Washington Gas Light Company

Quarterly Financial Report

For the Quarter Ended September 30, 2024

Washington Gas Light Company

For the Quarter Ended September 30, 2024

Table of Contents

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. For a more detailed discussion, please refer to the Safe Harbor for Forward-Looking Statements in the Washington Gas Annual Report for the year ended December 31, 2023 (Annual Report) available at www.washingtongas.com/about/corporate-governance#financial-reports and the Forward-Looking Information and Risk Factors sections of AltaGas' 2023 Annual Information Form and AltaGas' Management's Discussion and Analysis for the period ended September 30, 2024 for updates, available on SEDAR+ at www.sedarplus.ca.

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.

GLOSSARY OF KEY TERMS AND DEFINITIONS

Accelerated Pipe Replacement Programs (APRPs): Programs focused on replacement activities, targeting specific piping materials, installed years and/or locations which are undertaken on an expedited basis in an effort to improve safety, system reliability and to reduce potential greenhouse gas (GHG) emissions. See below for APRPs relating to various jurisdictions (PROJECTpipes for the District of Columbia, SAVE for Virginia, and STRIDE for Maryland).

Accounting Standards Codification (ASC): The source of authoritative generally accepted accounting principles (GAAP).

Accounting Standards Update (ASU): An update issued to communicate changes to an ASC.

Active Customer Meters: Natural gas meters that are physically connected to a building structure within the Washington Gas distribution system that are receiving natural gas distribution service.

AltaGas Ltd. (AltaGas): A Canadian corporation and parent company of WGL Holdings, Inc.

AltaGas Services (U.S.) Inc. (ASUS): A wholly owned subsidiary of AltaGas. It is the parent company of certain AltaGas' U.S. subsidiaries, including Washington Gas and WGL.

Asset Optimization Program: A program to optimize the value of Washington Gas' long-term natural gas transportation and storage capacity resources during periods when these resources are not being used to physically serve customers.

Bundled Service: Service in which customers purchase both the natural gas commodity and the distribution or delivery of the commodity from the local regulated utility. When customers purchase bundled service from Washington Gas, no mark-up is applied to the cost of the natural gas commodity that is passed through to customers.

CARE Ratemaking Adjustment (CRA): A billing mechanism in the state of Virginia that is designed to minimize the effect of factors such as conservation on utility net revenues.

Competitive Service Provider (CSP): Unregulated companies that sell natural gas and electricity directly to retail customers. WGL Energy Services is a CSP. Also referred to as ***Third-party Marketer***.

Federal Energy Regulatory Commission (FERC): An independent agency of the federal government that regulates the interstate transmission of electricity, natural gas, and oil. The FERC also reviews proposals to build liquefied natural gas terminals and interstate natural gas pipelines.

Firm Customers: Customers whose natural gas supply will not be disrupted by the regulated utility to meet the needs of other customers. Typically, this class of customer comprises residential customers and most commercial customers.

Generally Accepted Accounting Principles (GAAP): A standard framework of accounting rules used to prepare, present and report financial statements in the United States of America.

Hampshire: Hampshire Gas Company is a subsidiary of WGL that provides regulated interstate natural gas storage services to Washington Gas under a FERC approved interstate storage service tariff.

Heating Degree Day (HDD): A measure of the variation in weather based on the extent to which the daily average temperature falls below 65 degrees Fahrenheit.

Interruptible Customers: Large commercial and industrial customers whose service can be temporarily interrupted in order for the regulated utility to meet the needs of firm customers. These customers pay a lower delivery rate than firm customers and they must be able to readily substitute an alternate fuel for natural gas.

Mark-to-Market: The process of adjusting the carrying value of an asset or liability to reflect its current fair value.

MD OPC: Maryland Office of People's Counsel represents the interests of Maryland residential utility consumers of electricity, natural gas, telecommunications and private water services in state and federal regulatory and legislative proceedings.

Medium-term notes (MTNs): Unsecured notes issued under Washington Gas' previous shelf-registrations.

New Customer Meters Added: Natural gas meters that are newly connected to a building structure within the Washington Gas distribution system. Service may or may not have been activated.

Normal Weather: A forecast of expected HDDs based on historical HDD data.

PROJECTpipes: An APRP that provides a recovery mechanism for costs of eligible infrastructure replacements in the District of Columbia.

PSC of DC: The Public Service Commission of the District of Columbia is a three-member board that regulates Washington Gas' distribution operations in the District of Columbia.

PSC of MD: The Maryland Public Service Commission is a five-member board that regulates Washington Gas' distribution operations in Maryland.

Purchase of Receivables (POR) Program: A program in Maryland and the District of Columbia, whereby Washington Gas purchases receivables from participating CSPs at approved discount rates.

Revenue Normalization Adjustment (RNA): A regulatory billing mechanism in the state of Maryland designed to stabilize the level of Washington Gas' net revenues collected from customers by eliminating the effect of deviations in customer usage caused by variations in weather from normal levels, and other factors such as conservation.

SCC of VA: The Commonwealth of Virginia State Corporation Commission is a three-member board that regulates Washington Gas' distribution operations in Virginia.

SEMCO Energy, Inc., (SEMCO): *A*n indirect, wholly owned subsidiary of AltaGas.

Service Territory: The region in which Washington Gas operates. The service territory includes the District of Columbia, and the surrounding metropolitan areas in Maryland and Virginia.

Steps to Advance Virginia's Energy Plan (SAVE Plan): An APRP that provides a recovery mechanism for costs of eligible infrastructure replacements in the state of Virginia.

Strategic Infrastructure Development and Enhancement Plan (STRIDE Plan): An APRP that provides a recovery mechanism for reasonable and prudent costs associated with infrastructure replacements in the state of Maryland.

Tariffs: Documents approved by the regulatory commission in each jurisdiction that set the prices Washington Gas may charge and the practices it must follow when providing utility service to its customers.

Therm: A natural gas unit of measurement that includes a standard measure for heating value. We report our natural gas sales and deliveries in therms. A therm of gas contains 100,000 British thermal units (BTUs) of heat, or the energy equivalent of burning approximately 100 cubic feet of natural gas under normal conditions. Ten million therms equal approximately one billion cubic feet of natural gas. A dekatherm is 10 therms and is abbreviated as Dth.

Third-party Marketer: See definition under ***Competitive Service Provider (CSP)***.

Utility Net Revenues: A non-GAAP measure calculated as operating revenues less the associated cost of gas and applicable revenue taxes. The cost of gas associated with sales to customers and revenue taxes are generally pass through amounts.

Washington Gas Light Company (Washington Gas): An indirect, wholly owned subsidiary of, among other entities, WGL.

Weather Normalization Adjustment (WNA): A billing adjustment mechanism in Virginia that is designed to minimize the effect of variations from normal weather on Washington Gas' net revenues.

WGL Holdings, Inc. (WGL): A holding company that is the parent company of Wrangler SPE LLC, Washington Gas Light Company and other subsidiaries. It is an indirect wholly owned subsidiary of AltaGas.

WGL Energy Services, Inc. (WGL Energy Services)**:** A subsidiary of WGL that sells natural gas and electricity to retail customers on an unregulated basis in the District of Columbia, Maryland, Virginia, Pennsylvania, Delaware and Ohio.

Wrangler SPE LLC (Wrangler): *A* bankruptcy remote special purpose entity which owns all the shares of the common stock of Washington Gas. It was established as a wholly owned subsidiary of WGL following the merger at the direction of Washington Gas' regulators.

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

(In thousands)	**September 30, 2024**	December 31, 2023
ASSETS		
Property, Plant and Equipment		
At original cost	**$ 8,068,105**	$ 7,741,800
Accumulated depreciation and amortization	**(2,032,339)**	(1,948,570)
Net property, plant and equipment	**6,035,766**	5,793,230
Current Assets		
Cash and cash equivalents	**540**	16,742
Receivables (net of allowance of $15,378 and $19,461, respectively)	**180,130**	386,996
Gas costs and other regulatory assets	**59,140**	41,075
Inventory	**102,016**	136,417
Prepaid taxes	**45,734**	6,751
Other prepayments	**9,656**	25,119
Receivables from associated companies	**6,236**	8,278
Derivatives	**5,635**	5,696
Other	**1,963**	2,192
Total current assets	**411,050**	629,266
Deferred Charges and Other Assets		
Regulatory assets		
Gas costs	**40,064**	51,580
Pension and other post-retirement benefits	**597**	626
Excess deferred taxes and other	**133,386**	133,640
Prepaid pension and other post-retirement benefits	**493,181**	437,755
Operating lease right of use asset	**29,817**	32,595
Derivatives	**12,635**	27,054
Other	**29,581**	32,401
Total deferred charges and other assets	**739,261**	715,651
Total Assets	**$ 7,186,077**	$ 7,138,147
CAPITALIZATION AND LIABILITIES		
Capitalization		
Common shareholder's equity	**$ 2,470,982**	$ 2,357,771
Long-term debt	**2,096,303**	2,132,323
Total capitalization	**4,567,285**	4,490,094
Current Liabilities		
Current maturities of long-term debt	**44,461**	3,552
Notes payable	**98,951**	97,544
Accounts payable and other accrued liabilities	**199,413**	262,624
Customer deposits and advance payments	**57,176**	57,774
Gas costs and other regulatory liabilities	**19,595**	55,153
Accrued taxes	**24,391**	36,908
Payables to associated companies	**15,501**	14,101
Operating lease liability	**6,323**	6,439
Derivatives	**10,741**	11,271
Other	**5,565**	6,659
Total current liabilities	**482,117**	552,025
Deferred Credits		
Deferred income taxes	**1,003,377**	919,702
Accrued pensions and benefits	**17,757**	18,354
Asset retirement obligations	**235,465**	228,093
Regulatory liabilities		
Accrued asset removal costs	**191,337**	205,894
Pension and other post-retirement benefits	**182,439**	202,507
Excess deferred taxes and other	**385,869**	397,299
Operating lease liability	**39,205**	41,833
Derivatives	**41,883**	44,547
Other	**39,343**	37,799
Total deferred credits	**2,136,675**	2,096,028
Commitments and Contingencies (Note 10)		
Total Capitalization and Liabilities	**$ 7,186,077**	$ 7,138,147

