.3	\$ 150.2
Less: Cost of gas	40.8	20.8	20.0	350.1	221.3	128.8
Less: Revenue taxes	11.3	12.2	(0.9)	55.8	54.3	1.5
Total net revenues	122.4	110.4	12.0	600.6	580.7	19.9
Operation and maintenance	102.1	94.2	7.9	298.4	291.9	6.5
Depreciation and amortization	37.2	36.3	0.9	110.8	108.5	2.3
General taxes and other assessments	16.1	15.8	0.3	59.0	55.7	3.3
Operating income (loss)	(33.0)	(35.9)	2.9	132.4	124.6	7.8
Other income (expense) - net	10.7	4.1	6.6	29.9	16.4	13.5
Interest expense	16.6	16.1	0.5	48.6	49.0	(0.4)
Income (loss) before income taxes	(38.9)	(47.9)	9.0	113.7	92.0	21.7
Income tax expense (benefit)	(8.0)	(11.3)	3.3	23.5	15.5	8.0
Net income (loss)	\$ (30.9)	\$ (36.6)	\$ 5.7	\$ 90.2	\$ 76.5	\$ 13.7
Statistical Data						
Base Gas Volumes (<i>millions of therms</i>)						
Firm	112.6	113.3	(0.7)	937.2	859.7	77.5
Interruptible	46.6	45.7	0.9	175.9	176.3	(0.4)
Other	24.1	47.5	(23.4)	65.7	76.7	(11.0)
Total gas volumes	183.3	206.5	(23.2)	1,178.8	1,112.7	66.1
Heating Degree Days-Actual	—	30	(30)	2,310	2,111	199
Average active customer meters	1,207,000	1,203,000	4,000	1,207,000	1,200,000	7,000
Ending active customer meters	1,207,618	1,203,954	3,664	1,207,618	1,203,954	3,664
New customer meters added	3,247	3,372	(125)	8,947	9,185	(238)

The \$5.7 million improvement in the seasonal net loss for the three months ended September 30, 2021 compared to the same prior year period was primarily from higher net revenues driven by the impact of rate cases and accelerated pipe replacement programs, as well as an increase in unrealized margins associated with our asset optimization program. The improvement in net income was also driven by higher other income due to lower pension and post-retirement costs. Partially offsetting the improvement in net income were higher operating costs.

The \$13.7 million improvement in net income for the nine months ended September 30, 2021 compared to the same prior year period was mainly from higher net revenues driven by the impact of rate cases and accelerated pipe replacement programs along with colder weather, partially offset by decreased realized and unrealized margins associated with our asset optimization program. The improvement in net income was also driven by higher other income due to lower pension and post-retirement costs. Partially offsetting the improvement in net income were higher operating costs.

Revenues

Operating revenues increased by \$31.1 million in the three months ended September 30, 2021 compared to the three months ended September 30, 2020 mainly driven by an increase in the cost of gas recovered and the impact of rate cases and higher accelerated pipe replacement revenue surcharges.

Operating revenues increased by \$150.2 million in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020 mainly driven by an increase in the cost of gas recovered, colder weather and the impact of rate cases and higher accelerated pipe replacement program revenue surcharges.

We utilize the non-GAAP measure of net revenues, calculated as revenues less the associated cost of energy and applicable revenue taxes, to assist in the analysis of profitability. The cost of the natural gas commodity and revenue taxes are included in the rates that Washington Gas charges to customers as reflected in operating revenues. Accordingly, changes in the cost of gas and revenue taxes associated with sales made to customers generally have no direct effect on utility net revenues, operating income or net income. Net revenues should not be considered an alternative to, or a more meaningful indicator of our operating performance than operating revenues. Additionally, net revenues may not be comparable to similarly titled measures of other companies.

The table above reconciles net revenues to operating revenues for the reporting periods. Net revenues increased by \$12.0 million in the three months ended September 30, 2021 compared to the three months ended September 30, 2020. Net revenues increased by \$19.9 million in the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020. The following explains the main drivers noted above for the change in operating revenues, as well as the additional drivers for the increase in net revenues.

