





“A New Model for the New Century”

Chapter VI
2000–Present

*The new corporate headquarters of Washington Gas
and WGL Holdings at 101 Constitution Ave., NW,
opened in 2003.*

With its operations now aligned with the opportunities that had opened up in the wake of years of regulatory changes, Washington Gas in 2000 had nearly finished a restructuring aimed at helping the company make the most of new energy markets.

During the prior decade, the company had organized an unregulated energy service subsidiary, and had made a number of other moves aimed at separating its utility and non-utility businesses.

In March 2000, Washington Gas shareholders approved the final piece of the restructuring—the creation of *WGL Holdings, Inc.*

WGL Holdings would serve as the parent holding company structure for all Washington Gas businesses, and create a clear structural separation between its utility and non-utility businesses.

When the new structure took effect at the beginning of November 2000, WGL Holdings served as the parent of four direct subsidiaries—*Washington Gas Light Co.*, *Hampshire Gas Co.*, *Crab Run Gas Co.*, and *Washington Gas Resources Corp.*

WGL Holdings also held a 50 percent stake in *Primary Investors, LLC*, which focused on investment opportunities in after-market products and services for the HVAC industry.

New Ventures

Washington Gas Resources Corp.—formed in 1997 to hold the company's non-utility businesses—would continue to serve as the umbrella for those companies under the new WGL Holdings structure.

As it had for several decades prior, the company steadily increased business activities on the non-utility side, both to diversify into promising businesses, and to repurpose existing holdings and interests to address new opportunities.

In one such effort during the decade, the company made new use of an idle tract of Washington Gas real estate—the site of its former East Station manufactured gas plant, which had been demolished in 1985.

In January 2000, prior to the formal creation of WGL Holdings, Washington Gas formed a venture called *Maritime Plaza I* to hold a partnership interest in commercial development of the property, which lies near the Washington Navy Yard. Through the Maritime initiative, which was moved into Washington Gas Resources in 2006, the partnership completed two phases of development by the time the decade drew to a close.

Washington Gas also continued to organize new businesses from scratch. Concurrent with the creation of WGL Holdings, the company in November 2000 organized a new subsidiary under Washington Gas Resources called *Washington Gas Credit Corp.* to conduct the company's consumer financing business.

While WGL Holdings reconsidered the move the following year, and ceased making new loans through the unit, the Credit Corp. continued to service its existing loans until the unit ceased operations in 2009. The business then reorganized as *Capitol Energy Ventures Corp.* to take over the acquisition and optimization of gas storage and transportation assets—a business operation which the company previously had contracted out until bringing the functions in-house the prior year. Washington Gas also had gained experience in this arena over the years through the optimization of the utility's own pipeline assets.

Competitive Energy Services

One Washington Gas Resources subsidiary, *Washington Gas Energy Services (WGEServices)*, made particular headway during the 2000s.



Current and past chairmen (from left): Terry McCallister, James H. Degraffenreidt, Jr., Donald Heim, Pat Maher, and Jerry Hughitt (vice chairman).



In 2005, Washington Gas completed a 3.7-mile pipeline to a refueling station for Washington area Metro buses running on clean, efficient natural gas.

Formed in 1997 as an unregulated, competitive energy marketing company, WGEServices would lead the company into energy ventures outside of its traditional gas business.

In 2000, WGEServices—which up to this time had been marketing natural gas services—entered an agreement to purchase electricity and other services from Mirant Americas Energy Marketing LP for resale to retail customers. WGEServices entered the electricity market in earnest the following year.

Much as Washington Gas had done in its gas business, WGEServices diversified its sources of supply several years into the venture to reduce its dependence on a single supplier. In this case, the company in 2004

entered purchasing agreements with three more wholesale electricity suppliers.

The subsidiary's growth was bolstered in 2006 when electric utilities in Maryland and Delaware sharply increased rates, helping WGEServices post a 75 percent increase in the number of electric customers it served over the course of fiscal 2006.