The accompanying notes are an integral part of these statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2024**	2023	**2024**	2023
OPERATING REVENUES	**$ 180,468**	$ 180,749	**$ 1,052,314**	$ 1,114,263
OPERATING EXPENSES				
Utility cost of gas	**44,935**	31,137	**290,316**	288,000
Operation and maintenance	**118,836**	115,741	**349,125**	342,920
Depreciation and amortization	**44,240**	42,020	**130,688**	123,954
General taxes and other assessments	**31,495**	30,166	**128,136**	116,531
Total Operating Expenses	**239,506**	219,064	**898,265**	871,405
OPERATING INCOME (LOSS)	**(59,038)**	(38,315)	**154,049**	242,858
Other income — net[(a)]	**56,920**	9,501	**79,681**	29,537
Interest expense	**26,268**	24,651	**76,541**	71,772
INCOME (LOSS) BEFORE INCOME TAXES	**(28,386)**	(53,465)	**157,189**	200,623
INCOME TAX EXPENSE (BENEFIT)	**(4,704)**	(12,126)	**37,273**	44,815
NET INCOME (LOSS)	**$ (23,682)**	$ (41,339)	**$ 119,916**	$ 155,808

[(a)] *One-time OPEB settlement gain of $47.1 million is recorded in "Other income - net" on the statements of operations.*

The accompanying notes are an integral part of these statements.

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

(In thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
NET INCOME (LOSS)	**$ (23,682)**	$ (41,339)	**$ 119,916**	$ 155,808
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE INCOME TAXES				
Pension and other post-retirement benefit plans				
Change in prior service credit	**(64)**	(50)	**(195)**	(150)
Change in actuarial loss (gain)	**747**	(13)	**905**	(38)
Settlement	**(1,158)**	—	**(1,158)**	—
Total pension and other post-retirement benefit	**$ (475)**	$ (63)	**$ (448)**	$ (188)
INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER COMPREHENSIVE INCOME (LOSS)	**—**	(31)	**7**	(63)
OTHER COMPREHENSIVE INCOME (LOSS)	**$ (475)**	$ (32)	**$ (455)**	$ (125)
COMPREHENSIVE INCOME (LOSS)	**$ (24,157)**	$ (41,371)	**$ 119,461**	$ 155,683

The accompanying notes are an integral part of these statements.

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

(In thousands)	Nine Months Ended September 30, 2024	2023
OPERATING ACTIVITIES		
Net income	**$ 119,916**	$ 155,808
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation and amortization	**130,688**	123,954
Amortization of:		
Other regulatory assets and liabilities — net	**13,904**	11,075
Debt related costs	**763**	801
Deferred income taxes — net	**75,868**	58,865
Accrued/deferred pension and other post-retirement benefit	**(75,969)**	(24,676)
Compensation expense related to stock-based awards	**11,887**	8,122
Provision for doubtful accounts	**12,429**	10,302
Unrealized (gain) loss on derivative contracts	**8,022**	(71,467)
Net gain from sale of assets	**(209)**	—
Other non-cash charges — net	**2,116**	56
Changes in operating assets and liabilities (Note 15)	**25,383**	110,276
Net Cash Provided by Operating Activities	**324,798**	383,116
FINANCING ACTIVITIES		
Capital contribution from parent	**87,500**	80,000
Repayment of long-term debt and finance lease	**(2,811)**	(21,578)
Debt issuance costs	**—**	(18)
Notes payable issued — net	**1,407**	14,861
Dividends on common stock	**(93,750)**	(75,000)
Net Cash Used in Financing Activities	**(7,654)**	(1,735)
INVESTING ACTIVITIES		
Capital expenditures	**(335,081)**	(382,844)
Net proceeds from sale of assets	**209**	—
Net Cash Used in Investing Activities	**(334,872)**	(382,844)
DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(17,728)**	(1,463)
Cash, Cash Equivalents, and Restricted Cash at Beginning of the Period	**23,198**	8,315
Cash, Cash equivalents and Restricted Cash at End of the Period	**$ 5,470**	$ 6,852
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (Note 15)		

The accompanying notes are an integral part of these statements.

NOTE 1. ACCOUNTING POLICIES

Basis of Presentation

Washington Gas is an indirect, majority owned subsidiary of, among other entities, AltaGas and WGL. WGL established a wholly owned subsidiary, Wrangler, a bankruptcy remote, special purpose entity for the purpose of owning all of the shares of the common stock of Washington Gas.

The condensed financial statements have been prepared in conformity with GAAP. Certain financial information and note disclosures that accompany annual financial statements are omitted in this interim report. The 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 full year results.

The accompanying 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 tables represent accounting standards adopted by Washington Gas during the nine months ended September 30, 2024 and other newly issued accounting standards that will be adopted by Washington Gas in the future.

ACCOUNTING STANDARDS ADOPTED IN CALENDAR YEAR 2024

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
ASU 2023-01, Leases (Topic 842): Common Control Arrangements	This standard required entities to amortize leasehold improvements under common control over the economic life of the leasehold improvements as long as the lessee controlled the use of the leased asset. The amendments will be applied prospectively.	January 1, 2024	The adoption of this standard did not have an effect on our financial statements.

OTHER NEWLY ISSUED ACCOUNTING STANDARDS

Standard	**Description**	**Required date of adoption**	**Effect on the financial statements or other significant matters**
ASU 2023-06, Disclosure Improvements	The amendments in this ASU modify the disclosure or presentation requirements of a variety of topics in the codification as a result of the Financial Accounting Standards Board's decision to incorporate disclosures referred to in SEC Release No. 33-10532, which sought to simplify SEC disclosure requirements. The amendments in this ASU allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements.	This update is only effective upon the removal of the related disclosure from SEC regulations with an expiration of June 30, 2027.	The adoption of this ASU is not expected to have a material impact to our financial statements at this time, but may have an impact in future periods as Washington Gas is subject to the scope of this ASU.
ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures	The amendments in this ASU require that public business entities on an annual basis: *(i)* disclose additional categories about federal, state, and foreign income taxes in the rate reconciliation table and *(ii)* provide additional information for reconciling items that meet a quantitative threshold. Additionally, entities are required to annually disclose disaggregated income from continuing operations, income tax expense, and income taxes paid (net of refunds received) by certain tax authorities and jurisdictions.	December 31, 2025	Upon adoption of this standard, we will update our income tax disclosures accordingly.
ASU 2024-01, Compensation—Stock Compensation (Topic 718)	The amendments in this ASU provide an illustrative example to assist entities that account for profits interest awards as compensation to employees or non-employees to reduce (*i*) complexity in determining whether a profits interest award is subject to the guidance in Topic 718, and (*ii*) existing diversity in practice. The amendments in this ASU should be applied either (*i*) retrospectively to all prior periods presented in the financial statements, or (*ii*) prospectively to profits interest and similar awards granted or modified on or after the date at which the entity first applies the amendments. Early adoption is permitted.	January 1, 2025	The adoption of this standard is not expected to have a material effect on our financial statements.

NOTE 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Company recognizes revenue from contracts with customers as goods or services are transferred to customers, in accordance with ASC Topic 606, Revenue from Contracts with Customers (ASC Topic 606), at an amount it expects to be entitled to in exchange for those goods or services. Washington Gas sells natural gas and distribution services to residential, commercial, industrial and other customers through regulated tariff rates approved by regulatory commissions in the jurisdictions where we operate. Customers are billed monthly based on regular meter readings. Revenue from contracts with customers includes the following distribution charges: (i) a fixed system service charge and (ii) a variable fee for service based on the delivery of natural gas. The rates charged to customers vary based on the class of customer. For customers who choose to receive Bundled Service from Washington Gas, the bill will also include a usage-based charge for the cost of the natural gas commodity delivered. In addition, customer bills include other riders, surcharges, or fees, as applicable by jurisdiction. Revenue is recognized over time as natural gas is delivered or as service is performed. Because meter readings are performed on a cycle basis, Washington Gas recognizes unbilled 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 has the right 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 has the right to invoice the customer.

For customers that do not receive Bundled Service, Washington Gas charges the CSPs balancing fees to manage the natural gas transportation imbalances. Where regulations require, Washington Gas issues customers a consolidated bill to include the cost of natural gas commodity supplied by the CSPs and Washington Gas’ distribution charges. 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 CSP.