Impact of rate cases

Favorable rate case impacts in the District of Columbia and Maryland caused a \$4.9 million increase in net revenues for the three months ended September 30, 2021 compared to the same prior year period. Rate case impacts caused a net \$3.8 million increase in net revenues for the nine months ended September 30, 2021, compared to the same prior year period mainly due to positive impacts for new rates in the District of Columbia and Maryland, partially offset by a prior period true-up to a Virginia rate refund liability to reflect higher final commission approved rates. Both the three and nine month rate case impacts include increases from accelerated replacement program revenue being transferred into base rates as a result of the rate cases.

Accelerated replacement programs

Approved accelerated replacement programs in all jurisdictions drove a \$1.6 million and \$8.4 million increase in net revenues for the three and nine months ended September 30, 2021, respectively, compared to the same prior year periods, driven by the associated surcharge mechanism to recover the cost, including a return, on those capital investments.

Asset optimization

Realized and unrealized margins associated with our asset optimization program increased \$5.9 million and decreased \$2.4 million for the three months and nine months ended September 30, 2021, respectively, compared to the same prior year periods. Refer to Note 10 — *Derivatives* for detail discussion.

Estimated effects of weather and consumption patterns

In the District of Columbia, Washington Gas does not have a billing mechanism to offset the effects of weather or usage on net revenues. Natural gas consumption patterns may be affected by shifts in weather patterns and non-weather-related factors such as customer conservation.

The effect of weather for the three months ended September 30, 2021 compared to the same period in 2020 was not significant. Colder weather, as measured by HDDs, was higher for the nine months ended September 30, 2021 compared to the same period in 2020, which drove revenues higher.

COVID-19

COVID-19 did not have a negative impact on our net revenue variance for the nine months ended September 30, 2021 compared to the same prior year period. Refer to "Rates and Regulatory Matters" for a further discussion of COVID-19 related matters.

Operation and Maintenance Expenses

Operating and maintenance expenses increased \$7.9 million and \$6.5 million for the three and nine months ended September 30, 2021 compared to the same prior year periods. The increase was driven mainly by higher benefit costs as well as other employee related expenses.

Depreciation and Amortization

Depreciation and amortization increased \$0.9 million and \$2.3 million for the three and nine months ended September 30, 2021, respectively, compared to the same prior year periods. The increase was driven mainly by capital additions.

General taxes and other assessments

The \$0.3 million and \$3.3 million increase in general taxes and other assessments between the three and nine months ended September 30, 2021 and 2020, respectively, was associated with property taxes.

Other income (expense)

The increase in other income between the three and nine months ended September 30, 2021 and 2020, respectively, of \$6.6 million and \$13.5 million was due to lower pension and post-retirement costs.

Interest expense

Interest expense increased \$0.5 million for the three months ended September 30, 2021 and decreased \$0.4 million for the nine months ended September 30, 2021 compared to the same prior year periods.

Income tax expense

The effective income tax rate for the three months ended September 30, 2021 was 20.6% compared to 23.6% for the same prior year period.

The effective income tax rate for the nine months ended September 30, 2021 was 20.7% compared to 16.8% for the same prior year period.

Liquidity and Capital Resources

General Factors Affecting Liquidity

Washington Gas generally meets its liquidity and capital needs through cash on hand, retained earnings, the issuance of commercial paper and long-term debt, and equity contributions from its parent companies. Access to short-term debt markets provides funding to our short-term liquidity requirements, the most significant of which include buying natural gas and pipeline capacity, and financing both accounts receivable and storage gas inventory. We have accessed long-term capital markets primarily to fund capital expenditures and retire matured long-term debt. Under the Merger commitments agreed to by AltaGas and Washington Gas, including other rules imposed by regulatory commissions or laws in Washington Gas' service territory, the Company is prohibited to make advances or issue loans to an affiliate or parent holding company without prior regulatory commission approval.

Generally, pursuant to its Merger commitments, Washington Gas can make dividend payments in the ordinary course of business unless any of the following regulatory limitations apply: (i) Washington Gas will not pay dividends to its parent company if Washington Gas' senior unsecured debt rating is below investment grade or (ii) Washington Gas will not make a dividend payment to its parent company if the payment would result in its equity level to drop below 48%. At September 30, 2021, we had no significant restrictions on our cash balances or retained earnings that would affect the payment of dividends.