The company built up a respectable customer base during the decade. Between the end of 2000 and the end of 2010, the subsidiary's electric customers grew from 44,000 to 154,900. During that same period, the unit's natural gas customers grew from 123,900 at the end of 2001 to 160,900 at the end of 2010.

One of the newest additions to the D.C. landscape of monuments, the Martin Luther King, Jr. Memorial, opened to the public in 2011.







Zeroing in on Sustainability

Mindful of the growing emphasis on sustainability and environmentally friendly energy sources, WGEServices also began to market wind- and solar-generated electricity starting in 2002. Early customers for whom WGEServices arranged wind-power purchases included the U.S. Army, the National Geographic Society, and The Catholic University of America.

During the decade, the company gradually built up its book of customers who purchased some or all of their power from providers of wind-generated or solar-generated electricity. By the end of the 2000s, WGEServices had established a strong reputation as a leader in providing sustainable energy to customers throughout not only the Washington Gas service territory, but also expanding into new markets such as Delaware and Pennsylvania.

Washington Gas employees compete with each other, and with utilities across the country, in the National Gas Rodeo. The event showcases employees' hard work and dedication to safety.

WGEServices reported at the beginning of 2010 that more than 10,000 of its customers in the District of Columbia, Maryland and Delaware purchased half or all of their electricity from a wind-power provider. At that time, the company also reported that all of its other electricity customers received 5 percent of their power from wind-generated sources as a part of their normal electricity supply.

Other New Energy Opportunities

Another Washington Gas Resources Corp. subsidiary, *Washington Gas Energy Systems (WGESystems)*, expanded its commercial footprint during the period.

WGESystems, created in 1988 through the reorganization of an earlier Washington Gas energy conservation and management subsidiary, entered the 2000s with the goal of providing design-build, energy-



SOLAR POWER

Energy Project



Washington Gas
Energy Services

STANDARD
SOLAR





Barack Obama made history in 2008 as the first African American elected President of the United States.

efficient and sustainable solutions to government and commercial customers. During the decade, the company added solar energy projects to the mix.

Among its significant projects during the decade, the WGESystems in 2009 won a federal contract to design and build a new cogeneration facility and provide other conservation measures for the General Services Administration, the Department of Homeland Security and other federal agencies.

Washington Gas continued to support area fleets that used compressed natural gas, including a fleet of CNG-powered passenger buses operated by the Washington Metropolitan Area Transit Authority.

To help sustain that fleet, Washington Gas in 2005 built a new 3.7-mile pipeline to furnish natural gas to the transit authority's new CNG fueling facility in Arlington, Va.

Streamlining Businesses

Running tighter and more selective non-utility operations, Washington Gas Resources Corp. during the 2000s also divested a number of holdings that had outlived their place in the company's business plan.

Among those was *American Combustion Industries Inc.*, which the company sold to a third party in 2006.

Washington Gas Energy Services is a leading provider of clean energy, including this new solar farm for Perdue Chicken.

Another venture to formally leave the books during the decade was *Brandywood Estates, Inc.*, officially dissolved in 2004.

An Increasingly Affluent Market

Over the first 10 years of the new century, the Washington, D.C., region continued to establish itself as one of the most affluent and fastest growing regions in the United States.

This regional prosperity, combined with strong housing growth during the first seven years of the decade, contributed to a growth rate of meters that exceeded the national average.

After setting meter growth records in 2000 and 2002, the company in 2004 celebrated the connection of its 1,000,000th meter. This achievement was commemorated on Wall Street with Chairman James DeGraffenreidt ringing the closing bell at the New York Stock Exchange.

During this time, all of the 1,074,000 customers served by Washington Gas also were eligible to participate in customer choice programs made possible by the unbundling of Washington Gas services. Many of these customers turned to Washington Gas Energy Services to be their natural gas supplier.