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,	
(In millions)	**2024**	2023	**2024**	2023
Revenue from contracts with customers				
Gas and transportation sales				
Gas sold and delivered	**$ 104.3**	$ 106.4	**$ 700.3**	$ 775.0
Gas delivered for others	**41.7**	42.1	**211.3**	198.5
Other	**15.2**	15.5	**36.7**	41.2
Other revenues	**1.6**	1.3	**4.0**	3.4
Total revenue from contracts with customers	**$ 162.8**	$ 165.3	**$ 952.3**	$ 1,018.1
Other sources of revenue				
Revenue from alternative revenue programs [(a)]	**$ 15.3**	$ 12.2	**$ 89.9**	$ 86.3
Leasing revenue	**0.2**	0.2	**0.7**	0.7
Other	**2.2**	3.0	**9.4**	9.2
Total revenue from other sources	**$ 17.7**	$ 15.4	**$ 100.0**	$ 96.2
Total Operating Revenue	**$ 180.5**	$ 180.7	**$ 1,052.3**	$ 1,114.3

[(a)] Washington Gas has determined that its RNA, WNA, and CRA billing adjustment mechanisms and APRPs are alternative revenue programs and accounted for under ASC Topic 980, Regulated Operations.

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 represent performance obligations that have been satisfied and to which Washington Gas has an unconditional right to payment. Unbilled revenues of $29.8 million and $122.4 million are included within "Receivables" on Washington Gas' balance sheets at September 30, 2024 and December 31, 2023, respectively.

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.

NOTE 3. CREDIT LOSSES

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. Low-income customers may also participate in governmental programs or programs administered by Washington Gas that provide assistance for payment of utility bills. 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. For accounts receivable and unbilled revenue generated by the utility business, an allowance for doubtful accounts is recognized using a 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.

Asset Optimization Program: Washington Gas is exposed to wholesale counterparty credit risk through its asset optimization program. Washington Gas operates under a 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 may be required. The creditworthiness of all counterparties is continuously monitored. Refer to Note 11 — *Derivatives* for a further discussion of our asset optimization program. At September 30, 2024 and December 31, 2023, the allowance for doubtful accounts associated with outstanding receivables under the asset optimization program was not significant.

Allowance for Doubtful Accounts: As of September 30, 2024, we have evaluated the adequacy of our allowance. 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 customer account write-offs. Based on these evaluations, we have concluded that the allowance as of September 30, 2024 adequately reflected the collection risk and net realizable value for our receivables. We will continue to monitor changing circumstances and will adjust our allowance as additional information becomes available.

The following table presents the activity of allowance for doubtful accounts.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2024**	2023	**2024**	2023
Balance, beginning of period	**$ 18.1**	$ 25.9	**$ 19.5**	$ 27.6
Provision	**3.1**	1.0	**12.4**	10.3
Write offs	**(6.3)**	(5.4)	**(18.3)**	(17.7)
Recoveries	**0.5**	0.8	**1.8**	2.1
Balance, end of period	**$ 15.4**	$ 22.3	**$ 15.4**	$ 22.3

NOTE 4. INVENTORY

The table below provides details for the amounts included in "Inventory" on the balance sheets.

(In millions)	**September 30, 2024**	December 31, 2023
Materials and Supplies	**$ 20.6**	$ 20.9
Storage Gas	**81.4**	115.5
Total	**$ 102.0**	$ 136.4

NOTE 5. 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.

(In millions)	**September 30, 2024**	December 31, 2023
Accounts payable—trade	**$ 126.3**	$ 175.6
Employee related accruals	**43.9**	48.6
Accrued interest	**13.8**	20.7
Other accrued liabilities	**15.4**	17.7
Total	**$ 199.4**	$ 262.6

NOTE 6. SHORT-TERM DEBT

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 a bank credit facility in amounts equal to or greater than the expected maximum short-term financing requirements.

Credit Facility

The following is a summary of committed credit available at September 30, 2024 and December 31, 2023.

Committed Credit Available

(In millions)	**September 30, 2024**	December 31, 2023
Committed credit agreements		
Unsecured revolving credit facility, expires July 17, 2026[(a)]	**$ 450.0**	$ 450.0
Less: Commercial Paper outstanding[(b)]	**(199.0)**	(197.5)
Net committed credit available	**$ 251.0**	$ 252.5
Weighted average interest rate	**5.14 %**	5.67 %

[(a)] *Washington Gas has the right to request two one-year extensions with the bank group's approval. Washington Gas' revolving credit facility permits it to borrow an additional $100.0 million, with the bank group's approval, for a total potential maximum borrowing of $550.0 million.*
[(b)] *The amount represents carrying amount of commercial paper.*

At September 30, 2024 and December 31, 2023, there were no outstanding bank loans from Washington Gas' revolving credit facility.

Commercial Paper

At both September 30, 2024 and December 31, 2023, we classified $100.0 million of the commercial paper balance as "Long-term debt" on Washington Gas' balance sheets due to our ability and intent to refinance these balances on a long-term basis, respectively. Accordingly, $99.0 million and $97.5 million of commercial paper remained in “Notes payable” on Washington Gas' balance sheets at September 30, 2024 and December 31, 2023, respectively.

NOTE 7. LONG-TERM DEBT

Washington Gas has unsecured long-term debt in the form of MTNs and private placement notes with individual terms regarding interest rates, maturities and call or put options. In addition, Washington Gas classifies a portion of the 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, 2024 and December 31, 2023.

Long Term Debt Outstanding

(In millions)		**September 30, 2024**		December 31, 2023
Washington Gas Unsecured Notes [(a)]	**$**	**2,026.0**	$	2,026.0
Commercial Paper [(b)]		**100.0**		100.0
Total Principal Amounts of Long-Term Debt	**$**	**2,126.0**	$	2,126.0
Unamortized premium (discount) - net		**10.9**		11.2
Unamortized debt expense		**(12.6)**		(13.2)
Non-current finance lease liabilities		**12.5**		8.3
Less-current maturities		**40.5**		—
Total Carrying Amount of Long-Term Debt	**$**	**2,096.3**	$	2,132.3
Weighted average interest rate [(c)]		**4.54 %**		4.54 %

[(a)] Includes MTNs and private placement notes. The amount represents the face value of unsecured notes, including current maturities.
[(b)] At both September 30, 2024 and December 31, 2023, we classified $100.0 million of our commercial paper as "Long-term debt" on Washington Gas' balance sheets due to our ability and intent to refinance these balances on a long-term basis. Refer to Note 6 — Short-term debt for discussion on the credit facility.
[(c)] Weighted average interest rate is for the Washington Gas unsecured notes, including current maturities.

There were no issuances or retirements for the nine months ended September 30, 2024. The following table shows retirements of Washington Gas' unsecured notes for the nine months ended September 30, 2023. There were no issuances for the nine months ended September 30, 2023.

Washington Gas' Unsecured Notes Retirements

(In millions)		**Principal[(a)]**	**Interest Rate[(b)]**	**Effective Cost[(b)]**	**Nominal Maturity Date**
Nine Months Ended September 30, 2023					
Retirements:					
03/23/2023	$	20.0	6.65 %	6.76 %	3/23/2023

[(a)] Represents face amount of notes.
[(b)] Represents the rate at the trade date of the debt.

NOTE 8. COMPONENTS OF TOTAL EQUITY

(In thousands)	Common Stock [(a)]	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Taxes	Total
Three Months Ended September 30, 2024					
Balance at June 30, 2024	**$ 46,479**	**$ 1,434,273**	**$ 955,168**	**$ 2,969**	**$ 2,438,889**
Net loss	**—**	**—**	**(23,682)**	**—**	**(23,682)**
Other comprehensive loss	**—**	**—**	**—**	**(475)**	**(475)**
Capital contribution from parent	**—**	**87,500**	**—**	**—**	**87,500**
Common stock dividends declared	**—**	**—**	**(31,250)**	**—**	**(31,250)**
Balance at September 30, 2024	**$ 46,479**	**$ 1,521,773**	**$ 900,236**	**$ 2,494**	**$ 2,470,982**
Three Months Ended September 30, 2023					
Balance at June 30, 2023	$ 46,479	$ 1,314,273	$ 896,483	$ 1,813	$ 2,259,048
Net loss	—	—	(41,339)	—	(41,339)
Other comprehensive loss	—	—	—	(32)	(32)
Capital contribution from parent	—	80,000	—	—	80,000
Common stock dividends declared	—	—	(25,000)	—	(25,000)
Balance at September 30, 2023	$ 46,479	$ 1,394,273	$ 830,144	$ 1,781	$ 2,272,677
Nine Months Ended September 30, 2024					
Balance at December 31, 2023	**$ 46,479**	**$ 1,434,273**	**$ 874,070**	**$ 2,949**	**$ 2,357,771**
Net income	**—**	**—**	**119,916**	**—**	**119,916**
Other comprehensive loss	**—**	**—**	**—**	**(455)**	**(455)**
Capital contribution from parent	**—**	**87,500**	**—**	**—**	**87,500**
Common stock dividends declared	**—**	**—**	**(93,750)**	**—**	**(93,750)**
Balance at September 30, 2024	**$ 46,479**	**$ 1,521,773**	**$ 900,236**	**$ 2,494**	**$ 2,470,982**
Nine Months Ended September 30, 2023					
Balance at December 31, 2022	$ 46,479	$ 1,314,273	$ 749,336	$ 1,906	$ 2,111,994
Net income	—	—	155,808	—	155,808
Other comprehensive loss	—	—	—	(125)	(125)
Capital contribution from parent	—	80,000	—	—	80,000
Common stock dividends declared	—	—	(75,000)	—	(75,000)
Balance at September 30, 2023	$ 46,479	$ 1,394,273	$ 830,144	$ 1,781	$ 2,272,677

[(a)] *Includes 46,479,536 shares of common stock.*

NOTE 9. PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

On August 15, 2024, the Company purchased an annual tax-free Medical Health Reimbursement Account (HRA) annuity for $45.1 million and a guaranteed life insurance funding account (GLIFA) for $19.3 million from two insurance carriers. The purchase of the HRA annuity and GLIFA contracts transferred all future obligations, and benefits administration associated with non-union management participants to the respective insurance carriers effective January 1, 2025. The purchase of the HRA annuity and GLIFA contracts were accounted for as a partial settlement of the Washington Gas Light Company Retiree Health and Welfare Plan. A one-time settlement gain of $48.1 million was recognized in other income during the three months ended September 30, 2024.