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As of September 30, 2021, we believe that our cash flows from operations and sources of funding will provide sufficient liquidity to satisfy our operating activities, capital expenditures, financial obligations, and the potential effects of COVID-19. Depending on the duration and severity of economic impacts caused by the pandemic, we will continue to assess our liquidity needs, the ability to access capital markets for commercial paper or long-term debt financing, and potential impacts due to the ability of our customers to pay for services.

Short-Term Cash Requirements and Related Financing

Washington Gas has seasonal short-term cash requirements to fund the purchase of storage gas inventory in advance of the winter heating season. The Company collects the cost of gas under cost recovery mechanisms approved by our regulators.

In the first and fourth quarters of each calendar year, Washington Gas' large sales volumes cause its cash requirements to peak when combined storage inventory, accounts receivable, and unbilled revenues are at their highest levels. In the second and third quarters of each calendar year, after the heating season, Washington Gas typically experiences a seasonal net loss due to reduced demand for natural gas. During this period, large amounts of Washington Gas' current assets are converted to cash.

Washington Gas uses short-term debt in the form of commercial paper or unsecured short-term bank loans to fund seasonal cash requirements. Our policy is to maintain back-up bank credit facilities in an amount equal to or greater than our expected maximum commercial paper position. Washington Gas classifies certain commercial paper balances as "Long-term debt" on the balance sheets based on its ability and intent to refinance these balances on a long-term basis. At both September 30, 2021 and December 31, 2020, \$100.0 million of our commercial paper balance was classified as long term debt on Washington Gas' balance sheets, respectively. Bank credit balances available to Washington Gas under the existing credit facility, net of commercial paper balances, were \$137.1 million and \$165.0 million at September 30, 2021 and December 31, 2020, respectively.

Long-Term Cash Requirements and Related Financing

The primary drivers of our long-term cash requirements are capital expenditures and long-term debt maturities. Our capital expenditures primarily relate to adding new utility customers and system supply and maintaining the safety and reliability of Washington Gas' distribution system.

Security Ratings

The table below reflects the current credit ratings for the outstanding debt instruments of Washington Gas. Changes in credit ratings may affect Washington Gas' cost of short-term and long-term debt and our access to the capital markets. A security rating is not a recommendation to buy, sell or hold securities. Credit ratings are subject to revision or withdrawal at any time by the assigning rating organization and each rating should be evaluated independently of any other rating.

Rating Service	Senior Unsecured	Commercial Paper
Fitch Ratings ^(a)	A	F2
Moody's Investors Service ^(b)	A3	P-2
Standard & Poor's Ratings Services ^(c)	A-	A-2

^(a) Fitch affirmed Washington Gas' long-term debt ratings outlook as stable in April 2020.

^(b) On January 30, 2020, Moody's downgraded Washington Gas' senior unsecured debt credit rating from A2 to A3, and its commercial paper rating from P-1 to P-2, and adjusted its long-term debt rating outlook from negative to stable.

^(c) On December 11, 2019, Standard & Poor raised Washington Gas' senior unsecured debt credit rating from BBB+ to A- and adjusted its outlook from negative to stable. Its commercial paper rating remained A-2.

Ratings Triggers and Certain Debt Covenants

Under the terms of Washington Gas' revolving credit agreements and private placement notes, the ratio of consolidated financial indebtedness to consolidated total capitalization cannot exceed 0.65 to 1.0 (65.0%). At September 30, 2021 and December 31, 2020, Washington Gas' ratios of consolidated financial indebtedness to consolidated total capitalization were 48%. In addition, Washington Gas is required to inform lenders of changes that might have a material effect on debt ratings. The failure to inform the lenders' agent of material changes might constitute default under the agreements. Additionally, failure to pay principal or interest on any other indebtedness may be deemed a default under our credit agreements. A default, if not remedied, may lead to obligations becoming immediately due and payable. In addition, certain of the credit facilities of Washington Gas contain cross-default provisions, that would declare Washington Gas in default on its credit facility if it were to default on certain of its other indebtedness. At September 30, 2021 and December 31, 2020, we were in compliance with all of the covenants under our revolving credit facilities, term loan facility, and private placement notes.