While the first half of the decade rewarded the company with robust growth, Washington Gas after 2007 began to feel the effects of a national economic downturn and subsequent recession. The drop in new home construction that was both a factor and a consequence in a slowing economy translated into a marked decline in the rate of new meters connected.

*James DeGraffenreidt and Terry McCallister
at Washington Gas' state-of-the-art training
facility known as "Pipetown."*







Backdrops like the U.S. Capitol are common for employees out in the field every day.

But even during negative or uncertain economic conditions, Washington Gas still experienced growth at a rate of approximately one percent, and captured 95 percent of new residential construction.

The company made a number of key moves during the decade to make certain that its customers had access to a dependable supply of natural gas.

Keeping the Gas Flowing

As it had during the 1990s, Washington Gas continued to reduce its exposure to long-term contracts for the purchase of natural gas at market-sensitive prices—all such remaining agreements had expired by the end of fiscal 2003.

The benefits of the company's more flexible supply strategy became clear in the summer and fall of 2005, when Hurricanes Katrina, Rita and Wilma in the Gulf Coast caused major disruptions in the supply of the natural gas produced and processed in that region.

Although the storms caused a significant reduction in supplies of gas from the Gulf Coast, the company's supply arrangements by 2005 were diverse enough that it was able to meet customer demand during the following two winter heating seasons through contracted interstate pipeline sources and storage resources.

Nonetheless, in the wake of the hurricanes, Washington Gas further modified its natural gas portfolio to include a significantly higher percentage of natural gas supply from sources outside the Gulf Coast region—including more Canadian and Appalachian gas, and liquefied natural gas (LNG) from Dominion Resources' Cove Point LNG terminal in Maryland.

The influx of LNG, particularly into areas served directly off the Cove Point pipeline, became evident in 2005 and 2006. The lower level of heavy hydrocarbons in revaporized LNG caused seals in



Preserving the environment is a core principle of the company's volunteer program.



Employee Kenney Mitchell volunteers with D.C. Special Olympics.



The Junior Achievement Bowl-A-Thon helps to raise money for education programs for area students.

mechanically coupled steel pipe (installed in the 1950s, 1960s and 1970s) to dry and leak at higher rates than normal.

In an effort to mitigate these effects of revaporized LNG on the company's distribution system, between 2006 and 2009, Washington Gas built three facilities to inject the hydrocarbon hexane into the gas throughout its distribution system. The hexane now reconditions the LNG flowing into the system from Cove Point and addresses the new domestic supplies of gas that have lower levels of heavy hydrocarbons either naturally or due to removal for their value as a separate commodity. Washington Gas also initiated a significant rehabilitation project to replace or upgrade certain of its lines as a part of this mitigation effort.

Building Out, and Up

In addition to the hexane-injection facilities, the company tackled a number of other major construction projects during the decade.

In 2000, Washington Gas completed construction of what came to be known as the Linton Hall Gate Station in Gainesville, Va.

Two years later, the company also built a 10-mile, 24-inch gas pipeline in Prince George's County, Md. The completion of this and other pipeline projects in Maryland's Prince George's and Charles counties in 2002 enabled the company to serve customers without incident in that region when one of the coldest winters on record struck the Washington area in January 2003. The cold 2003 winter witnessed a record sendout by the company, surpassing a sendout mark that had been set all the way back in 1994.

The transmission system's sterling performance during that cold snap was a clear demonstration of the improvements the company had made to its facilities in Southern Maryland where, nine years earlier, similar weather had produced mass outages.



Employee Aaron Stuber at the first of three new hexane injection facilities engineered and built by Washington Gas, which help to mitigate deterioration of lines from re-vaporized liquefied natural gas.

The company during this time also bolstered transmission capabilities in its Virginia service territory. In 2005, Washington Gas completed a reinforcement pipeline project in Northern Virginia, part of which involved a pipeline 35 feet under the Occoquan Reservoir.