Additionally, during the three months ending September 30, 2024, the Company announced other retiree health and welfare plan changes, including: (i) effective January 1, 2025, eligible retirees and dependents not yet receiving Medicare benefits will receive an HRA stipend to help purchase medical, prescription drug and dental coverage in the marketplace, (ii) effective January 1, 2026, employees who retire after December 31, 2025 will not receive retiree life insurance benefits under the plan and (iii) an HRA special termination benefit, under which eligible employees receive an employer-funded contribution into an HRA account.

Due to these amendments and other changes, the Company remeasured the Washington Gas Light Company Retiree Health and Welfare Plan assets and benefit obligations on August 31, 2024. This remeasurement resulted in the projected benefit obligation decreasing from $205.3 million on December 31, 2023 to $138.4 million on August 31, 2024, and the overall funded status increasing from $427.8 million as of December 31, 2023, to $474.3 million as of August 31, 2024.

The discount rate assumption the Company used decreased slightly to 5.3% as of the August 31, 2024 remeasurement. The Company also updated certain demographic assumptions during the remeasurement, including the healthcare cost trend rate, which resulted in no annual increase in the annual retiree HRA stipends through 2034 and then increasing 3% in all subsequent years.

Additionally, other organizational changes resulted in a curtailment and a resulting remeasurement of Washington Gas' qualified pension plan on August 31, 2024. This curtailment resulted in a $2.1 million increase in the projected benefit obligation, with the offsetting amount substantially recorded to regulatory liabilities. Washington Gas also elected to change its calculation related to minimum funding requirements for its qualified pension plan. As a result, estimated benefit contributions will decrease $7.8 million for 2024.

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)]

	Three Months Ended September 30,			
	2024		2023	
(In millions)	**Pension Benefits**	**Health and Life Benefits**	Pension Benefits	Health and Life Benefits
Service cost	**$ 1.7**	**$ 0.8**	$ 1.6	$ 1.0
Interest cost	**10.4**	**1.7**	11.1	2.8
Expected return on plan assets	**(12.3)**	**(8.2)**	(12.4)	(8.0)
Recognized prior service cost (credit)	**—**	**(3.7)**	0.1	(3.4)
Recognized actuarial gain	**—**	**(0.3)**	—	(0.6)
Settlement gain	**—**	**(48.1)**	—	—
Special termination benefits	—	**2.0**	—	—
Net periodic benefit cost (income)	**(0.2)**	**(55.8)**	0.4	(8.2)
Allocation to affiliates	**—**	**1.2**	(0.2)	0.3
Adjusted net periodic benefit cost (income)	**(0.2)**	**(54.6)**	0.2	(7.9)
Service cost capitalized to construction projects	**(0.4)**	**(0.3)**	(0.4)	(0.2)
Amount credited to expense	**$ (0.6)**	**$ (54.9)**	$ (0.2)	$ (8.1)

	Nine Months Ended September 30,			
	2024		2023	
(In millions)	**Pension Benefits**	**Health and Life Benefits**	Pension Benefits	Health and Life Benefits
Service cost	**$ 5.0**	**$ 2.8**	$ 5.0	$ 2.8
Interest cost	**31.2**	**7.1**	31.9	8.4
Expected return on plan assets	**(37.2)**	**(25.4)**	(35.9)	(23.8)
Recognized prior service cost (credit)	**0.1**	**(10.5)**	0.1	(10.2)
Recognized actuarial loss (gain)	**—**	**(2.5)**	—	(1.9)
Settlement gain	—	**(48.1)**	—	—
Special termination benefits	—	**2.0**	—	—
Net periodic benefit cost (income)	**(0.9)**	**(74.6)**	1.1	(24.7)
Allocation to affiliates	**—**	**1.6**	(0.2)	0.7
Adjusted net periodic benefit cost (income)	**(0.9)**	**(73.0)**	0.9	(24.0)
Service cost capitalized to construction projects	**(1.2)**	**(0.7)**	(1.0)	(0.6)
Amount credited to expense	**$ (2.1)**	**$ (73.7)**	$ (0.1)	$ (24.6)

[(a)] *The components of net benefit costs (income), other than service cost, are recorded in "Other income - net" on the statements of operations.*

At September 30, 2024 and December 31, 2023, the rabbi trust balance associated with the defined benefit supplemental executive retirement plan (DB SERP) and the defined benefit restoration plan (DB restoration) were $2.6 million and $3.9 million, respectively. $1.7 million and $0.9 million were recorded in "Current Assets - Other" and "Deferred Charges and Other Assets - Other" on Washington Gas' balance sheets at September 30, 2024; $2.0 million and $1.9 million were recorded in "Current Assets - Other" and "Deferred Charges and Other Assets - Other" at December 31, 2023, respectively, along with other rabbi trust balances.

NOTE 10. COMMITMENTS AND CONTINGENCIES

Commitments

Washington Gas has certain natural gas contracts entered into 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, as well as natural gas purchase commitments that fluctuate based on market prices. Refer to Note 14 — *Commitments and Contingencies* of the Notes to Financial Statements of the Annual Report for a further discussion these commitments. There were no significant changes to contractual obligations that are out of the ordinary course of business during the nine months ended September 30, 2024.

Merger Commitments

In connection with the Merger in 2018, Washington Gas and AltaGas made commitments related to the terms of the 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. At September 30, 2024, the remaining unpaid amount for the previously accrued merger commitments was $1.9 million. Additionally, there are a number of operational commitments, including maintaining pre-merger quality of service standards including odor call response times, increasing supplier diversity, 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. At September 30, 2024, we have recorded adequate provisions, as applicable, for probable losses or refunds to customers for regulatory contingencies related to any ongoing proceedings.

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. Estimates of liabilities for environmental response costs are difficult to determine with precision because of the various factors that can affect their ultimate level. These factors include, but are not limited to, the following:

- the complexity of the site;
- changes in environmental laws and regulations at the federal, state and local levels;
- the number of regulatory agencies or other parties involved;
- new technology that renders previous technology obsolete or experience with existing technology that proves ineffective;
- the level of remediation required; and
- variations between the estimated and actual period of time that must be dedicated to respond to an environmentally-contaminated site.

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, 2024 and December 31, 2023, Washington Gas reported a liability of $12.5 million and $9.3 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, 2024 and December 31, 2023, Washington Gas estimated the maximum liability associated with all of its sites to be approximately

$48.8 million and $40.9 million, respectively. 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.

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 2032. Regulatory orders issued by the PSC of DC allow Washington Gas a five-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 both September 30, 2024 and December 31, 2023, Washington Gas reported a regulatory asset of $14.7 and $11.4 million, respectively, for the portion of environmental response costs that are expected to be recoverable in future rates.

East Station. 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 treatments. 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. During the pendency of the appeal, Washington Gas has, without waiving its defenses, taken voluntary interim measures to address the sheens under DOEE oversight. Washington Gas and DOEE are currently negotiating potential additional actions that could form the basis of a settlement of the appeal.

Anacostia River Sediment Project. 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 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 estimated 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.

Chillum. 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.

West Station. On September 8, 2023, the Company received a Directive Letter from DOEE related to a MGP that was formerly owned by Washington Gas known as the "West Station Gas Works." The Directive Letter requests certain information and a site investigation. The Site Investigation Work Plan was approved by DOEE on April 19, 2024. Washington Gas has accrued an amount for estimated costs to implement the Site Investigation Work Plan based on a potential range of estimates.

Financial Guarantees

At September 30, 2024, there were no guarantees to external parties.

NOTE 11. DERIVATIVES

Washington Gas enters into contracts that qualify as derivative instruments and are accounted for under ASC Topic 815, Derivatives and Hedging (ASC Topic 815). These derivative instruments are recorded at fair value on our balance sheets. Washington Gas does not currently designate any derivatives as hedges under ASC Topic 815. Washington Gas' derivative instruments relate to Washington Gas' asset optimization program and managing price risk associated with the purchase of gas to serve utility customers. In prior periods, we have also entered into derivatives to manage interest rate risk.

Asset Optimization Program. 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.