Historical Cash Flows

Cash Flows Provided by Operating Activities

Washington Gas' cash flows from operating activities principally reflect gas sales and deliveries and the cost of operations. Cash flows provided by operating activities were \$362.9 million for the nine months ended September 30, 2021, compared to \$262.7 million for the nine months ended September 30, 2020. The increase was mainly driven by the cash collected from associated companies related to the tax sharing policy with ASUS. Refer to Note 12 - *Related Party Transactions* for further information of tax sharing with ASUS.

Cash Flows Used in Financing Activities

Net cash flows used in financing activities were \$47.4 million for the nine months ended September 30, 2021, compared to \$29.5 million for the same period in 2020. Cash flows used in financing activities for the nine months ended September 30, 2021 includes dividend payments offset by a net increase in commercial paper borrowings. The nine months ended September 30, 2020 financing activities included capital contributions from our parent company offset by net repayments of commercial paper borrowings and dividend payments.

Cash Flows Used in Investing Activities

Cash flows used in investing activities totaled \$322.4 million and \$265.1 million for the nine months ended September 30, 2021 and 2020, respectively, which consisted of capital expenditures made by Washington Gas.

Accelerated Pipe Replacement Programs (APRPs)

The large portion of our capital expenditures are in our APRPs. APRPs are in place in all three of our jurisdictions with an associated surcharge mechanism to recover the cost, including a return, on those capital investments between base rate cases. The following table summarizes the current status of our accelerated pipe replacement programs in our jurisdictions.

Jurisdiction	Estimated Cost	Expenditure to Date ^(a)	Status
District of Columbia	Estimated \$150 million over the period from January 2021 to December 2023, plus additional expenditures in subsequent periods.	\$22.5 million	The second phase of the accelerated utility pipe replacement programs in the District of Columbia (PROJECT <i>pipes 2</i>) began in January 2021.
Maryland	Estimated \$350 million over the five-year period from January 2019 to December 2023, plus additional expenditures in subsequent periods.	\$185.6 million	The second phase of the accelerated utility pipe replacement programs in Maryland (STRIDE 2.0) began in January 2019.
Virginia	Estimated \$500 million over the five-year period from January 2018 to December 2022, including cost of removal, plus additional expenditures in subsequent periods.	\$372.0 million	The second phase of the accelerated pipe replacement programs in Virginia (SAVE 2.0) began in January 2018.

^(a) The utility accelerated replacement programs are long-term projects with multiple phases for which expenditures are approved by the regulators and typically managed in multi-year increments. Expenditures to date only include amounts for the current programs described above, and exclude any expenditures made under prior increments of the programs. Actual regulatory filings may differ from reported amounts.

Refer to "*Rates and Regulatory Matters*" for a further discussion on rate case decisions during the periods including the transfer of costs from surcharge to base rate recovery.

Contractual Obligations, Off-Balance Sheet Arrangements and Other Commitments.

There have been no material changes to contractual obligations and commercial commitments that are out of the normal course of business as described in the Company's Annual Report for the fiscal year ended December 31, 2020.

The Company did not have any material off-balance sheet arrangements as of September 30, 2021.

Credit Risk

Retail Credit Risk

Washington Gas is at risk of non-payment of utility bills by customers. To manage this customer credit risk, Washington Gas may require cash deposits from high risk customers to cover payment of their bills until the requirements for the deposit refunds are met. Base rates include a provision for recovery of uncollectible accounts based on historical levels of charge offs of accounts receivable. Washington Gas also has a provision in its Gas Administrative Charge mechanism that includes an allowance for commodity amounts included in uncollectible accounts. In addition, Washington Gas has a POR program in Maryland and the District of Columbia, whereby it purchases receivables from participating energy marketers at approved discount rates, which incorporates the risk of non-payment by the retail customers for these receivables.

COVID-19 created challenges which could impact the ability of the Company's customers to pay for services. As a result of regulatory mandates, Washington Gas temporarily suspended customer disconnections for non-payment, temporarily suspended collection activities and temporarily waived assessing and billing late payment fees. Additionally, as a result of customer service matters, in September 2021, Washington Gas voluntarily suspended all dunning activities in all jurisdictions until December 31, 2021. Refer to "*Rates and Regulatory Matters*" for updates on customer service matters, and COVID-19 related orders.

Rates and Regulatory Matters

Washington Gas makes its requests to modify existing rates based on its determination of the level of net investment in plant and equipment, operating expenses, and a level of return on invested capital that is just and reasonable. The following is an update of significant current regulatory matters in Washington Gas' jurisdictions.