As these system improvements were being made, Washington Gas also took steps to continue to place safety as the company's highest priority in delivering natural gas to its customers. In July 2008, the company opened a new state-of-the-art training facility, known as "Pipetown." At the time of its opening, Pipetown was the only training facility of its kind on the East Coast, including simulated city streets and neighborhoods, a complete underground natural gas distribution system and even a fire training field. Pipetown continues to be used to train not only employees, but also first responders and other emergency personnel throughout the utility service territory.

A New Home

One of the company's key projects during the decade had nothing to do with transmission or storage.

Personal, professional and career development programs for employees expanded greatly throughout the first decade of the 21st century.

Natural Gas.
Efficient by Nature.

washingtongasliving.com



Washington
Gas

ENERGY CITY





In 2003, Washington Gas moved out of the corporate headquarters it had occupied at 1100 H Street, N.W., since 1942, and into its new headquarters at 101 Constitution Ave., N.W., right next to the company's very first customer back in 1848: the United States Congress.

Braving the Storms

Washington Gas began the new millennium with a tragic loss, as President and COO Joe Schepis succumbed to cancer in 2000. James DeGraffenreidt subsequently assumed the additional role of president until the following year, when Terry D. McCallister was elected as President and COO.

McCallister would hold those positions throughout most of the decade. In 2009, following DeGraffenreidt's retirement, the board elected

McCallister Chairman and CEO, and Adrian Chapman President and COO.

Beginning in 2000, the company had embarked on a number of new efforts to protect itself—and its balance sheet—from some of the vagaries of the market. Starting that year—and continuing throughout the decade—Washington Gas worked with regulators in Maryland, Virginia and the District of Columbia to gain approval for various billing strategies aimed at neutralizing the effects of unusually hot or cold weather on the company's bottom line.

Some of these strategies have included the use of weather insurance, revenue normalization provisions and weather normalization adjustments that help to stabilize net revenues and insulate them from weather-related swings in customer usage.



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Delivering value for shareholders has been a consistent and strong tradition for Washington Gas—and now WGL Holdings, Inc. Chairman Terry McCallister rings the closing bell at the New York Stock Exchange in 2010 to celebrate the company's 70th anniversary on the exchange.

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In 2009, Terry McCallister became the company's latest chairman and chief executive officer, while Adrian Chapman was elected president and chief operating officer.

The company also made a number of internal changes during the decade—outsourcing certain business processes such as customer service, for example—which left the company with a leaner, more efficient administrative organization.

These prudent moves, together with respectable utility and non-utility growth throughout most of the first years of the century, all played a part in producing generally strong financial results for WGL Holdings and Washington Gas during the 2000–2010 period—even amid the recession that hobbled the nation's economy during the latter years of the decade.

Washington Gas reported record net income in fiscal 2000, 2001 and 2003; WGL Holdings enjoyed record net income in fiscal 2003, 2008 and 2009.

Furthermore, in every year throughout the decade, WGL Holdings continued to extend the company's record of dividend payments to shareholders and consecutive dividend increases since 1977.

As the second decade of the new millennium beckoned, the Washington region continued to prosper and grow—often in spite of negative economic trends elsewhere around the country. In 2010, the Washington metropolitan region had the lowest unemployment rate and the fourth largest job base of any major metro region in the country.

And as had been the case for more than 160 years, Washington Gas and the other organizations in the WGL Holdings family of companies were an integral part of it all, growing hand in hand with the community as the company had since 1848.🔗

Washington

Gas

Rick Walsh
12-1-75
9-110

Dorothy J. Hughes

Nathan

Hoppe



Epilogue

In 2010, the company adopted a new vision statement:

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

As WGL Holdings and its family of companies enter into the second decade of a new millennium, this new vision provides a clear direction forward that also encompasses all that the company has done since World War II—indeed since the chartering of the company 100 years earlier—to serve and grow with the surrounding community.