Regulatory sharing mechanisms provide for the annual realized profit from these transactions to be shared between Washington Gas and our 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 $3.6 million and $5.3 million for the three months ended September 30, 2024 and 2023, respectively, and $8.5 million and $11.3 million for the nine months ended September 30, 2024 and 2023, 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 maybe required to 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2024**	2023	**2024**	2023
Realized gain	**$ 9.1**	$ 15.1	**$ 22.0**	$ 32.0
Unrealized gain (loss)	**(17.2)**	(5.7)	**(8.0)**	71.5
Net margin gain (loss)	**$ (8.1)**	$ 9.4	**$ 14.0**	$ 103.5

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.

Notional Summary

The following table presents notional amounts of our outstanding derivatives at September 30, 2024 and December 31, 2023.

Absolute Notional Amounts of Open Positions on Derivative Instruments

	September 30, 2024	December 31, 2023
Natural Gas (In millions of therms)		
Sales	**2,278.7**	2,115.6
Purchases	**5,452.1**	6,053.2
Swaps	**87.2**	318.0

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 that is eligible for offset under ASC Topic 815 have been presented net on the balance sheets.

Balance Sheet Classification of Derivative Instruments

(In millions)	**Gross amounts of recognized assets/(liabilities)**	**Gross amounts offset in balance sheet**	**Netting of collateral**	**Net amounts presented on balance sheet**
September 30, 2024				
Derivative assets [a]	**$ 35.2**	**$ (16.9)**	**$ —**	**$ 18.3**
Derivative liabilities [b]	**(69.9)**	**16.9**	**0.4**	**$ (52.6)**
Net derivative assets (liabilities)	**$ (34.7)**	**$ —**	**$ 0.4**	**$ (34.3)**
December 31, 2023				
Derivative assets [a]	$ 49.0	$ (16.2)	$ —	$ 32.8
Derivative liabilities [b]	(72.0)	16.2	—	(55.8)
Net derivative assets (liabilities)	$ (23.0)	$ —	$ —	$ (23.0)

[a] Derivative assets at September 30, 2024 include $5.6 million recorded in "Current assets — Derivatives" and $12.6 million recorded in "Deferred charges and other assets — Derivatives" on Washington Gas' balance sheets; Derivative assets at December 31, 2023 include $5.7 million recorded in "Current assets —Derivatives" and $27.1 million recorded in "Deferred charges and other assets — Derivatives" on Washington Gas' balance sheets.
[b] Derivative liabilities at September 30, 2024 include $10.7 million recorded in "Current liabilities — Derivatives" and $41.9 million recorded in " Deferred credits — Derivatives" on Washington Gas' balance sheets; Derivative liabilities at December 31, 2023 include $11.3 million recorded in "Current liabilities — Derivatives " and $44.5 million recorded in " Deferred credits — Derivatives" on Washington Gas' balance sheets.

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, 2024 and 2023.

Gains and (Losses) on Derivative Instruments

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2024**	2023	**2024**	2023
Recorded to income-Utility cost of gas	**$ (16.1)**	$ (5.5)	**$ (11.9)**	$ 69.3
Recorded to regulatory assets-Gas costs	**(16.2)**	(5.8)	**(8.6)**	88.9
Total	**$ (32.3)**	$ (11.3)	**$ (20.5)**	$ 158.2

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 balance sheets.

At September 30, 2024 and December 31, 2023, Washington Gas had $2.5 million and $3.9 million, respectively, in collateral deposits posted with counterparties that are not offset against derivative assets and liabilities. At both September 30, 2024 and December 31, 2023, Washington Gas had $0.1 million cash collateral held representing an obligation, and is not offset against derivative assets 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). There was no such collateral posted at September 30, 2024 and December 31, 2023.

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 unfavorable credit-risk-related contingent features underlying these agreements were triggered on September 30, 2024 and December 31, 2023, respectively.

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

(In millions)	**September 30, 2024**	December 31, 2023
Derivative liabilities with credit-risk-contingent features	**$ 32.7**	$ 26.1
Maximum potential collateral requirements	**$ 32.7**	$ 26.1

We do not enter into derivative contracts for speculative purposes.

Concentration of Credit Risk

We are exposed to credit risk from wholesale derivative counterparties, which is represented by the fair value of derivative instruments, the net receivable/payable outstanding for settled transactions and offsetting collateral posted at the reporting date. We actively monitor and work to minimize counterparty concentration risk through various practices. At September 30, 2024, three counterparties represented over 10% of Washington Gas' credit exposure to wholesale derivative counterparties for a total concentration of credit risk of $18.1 million.

NOTE 12. 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, Fair Value Measurement (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, 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 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 restricted cash equivalents which are investments in money market funds and 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 include energy-related physical and financial derivative transactions such as forward contracts for deliveries at active market locations. Other Level 2 financial instruments include commercial paper and unsecured notes. The carrying cost of our commercial paper approximates fair value. The fair value of Washington Gas' unsecured notes was estimated based on valuation techniques using indirectly observable inputs corroborated with market data.

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 include: (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; and (iii) contracts valued using historical spot price volatility assumptions.

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 and unsecured notes are recorded on the balance sheets at amortized cost. Due to the short-term nature of these instruments, the carrying value approximates fair value and are classified as Level 2.

The fair value of unsecured notes was estimated based on valuation techniques using indirectly observable inputs corroborated with market data and therefore is classified as Level 2.

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

	Carrying Amount	Fair Value			
(In millions)		Level 1	Level 2	Level 3	Total
At September 30, 2024					
Financial assets					
Fair value through net income					
Cash equivalents [(a)]	$ 0.3	$ 0.3	$ —	$ —	$ 0.3
Rabbi trust investments - current [(b)]	1.7	1.7	—	—	1.7
Rabbi trust investments - deferred [(b)]	3.2	3.2	—	—	3.2
Derivative assets - current	2.1	—	0.4	1.7	2.1
Derivative assets - deferred	5.6	—	0.1	5.5	5.6
Fair value through regulatory assets/liabilities					
Derivative assets - current	3.6	—	0.3	3.3	3.6
Derivative assets - deferred	7.0	—	—	7.0	7.0
Total Assets	$ 23.5	$ 5.2	$ 0.8	$ 17.5	$ 23.5
Financial Liabilities					
Fair value through net income					
Derivative liabilities - current	$ (2.6)	$ —	$ (0.1)	$ (2.5)	$ (2.6)
Derivative liabilities - deferred	(12.4)	—	—	(12.4)	(12.4)
Fair value through regulatory assets/liabilities					
Derivative liabilities - current	(8.1)	—	(0.2)	(7.9)	(8.1)
Derivative liabilities - deferred	(29.5)	—	—	(29.5)	(29.5)
Amortized cost					
Commercial paper [(c)]	(199.0)	—	(199.0)	—	(199.0)
Unsecured notes [(d)]	(1,983.8)	—	(1,794.9)	—	(1,794.9)
Total Liabilities	$ (2,235.4)	$ —	$ (1,994.2)	$ (52.3)	$ (2,046.5)

Fair Value Under the Fair Value Hierarchy

(In millions)	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
At December 31, 2023					
Financial assets					
Fair value through net income					
Cash equivalents [(a)]	$ 14.5	$ 14.5	$ —	$ —	$ 14.5
Rabbi trust investments - current [(b)]	2.0	2.0	—	—	2.0
Rabbi trust investments - deferred [(b)]	4.5	4.5	—	—	4.5
Derivative assets - current	1.5	—	0.2	1.3	1.5
Derivative assets - deferred	11.7	—	0.1	11.6	11.7
Fair value through regulatory assets/liabilities					
Derivative assets - current	4.2	—	0.2	4.0	4.2
Derivative assets - deferred	15.4	—	—	15.4	15.4
Total Assets	$ 53.8	$ 21.0	$ 0.5	$ 32.3	$ 53.8
Financial Liabilities					
Fair value through net income					
Derivative liabilities - current	$ (2.4)	$ —	$ (0.4)	$ (2.0)	(2.4)
Derivative liabilities - deferred	(10.3)	—	(0.1)	(10.2)	(10.3)
Fair value through regulatory assets/liabilities					
Derivative liabilities - current	(8.9)	—	(0.6)	(8.3)	(8.9)
Derivative liabilities - deferred	(34.2)	—	(0.1)	(34.1)	(34.2)
Amortized cost					
Commercial paper [(c)]	(197.5)	—	(197.5)	—	(197.5)
Unsecured notes [(d)]	(2,024.0)	—	(1,727.7)	—	(1,727.7)
Total Liabilities	$ (2,277.3)	$ —	$ (1,926.4)	$ (54.6)	$ (1,981.0)

[(a)] Cash equivalents represent the amounts invested in money market funds and were included in "Cash and cash equivalents" on the accompanying balance sheets.
[(b)] Rabbi trust investments are restricted cash equivalents, which are invested in money market funds. Amounts are included in "Current assets — Other" and "Deferred charges and other assets — Other" of the accompanying balance sheets.
[(c)] The balance at September 30, 2024 included $99.0 million located in "Notes payable", and $100.0 million located in "Long-term debt" on the accompanying balance sheets. The balance at December 31, 2023 included $97.5 million located in "Notes payable", and $100.0 million located in "Long-term debt" on the accompanying balance sheets.
[(d)] Includes unamortized discounts/premiums and unamortized debt expense, as applicable. The carrying amount is 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