Maryland 2020 Rate Case.

On August 28, 2020, Washington Gas filed a rate increase application in Maryland. The requested rates were designed to collect approximately \$28.4 million in total annual revenues representing a 10.45% rate of return on equity. On April 9, 2021, a final order was received from PSC of MD authorizing Washington Gas to increase its Maryland natural gas distribution rates by \$13.1 million (including \$5.0 million currently collected through the STRIDE surcharge), reflecting a return of equity of 9.70%. The revenue increase became effective on March 26, 2021. On May 14, 2021, Maryland Office of People's Counsel (MD OPC) submitted a petition for rehearing of the PSC of MD's finding on merger synergy savings and certain rate base additions. On July 29, 2021, the PSC of MD issued an order denying OPC's request for rehearing. On August 31, 2021, MD OPC filed an appeal of the Commission's denial of the OPC's petition for a rehearing with the Circuit Court of Baltimore. Washington Gas has filed its notice of intent to participate in this case with the Circuit Court of Baltimore.

Customer Service Matters

District of Columbia. On September 15, 2021, the PSC of DC issued an Order directing Washington Gas to submit a corrective action plan to bring Washington Gas into compliance with the NGQSS regarding call response time standards. The Order also stated that Washington Gas shall not disconnect gas customers for non-payment until Washington Gas complies with NGQSS or such time as the PSC of DC otherwise determines. The PSC of DC also found that costs incurred by complying with this Order are not to be included in Washington Gas' COVID-19 regulatory asset. Finally, the Order stated that the PSC of DC found that although it cannot stop Washington Gas from seeking a rate increase, any petition for a rate increase may be held in abeyance either at the request of a party or by the PSC of DC until this performance issue is satisfactorily addressed.

Washington Gas filed a corrective action plan with the PSC of DC on September 27, 2021. Washington Gas continues to participate in status calls with the PSC of DC and Office of People's Counsel on this filing. Washington Gas expects to timely comply with the additional filing requirements directed by the September 15, 2021 order.

Maryland. On September 30, 2021, the MD OPC filed a motion to establish a corrective action plan and impose civil penalties or, alternatively, to order Washington Gas to show cause why the Commission should not impose civil penalties. The MD OPC's request asserts that Washington Gas has violated Condition 11 of the PSC of MD Order in the Washington Gas Merger proceeding with AltaGas because it has not devoted the resources necessary to ensure continued compliance with all Commission regulations. In particular, the MD OPC asserts that Washington Gas's failure to devote enough resources to customer service has made it impossible for customers to successfully and promptly communicate complaints and disputes. Finally, MD OPC asserts that because Washington Gas cannot receive complaints and disputes, it is unable to satisfactorily resolve them or report them pursuant to its obligations under the Code of Maryland regulations. On October 15, 2021, the PSC of MD issued a show cause order directing Washington Gas to respond to the MD OPC motion and to show cause why the PSC of MD should not impose civil penalties. Additionally, the PSC of MD ordered Washington Gas to include a proposed corrective plan, which addresses the decline in customer service post-merger.

On October 22, 2021, Washington Gas timely filed its response to MD OPC's motion and the PSC of MD's order. Washington Gas's response includes the same 10-Step Corrective Action Plan with its District of Columbia and Maryland regulators. The Corrective Action Plan focuses on growing customer agent resources, enhancing agent training and resolving agent churn. Washington Gas anticipates its Corrective Action Plan will result in improved customer service metrics by the December 2021 reporting period.

COVID-19 Related Orders

District of Columbia. On March 16, 2020, the Council of the District of Columbia (DC Council) passed legislation prohibiting the disconnection of electric and gas services for non-payment of fees during a public health emergency. On April 15, 2020, the PSC of DC issued an order authorizing Washington Gas to establish a regulatory asset to capture and track the incremental costs related to COVID-19 that were prudently incurred beginning March 11, 2020.