Foremost, WGL Holdings is and always has been about the employees who work to serve its customers. From dynamic and innovative leadership teams who have guided the company through prosperous and lean times alike to the diverse workforce of employees who are out in neighborhoods every day working to provide safe and reliable service, all of the company’s employees take pride in growing the company and serving the community.

As the preferred source of clean and efficient energy solutions, WGL Holdings recognizes that the energy portfolio of our region and our

nation is changing rapidly. Natural gas has always been the cleanest of all fossil fuels, and will continue to be a vital component in serving the growing energy needs of residents and businesses.

However, in an increasingly carbon constrained environment, WGL Holdings has positioned itself to also provide customers with alternative and sustainable energy solutions, including electricity through wind and solar power. The company’s non-utility operations will continue to grow and expand to serve these needs and provide a balanced energy portfolio to the community.

WGL Holdings and its companies have a strong tradition of producing value for all stakeholders. For customers, that includes providing natural gas and other energy solutions safely, reliably and at a reasonable cost. It also includes adapting to rapidly changing technologies for provide efficient service and maintain customer satisfaction.

In recent years, Washington Gas has ranked in the top echelon of natural gas utilities in customer satisfaction, and taking proactive steps—such as the Customer Experience Improvement Initiative, launched in 2010—to make sure it is producing value for customers at all points of contact.

Springfield Center became the new home for hundreds of employees in May 2012.

Superior shareholder performance has been a long-standing tradition at WGL Holdings with one of the strongest dividend records in the history of the New York Stock Exchange, consecutive annual dividend increases since 1977, top tier credit ratings and a commitment to transparency and exceptional corporate governance practices. This commitment will continue for the future to reward the faith and confidence that shareholders have in WGL Holdings.

Finally, as this history has demonstrated, WGL Holdings, Washington Gas and all of the other companies have grown hand-in-hand with the community through tumultuous events, changing culture and ever expanding growth.

In no place is the commitment to the community more evident than in reaching out to those less fortunate. Whether through volunteering at homeless shelters or cleaning up environmental treasures like the Anacostia Watershed, raising money to combat life-threatening illnesses or to help disadvantaged students, or providing energy assistance through programs like the Washington Area Fuel Fund, WGL Holdings and its employees recognize that growing hand-in-hand means that you extend that hand to those who are in the greatest need.

The company's employees demonstrate that commitment each year. Since 2003, when the company reorganized its volunteer program,

volunteer hours and donations have grown each year. In 2011 alone, employees donated nearly 10,000 hours of their time in working with charitable organizations. We know this number will only continue to grow as new volunteer opportunities are introduced in the years ahead.

This second history of Washington Gas and WGL Holdings was written to commemorate the opening of the company's new office and operations center complex in the spring of 2012.

This new facility replaces the company's long-standing Springfield Operations Center, which many employees had called home since 1970.

But just as the company has continued to grow with the region around us and adapt to ever-changing circumstances, this new facility both exemplifies the company's history of service to the community and its commitment to that service for the future.

With new, clean technologies, such as a natural gas fuel cell, high environmental standards for construction and operations, and new efficient tools for employees, this facility is not just a new home for Washington Gas, it is a statement of the company's dedication to continue to grow with Washington, as we have done since lighting the first gas lamp on the grounds of the U.S. Capitol back in 1848. ⑥





With new, clean technologies, Springfield Center is a statement of the company's dedication to continue to grow with Washington.



At Washington Gas, our number one commitment is always to safety.

As you have read through this volume, many historical photos may depict safety conditions or equipment that would not meet modern standards. We ask you to consider these from a historical perspective, as many modern safety standards were not implemented until the past few decades.

We are proud of our exceptional safety record and will always maintain the highest commitment to safety standards.

To view an electronic copy of this publication, as well as a copy of the history of our first hundred years, please visit our website:



www.washingtongas.com/pages/CompanyProfileHistory



WGL Holdings, Inc