(In millions)	Net Fair Value	Valuation Techniques	Unobservable Inputs	Weighted Average [(a)]	Range
September 30, 2024	**$(34.8)**	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	**$(0.30)**	**$(1.458)-$2.835**
December 31, 2023	$(22.3)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	$(0.02)	$(1.733)-$4.473

[(a)] The average level 3 contract price was weighted by transaction volume.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2024**	2023	**2024**	2023
Balance at beginning of period	**$ (2.5)**	$ (3.8)	**$ (22.3)**	$ (191.5)
Realized and unrealized gains (losses)				
Recorded to income—Utility cost of gas	**(16.8)**	(5.8)	**(10.7)**	65.7
Recorded to regulatory assets—Gas costs	**(16.9)**	(6.4)	**(6.9)**	84.7
Settlements	**1.4**	6.0	**5.1**	31.1
Balance at end of period	**$ (34.8)**	$ (10.0)	**$ (34.8)**	$ (10.0)

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. All amounts recorded to income are included in 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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions)	**2024**	2023	**2024**	2023
Recorded to income — Utility cost of gas	**$ (15.9)**	$ (5.4)	**$ 8.6**	$ 61.6
Recorded to regulatory assets — Gas costs	**(16.9)**	(6.6)	**16.5**	82.3
Total	**$ (32.8)**	$ (12.0)	**$ 25.1**	$ 143.9

NOTE 13. RELATED PARTY TRANSACTIONS

Financing Agreement with WGL

Washington Gas has an agreement to borrow up to $200 million on a short-term basis from WGL. The agreement extends through December 31, 2025. The financing agreement is in place for the Company to meet its seasonal borrowing needs and to maintain financial flexibility. Washington Gas had no outstanding balance with WGL as of September 30, 2024 and December 31, 2023.

Corporate Service Allocation

As a subsidiary of AltaGas, Washington Gas is allocated a proportionate share of corporate governance and other shared service costs from AltaGas. AltaGas allocates WGL's portion of the total shared service costs at the lower of cost or market to ASUS, and ASUS in turn allocates a portion of the costs to ASUS's subsidiaries including Washington Gas at lower of cost or market. Washington Gas records a payable for the total shared service costs allocated from WGL's other subsidiaries in "Payables to associated companies" and a receivable for the shared service costs allocated to WGL’s other subsidiaries in “Receivables from associated companies” on our balance sheets. Additionally, Washington Gas receives certain corporate services from SEMCO that are recorded as a payable in "Payable to associated companies" on our balance sheets. The expenses associated with services provided by AltaGas and SEMCO are recorded to “Operation and maintenance” on Washington Gas' statements of operations.

Expenses of $7.0 million and $22.7 million were included in “Operation and maintenance” on the statements of operations for the three and nine months ended September 30, 2024 and $6.1 million and $22.4 million for the three and nine months ended September 30, 2023, respectively, reflecting the corporate service cost allocated to Washington Gas.

In addition, Washington Gas reimburses AltaGas for certain outside service costs paid on behalf of Washington Gas. To the extent such billings are outstanding and not eliminated, they are reflected in “Payables to associated companies” on Washington Gas’ balance sheets.

Washington Gas also provides administrative and general support to WGL’s subsidiaries, various ASUS entities and AltaGas. 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. For certain expenses related to common services, Washington Gas allocates costs based on broad measures of business activity. Affiliate entities are allocated a portion of common services based on a formula driven by appropriate indicators of activity, as approved by management.

Related Party Transactions with Hampshire

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. 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 asset and lease liability were not recognized upon the adoption of ASC Topic 842, Leases, because all the costs associated with the arrangement are variable. Washington Gas recorded expense of $2.0 million and income of $1.3 million related to the cost of services provided by Hampshire in "Operation and maintenance" on Washington Gas' statements for the three and nine months ended September 30, 2024, respectively, and expenses of $3.0 million and $8.6 million for the three and nine months ended September 30, 2023, respectively. These amounts are fully offset in Utility cost of gas. 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 ASUS consolidated income tax returns. The members of the consolidated group have entered into a tax sharing agreement. For any consolidated return required to be filed, each individual member of the consolidated group will pay their stand-alone tax liability to ASUS. Tax attributes utilized by the consolidated group have specific tax sharing provisions. State income tax returns are filed on a separate company basis or consolidated basis as required.

At September 30, 2024 and December 31, 2023, there were no intercompany balances under the ASUS tax sharing agreement.

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 to the affiliates 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 third-party marketers participating in the sale of natural gas on an unregulated basis through the customer choice programs that operate in its service territories. Washington Gas records revenues in "Operating revenues" in its statements of operations for these balancing services pursuant to tariffs approved by the appropriate regulatory bodies. Washington Gas charged WGL Energy Services for balancing services of $3.2 million and $14.2 million for the three and nine months ended September 30, 2024 and $3.5 million and $15.9 million for the three and nine months ended September 30, 2023, respectively.

Washington Gas participates in a POR program as approved by the PSC of MD and a separate program approved by the PSC of DC, whereby Washington Gas purchases receivables from participating third-party marketers at approved discount rates. WGL Energy Services is one of the third-party marketers that participates in these POR programs and sells its receivables to various utilities, including Washington Gas, at approved discount rates. The receivables purchased by Washington Gas are included in “Receivables” in the accompanying balance sheets. At September 30, 2024 and December 31, 2023, Washington Gas had balances of $4.6 million and $9.4 million, respectively, of purchased receivables from WGL Energy Services.

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table shows the changes in accumulated other comprehensive income for Washington Gas by component.

Changes in Accumulated Other Comprehensive Income by Component

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2024**	2023	**2024**	2023
Beginning Balance	**$ 2,969**	$ 1,813	**$ 2,949**	$ 1,906
Amortization of prior service credit [(a)(b)]	**(64)**	(50)	**(195)**	(150)
Amortization of actuarial gain[(a)(b)]	**(19)**	(13)	**(70)**	(38)
Actuarial gain arising during the period [(a)]	**766**	—	**975**	—
Settlement[(c)]	**(1,158)**	—	**(1,158)**	—
Current-period other comprehensive income (loss)	**(475)**	(63)	**(448)**	(188)
Income tax expense (benefit) related to pension and other post-retirement benefit plans	**—**	(31)	**7**	(63)
Ending Balance	**$ 2,494**	$ 1,781	**$ 2,494**	$ 1,781

[(a)]These accumulated other comprehensive income components are included in the computation of net periodic benefit cost.
[(b)] Amortization of prior service credit and amortization of actuarial loss (gain) represent the amounts reclassified out of accumulated other comprehensive income to "Other income - net" in the statements of operations for the reporting periods.
[(c)] Settlement represents the amounts reclassified out of accumulated other comprehensive income to "Other income - net" in the statements of operations as a result of one-time partial settlement of Washington Gas Light Company Retiree Health and Welfare Plan.

NOTE 15. 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.

	Nine Months Ended September 30,	
(In thousands)	**2024**	2023
CHANGES IN OPERATING ASSETS AND LIABILITIES		
Receivables	**$ 194,437**	$ 353,036
(Receivable from) Payable to associated companies — net	**3,442**	(6,012)
Gas costs and other regulatory assets/liabilities — net	**(53,623)**	(117,983)
Inventory	**34,401**	101,862
Prepaid taxes	**(38,983)**	2,450
Accounts payable and other accrued liabilities	**(89,241)**	(233,804)
Customer deposits and advance payments	**(598)**	8,741
Accrued taxes	**(12,517)**	(1,794)
Other current assets	**15,139**	13,768
Other current liabilities	**(1,093)**	(1,096)
Deferred gas costs — net	**15,096**	48,032
Deferred assets — other	**(13,394)**	(22,675)
Deferred liabilities — other	**(27,141)**	(33,899)
Pension and other post-retirement benefits	**(542)**	(350)
Changes in operating assets and liabilities	**$ 25,383**	$ 110,276
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid including interest for finance leases	**$ 82,871**	$ 81,081
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows used for operating leases	**$ 4,691**	$ 6,025
Financing cash flows used for finance leases[(a)]	**$ 1,271**	$ 2,220
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ —**	$ 3,340
Right-of-use assets obtained in exchange for new finance lease liabilities	**$ 4,001**	$ 5,749
Capital expenditure accruals included in accounts payable and other accrued liabilities	**$ 51,625**	$ 47,743

[(a)] *Operating cash flows related to finance leases are insignificant.*

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.

(In thousands)	**September 30, 2024**	September 30, 2023
Cash and cash equivalents	**$ 540**	$ —
Restricted cash included in Current assets — Other	**1,726**	2,048
Restricted cash included in Deferred charges and other assets — Other	**3,204**	4,804
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	**$ 5,470**	$ 6,852

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 rabbi trusts were funded pursuant to the agreement of merger with AltaGas. 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, 2024 and 2023. Refer to Note 9 — *Pension and Other Post-Retirement Benefit Plans* for further discussion of rabbi trusts.

NOTE 16. SUBSEQUENT EVENTS

Subsequent events have been reviewed through October 31, 2024, the date these consolidated financial statements were issued.

On October 1, 2024, Washington Gas executed a note purchase agreement to issue $200 million in private placement notes. $100 million of these notes were issued on October 1, 2024 at 5.40% with a maturity date of October 1, 2054 and the remaining $100 million will be issued on April 1, 2025 at 4.84% with a maturity date of April 1, 2035. The proceeds will be used for general corporate purposes.