On July 13, 2021, the DC Council approved legislation allowing utility companies to begin shutting off gas, electric, water, and telephone services on October 12, 2021 for residents who owe more than \$600, but utilities must give at least 60 days advance notice, provide information about payment assistance programs, and turn service back on if the consumer enters a payment plan and makes a minimum \$10 payment. Low-income residents who receive or have applied for various forms of public assistance such as Medicaid are protected from shutoffs for an additional 90 days. However, the September 15, 2021 PSC of DC Order directing Washington Gas to submit a corrective action plan to bring Washington Gas into compliance with the NGQSS regarding call response time standards, prevents disconnection until the Company can meet the Commission Rules.

On April 19, 2021, the Company filed an Arrearage Management Plan (AMP) proposal designed to help customers: 1) lower or eliminate existing COVID-19 related arrearages, 2) bring accounts current, 3) improve payment behavior on customers' new bills, and 4) avoid disconnection and allow customers to remain current in their Company payment obligations. Under the proposed AMP plan, each participating customer would be enrolled in the plan for approximately 12-months in duration. After an eligible customer enrolls in the program and timely pays each new monthly amount due, the Company will grant a pro-rated monthly arrearage reduction amount toward the goal of full arrearage elimination at the end of the 12 month period. The AMP has been approved by the PSC of DC on August 9, 2021 and expected to be implemented in Q4 2021. Tariff pages reflecting the AMP was filed on October 8, 2021.

Maryland. On March 16, 2020, the Governor of MD issued an executive order directing regulated utilities to cease disconnections and billing of late fees for residential customers through May 1, 2020, which was subsequently amended to extend the order through August 31, 2020. On September 22, 2020, the PSC of MD took an action that had the effect of extending the moratorium on service disconnections through November 15, 2020. Due to the winter moratorium on disconnections (November 1 to March 31), residential terminations were delayed until April 1, 2021. The MD PSC updated its moratorium on disconnects through November 1, 2021 for "special needs" customers or anyone "who has received or qualified to receive the Maryland Office of Home Energy Programs (OHEP) Energy Assistance after February 15, 2017" (Tier 1 and 2 customers). On April 9, 2020, the PSC of MD issued an order and authorized each utility company to establish a regulatory asset to record the effects of incremental collection and other costs related to COVID-19 prudently incurred beginning on March 16, 2020. On February 15, 2021, the Maryland General Assembly passed the Recovery for the Economy, Livelihoods, Industries, Entrepreneurs and Families Act (RELIEF Act). The RELIEF Act includes \$83.0 million in funds to help MD residential customers who are in arrears. MD residential customers need to meet the qualifications established by The RELIEF Act to get the funds. On June 15, 2021, PSC of MD issued an order allocating \$5.7 million of RELIEF Act funds to Washington Gas to be reflected on qualifying customer bills. The funds were fully applied to the customer bills as of September 30, 2021.

Virginia. On March 16, 2020, the SCC of VA issued an order which prohibited disconnections of electricity, gas, water and sewer utility services during the coronavirus public health emergency and established certain consumer protection measures. The Virginia General assembly approved legislation on October 16, 2020 that codified the consumer protection plans, requiring utilities to offer customers in arrears fee-free repayment plans without deposit or eligibility requirements, which took effect in

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November 2020. The moratorium on disconnections ended on June 30, 2021. Washington Gas must wait 60 days before making residential disconnections on residential customers and will not commence charging late fees during this period. On April 29, 2020, the SCC of VA issued an order approving a request from Washington Gas and other Virginia utilities to create a regulatory asset to record incremental prudently incurred costs and suspended late payment fees attributable to the COVID-19 pandemic. On December 8, 2020, Washington Gas was awarded \$7.7 million of Coronavirus Relief Funds from the SCC of VA to use for customer arrearages. The funds were fully applied as of June 30, 2021. In August 2021, the Virginia General Assembly appropriated \$120.0 million of American Rescue Plan Act Funds (ARPA Funds) as direct financial assistance to residential utility customers with arrearages over 60 days as of August 31, 2021. The SCC of VA has developed an application process for utilities to apply for ARPA Funds. In order to receive a portion of ARPA Funds, a utility first needs to complete an arrearage survey by October 22, 2021. Once the surveys have been received, the SCC of VA will determine the amount of ARPA Funds to be distributed to regulated and municipal utilities.

Critical Accounting Policies

Our critical accounting estimates have not changed materially from those previously reported in our Annual Report for the fiscal year ended December 31, 2020.