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 context 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, 2024 and 2023.

Financial and Statistical Data

	Three Months Ended September 30,			Nine Months Ended September 30,		
($ in millions)	**2024**	2023	Increase/ (Decrease)	**2024**	2023	Increase/ (Decrease)
Financial Data						
Operating revenues	**$ 180.5**	$ 180.7	$ (0.2)	**$ 1,052.3**	$ 1,114.3	$ (62.0)
Less: Utility cost of gas	**44.9**	31.1	13.8	**290.3**	288.0	2.3
Less: Revenue taxes	**11.6**	12.8	(1.2)	**55.5**	55.3	0.2
Total net revenues	**124.0**	136.8	(12.8)	**706.5**	771.0	(64.5)
Operation and maintenance	**118.8**	115.7	3.1	**349.1**	342.9	6.2
Depreciation and amortization	**44.2**	42.0	2.2	**130.7**	124.0	6.7
General taxes and other assessments	**20.0**	17.4	2.6	**72.7**	61.2	11.5
Operating income (loss)	**(59.0)**	(38.3)	(20.7)	**154.0**	242.9	(88.9)
Other income - net	**56.9**	9.5	47.4	**79.7**	29.5	50.2
Interest expense	**26.3**	24.6	1.7	**76.5**	71.8	4.7
Income before income taxes	**(28.4)**	(53.4)	25.0	**157.2**	200.6	(43.4)
Income tax expense (benefit)	**(4.7)**	(12.1)	7.4	**37.3**	44.8	(7.5)
Net income (loss)	**$ (23.7)**	$ (41.3)	$ 17.6	**$ 119.9**	$ 155.8	$ (35.9)
Statistical Data						
Sales Volumes *(millions of therms)* [(a)]						
Firm customers	**113.3**	120.9	(7.6)	**866.4**	837.7	28.7
Interruptible customers	**45.9**	48.6	(2.7)	**160.2**	184.3	(24.1)
Other	**92.2**	54.8	37.4	**162.9**	109.2	53.7
Total gas volumes	**251.4**	224.3	27.1	**1,189.5**	1,131.2	58.3
HDDs-Actual	**—**	9	(9)	**1,973**	1,813	160
Average active customer meters	**1,232,634**	1,228,801	3,833	**1,233,233**	1,228,384	4,849
Ending active customer meters	**1,232,645**	1,229,132	3,513	**1,232,645**	1,229,132	3,513
New customer meters added	**2,645**	2,594	51	**6,997**	7,096	(99)

[(a)] *Excludes sales volumes related to our asset optimization program.*

The $17.6 million increase in net income for the three months ended September 30, 2024 compared to the prior year period was primary due to a settlement gain associated with our health and welfare plans, partially offset by lower realized and unrealized net revenues associated with asset optimization. The $35.9 million reduction in net income for the nine months ended September 30, 2024, compared to the prior year period was primarily due to a decrease in unrealized derivative valuations associated with asset optimization, partially offset by the settlement gain associated with our health and welfare plans, the impact of new rates in the District of Columbia and higher revenues from APRPs.

Operating Revenues and Utility Cost of Gas

Operating revenues decreased by $0.2 million and $62.0 million for the three and nine months ended September 30, 2024, respectively, compared to the prior year period, mainly driven by a decrease in the Utility cost of gas recovered due to lower gas commodity prices. Partially offsetting the decrease in operating revenues was the impact of new rates in the District of Columbia and higher revenues from APRPs.

The increase in the Utility cost of gas of $13.8 million for the three months ended September 30, 2024 compared to the same prior year period was mainly driven by lower realized and unrealized net revenues associated with asset optimization. The increase in the Utility cost of gas of $2.3 million for the nine months ended September 30, 2024 compared to the same prior year period reflects a reduction in lower realized and unrealized net revenues associated with asset optimization, offset by a reduction in the utility cost of gas due to lower gas prices in the current period.

Net Revenues

We utilize the non-GAAP measure of net revenues, calculated as revenues less the associated cost of gas 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, with the exception of net revenues associated with asset optimization, changes in the cost of gas and revenue taxes 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 decreased by $12.8 million and $64.5 million in three and nine months ended September 30, 2024, respectively, compared to the prior year period.

The following explains the main drivers for the change in net revenues.

Impact of rate cases

Rate case impacts caused a $3.0 million decrease and $4.2 million increase in net revenues for the three and nine months ended September 30, 2024, respectively, compared to the prior year period. The decrease the three months ended September 30, 2024 reflects the impact of the Maryland rate case, partially offset by higher rates in the District of Columbia. The increase for the nine months ended September 30, 2024 is primarily due to a base rate increase in the District of Columbia, partially offset by the impact of the Maryland rate case and a true-up of the regulatory contingency for rates subject to refund in the prior year as a result of the rate case settlement in Virginia . The rate case impacts exclude increases from APRP revenues being transferred into base rates as a result of our recent rate case orders.

APRP revenues

Approved APRPs in all jurisdictions drove a $5.0 million and $18.5 million increase in net revenues for the three and nine months ended September 30, 2024, respectively, compared to the prior year periods.

Asset optimization

Net revenues from asset optimization decreased $17.5 million and $89.5 million, for the three and nine months ended September 30, 2024, respectively, compared to the prior year periods, primarily due to lower unrealized derivative valuations as well as a decrease in realized margins. Refer to Note 11 - *Derivatives* for a discussion of our asset optimization program and the related derivative transactions.

Estimated effects of weather and consumption patterns

Weather, as measured by HDDs, was 8.8% colder for the nine months ended September 30, 2024, compared to the prior year period. There were no HDDs for the three months ended September 30, 2024. In the District of Columbia, Washington Gas does not have a billing mechanism to offset the effects of weather or consumption 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 estimated effects of weather and consumption patterns drove lower net revenue of approximately $0.6 million and higher net revenue of approximately $0.7 million for the three and nine months ended September 30, 2024, respectively, compared to the same prior year period.

Operation and maintenance expenses

Operating and maintenance expenses increased $3.1 million and $6.2 million for the three and nine months ended September 30, 2024, respectively, compared to the same prior year periods. For both the three and nine months ended September 30, 2024, the increase in Operating and maintenances expenses primarily reflects transition and restructuring costs that enabled labor and non-labor savings.

Depreciation and amortization

The increase in depreciation and amortization of $2.2 million and $6.7 million, for the three and nine months ended September 30, 2024, respectively, compared to the prior year period was driven mainly by capital additions.

General taxes and other assessments

The $2.6 million and $11.5 increase in general taxes and other assessments for the three and nine months ended September 30, 2024, respectively, compared to the prior year period was primarily associated with higher property taxes as well as a higher assessment rate for the District of Columbia's Sustainable Energy Trust Fund, which is offset in Operating revenues.

Other income - net

The increase in other income of $47.4 million and $50.2 million, for the three and nine months ended September 30, 2024, respectively, compared to the prior year period was primarily due to the settlement gain associated with our retiree health and welfare plans. Please refer to Note 9 — *Pension and Other Post-Retirement Benefit Plans.*

Interest expense

The increase in interest expense of $1.7 million and $4.7 million, for the three and nine months ended September 30, 2024, respectively, compared to the prior year period was due to increased average long-term debt balances and higher interest rates.

Income tax expense (benefit)

The effective income tax rate for both the three and nine months ended September 30, 2024 was 16.6% and 22.7%, respectively. The effective income tax rate for the three and nine months ended September 30, 2023 was 22.7% and 22.3%, respectively.

Liquidity and Capital Resources

General Factors Affecting Liquidity

Washington Gas generally meets its liquidity and capital needs through cash on hand, cash from operations, the issuance of commercial paper and long-term debt, and equity contributions from its parent companies. Access to short-term debt markets provides funding for 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 to replace matured long-term debt, as necessary. 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 from making advances or issuing 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 Washington Gas' senior unsecured debt rating is below investment grade or if a dividend payment to its parent company would result in its equity level dropping below 48%. At September 30, 2024, we had no significant restrictions on our cash balances or retained earnings that would affect the payment of dividends.

As of September 30, 2024, we believe that our cash flows from operations and other sources of funding will provide sufficient liquidity to satisfy our operating activities, capital expenditures and financial obligations. Based on market conditions, 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.

During the heating season, 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. After the heating season, Washington Gas typically experiences a seasonal net loss due to reduced demand for natural gas.

Washington Gas uses short-term debt primarily in the form of commercial paper 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 short-term financing requirements. 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, 2024 and December 31, 2023, $100.0 million of our commercial paper balance was classified as long term debt on Washington Gas' balance sheets. Bank credit balances available to Washington Gas under the existing credit facility, net of commercial paper balances, were $251.0 million and $252.5 million at September 30, 2024 and December 31, 2023, respectively. Washington Gas also has the ability to borrow up to $200.0 million on a short-term basis from WGL. Washington Gas had no such amounts outstanding at September 30, 2024 or December 31, 2023.

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	F2
Standard & Poor’s Ratings Services[(a)]	A-	A-2

[(a)] *On June 7, 2024, Standard & Poor adjusted its outlook for Washington Gas from stable to negative.*

Ratings Triggers and Certain Debt Covenants

Under the terms of Washington Gas' revolving credit facility and private placement note agreements, the ratio of consolidated financial indebtedness to consolidated total capitalization cannot exceed 0.65 to 1.0 (65.0%). At September 30, 2024 and December 31, 2023, Washington Gas' ratios of consolidated financial indebtedness to consolidated total capitalization were 47.5% and 48.6%, respectively. 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, the Washington Gas credit facility contains 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, 2024 and December 31, 2023, we were in compliance with all of the covenants under our revolving credit facility and unsecured notes.

Historical Cash Flows

Cash Flows Provided by Operating Activities

Washington Gas' cash flows from operating activities principally reflect receipts from gas sales and payments for gas deliveries and operating costs. Cash flows provided by operating activities were $324.8 million for the nine months ended September 30, 2024, compared to $383.1 million for the nine months ended September 30, 2023. The decrease was mainly due to lower inventory costs recovered.

Cash Flows Used in Financing Activities

Net cash flows used in financing activities were $7.7 million for the nine months ended September 30, 2024, compared to $1.7 million for the same period in 2023, which mainly reflects a decrease in repayment of short-term borrowing and long-term debt, offset by an increase in dividends paid.

Cash Flows Used in Investing Activities

Cash flows used in investing activities totaled $334.9 million and $382.8 million for the nine months ended September 30, 2024 and 2023, respectively, which consists of capital expenditures.

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 APRPs.

Jurisdiction	Estimated Cost	Expenditures to Date [(a)]	Status
District of Columbia	Estimated $50 million for the 12-month period through April 2025. Previous three years totaled $150 million.	$ 28.9 million	On December 22, 2022, Washington Gas filed an application with the PSC of DC for PROJECTpipes 3, seeking approval of approximately $671.8 million for the five-year period from January 1, 2024 to December 31, 2028. The second phase of the accelerated pipe replacement program in the District of Columbia (PROJECTpipes 2) was scheduled to end in December 2023. On November 6, 2023, Washington Gas filed a request to extend PROJECTpipes 2 through December 31, 2024. On February 23, 2024, the PSC of DC granted our request to extend PROJECTpipes 2 and the surcharge for 12 months, through February 2025, with a surcharge spending limit of $50 million. The District of Columbia Government (DCG) filed a Petition for Reconsideration of the order approving the extension of the program, and the Company filed a response requesting denial of DCG's Petition. On September 12, 2024, the PSC of DC held in abeyance 41 projects on the current Project List for PROJECTpipes 2, pending submission of risk assessment scores and explanations as well as final approval for the PROJECTpipes 2 extension surcharge recovery. Washington Gas filed the requested information on September 27, 2024. On October 24, 2024, the PSC of DC approved the 41 projects on the current Project List that were held in abeyance, amended the procedural schedule, and extended the PROJECTpipes 2 program through April 2025. On June 12, 2024, the PSC of DC issued an order dismissing the Company's PROJECTpipes 3 application, concurrently opened a new docket and directed the Company to file a new and restructured application that comports with DC's climate goals, within 45 days of the date of the order, or by July 29, 2024. On July 12, 2024, Washington Gas filed an Application for Reconsideration (which was subsequently denied on August 7, 2024). On July 17, 2024, the DCG filed a motion to extend the time, by at least 90 days, for Washington Gas to file its restructured plan, which was granted by the PSC of DC on July 26, 2024. Washington Gas filed its restructured plan called District Strategic Accelerated Facility Enhancement (District SAFE) on September 27, 2024. The District SAFE filing requests $215 million for the period from March 1, 2025 through December 31, 2027.

Jurisdiction	Estimated Cost	Expenditures to Date [(a)]	Status
Maryland	Estimated $330 million over the five-year period from January 2024 to December 2028, plus additional expenditures for subsequent phases upon approval. Previous five years totaled $350 million.	$ 46.5 million	The second phase of the accelerated utility pipe replacement programs in Maryland (STRIDE 2 Plan) ended in December 2023. On June 16, 2023, Washington Gas filed an application with the PSC of MD for STRIDE 3 Plan, seeking approval of $495 million for the five year period from January 1, 2024 to December 31, 2028. On December 13, 2023, the PSC of MD issued an order approving the application with a reduction to the five-year budget by one-third based on recommendation from a public utility law judge, and directed Washington Gas to negotiate the terms of a notice to be sent to customers whose premises appear on the calendar year 2024 Project List. The PSC of MD issued a memorandum on January 10, 2024 explaining its December 13, 2023 decision. On February 9, 2024, the MD OPC filed a motion for rehearing with the PSC of MD. Washington Gas filed a response on February 22, 2024. On April 19, 2024, the PSC of MD denied the MD OPC's request for rehearing.
Virginia	Estimated $878 million over the five year period from January 2023 to December 2027, plus additional expenditures for subsequent phases upon approval.	$244.3 million	On May 26, 2022, the SCC of VA approved Washington Gas' proposed amendment for the 2023 to 2027 SAVE Plan with a total five-year spending cap of approximately $878 million, which may be exceeded by up to 5 percent.

[(a)] *The APRPs 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.

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 Gas Administrative Charge mechanism in all jurisdictions 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.

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 rate case activity in Washington Gas' jurisdictions.

District of Columbia 2022 Rate Case

On April 4, 2022, Washington Gas filed an application for authority to increase rates in the District of Columbia. On December 22, 2023, the PSC of DC approved a $24.6 million rate increase, of which $4.7 million was transferred from the PROJECTpipes surcharge. The new rates became effective on January 19, 2024. Requests for reconsideration of certain limited findings in the Commission's decision were filed by certain parties to the case. On February 22, 2024, the PSC of DC issued an Order asking for input from parties on the parameters for an affiliate cost of service study (ACOSS). The Order denied other requests for reconsideration. On March 29, 2024, the Apartment and Office Building Association of Metropolitan Washington (AOBA) filed recommendations on the structure and content of the ACOSS. The Company filed its ACOSS on May 15, 2024. On June 5, 2024, AOBA filed a Motion to Reject the ACOSS, and Washington Gas filed a response on June 14, 2024. The PSC of DC issued an order on June 28, 2024, which denied AOBA's request to reject the ACOSS and directed the parties to meet, within 15 days of the date of the order, to discuss the issues identified in the order. The parties met on July 12, 2024, and a joint report on the meeting was filed on July 26, 2024, indicating that the parties reached agreement on the substance and information that should be included in the ACOSS in a base rate case filing. Washington Gas filed an ACOSS consistent with this agreement when it filed its base rate case on August 5, 2024.

District of Columbia 2024 Rate Case

On August 5, 2024, Washington Gas filed an application for authority to increase existing rates and charges for gas service in the District of Columbia. The requested rates are designed to collect approximately $257.2 million in total revenues, which represents an increase in the Company's weather-normalized annual revenues of $45.6 million and includes a transfer of $11.7 million associated with costs from the natural gas system upgrades previously approved by the Commission and currently paid by customers through the APRP Adjustment (PROJECTpipes) monthly surcharge, resulting in a net increase of $33.9 million in new revenues. On September 25, 2024, the Company and the parties filed a Joint Proposed Procedural Schedule with the PSC of DC. The proposed schedule called for legal briefs to be filed on June 18, 2025, whereupon the case would be before the PSC of DC for decision. On October 9, 2024, the Joint Proposed Procedural Schedule filed by Washington Gas was approved by the PSC of DC with hearings scheduled for May 29, 2025 and May 30, 2025. The Company estimates to receive a final order from the PSC of DC in the third quarter of 2025.

Maryland 2023 Rate Case

On May 18, 2023, Washington Gas filed an application for authority to increase rates in Maryland. On December 14, 2023, the PSC of MD approved a $10.1 million rate increase with a 9.50% rate of return on equity. The amount comprised of $12.2 million for costs currently recovered through the STRIDE Plan surcharge and a $2.1 million decrease in base rates. Two parties, the PSC of MD Staff and the General Service Administration, filed motions for clarification. The PSC of MD Staff motion for clarification recommended that the Commission amend its finding to adopt a revised revenue increase of $7.5 million to address inconsistencies it believes existed in the order. On January 16, 2024, the Company was the only party to file a petition for rehearing. On March 28, 2024, the PSC of MD issued its Order on Rehearing, granting in part and denying in part the Company's petition for rehearing. The net effect of the Order on Rehearing was to increase base rate revenues by an additional $2.5 million, for a total base rate revenue increase of $12.6 million.

Other Regulatory Matters

Virginia Renewable Natural Gas Application

On December 4, 2023, Washington Gas filed an application with the Virginia SCC for approval of a biogas supply investment plan and rate adjustment clause. Washington Gas filed for approval to purchase, own, operate, and maintain an eight-mile pipeline, associated interconnection facilities and other necessary equipment to transport renewable natural gas ("RNG") from a biogas production facility located at the Prince William County Landfill. The Company would also purchase a portion of the facilities output, a subset of which will be accompanied by marketable environmental attributes. Washington Gas would recover the project and RNG costs through a Rider RNG. On May 30, 2024, the SCC of VA issued a Final Order approving the RNG proposed project with a cost cap of $28 million. The Commission also directed Washington Gas to file an application for approval of a Rider RNG at least 120 days prior to the expected in-service date.

Maryland Financing Authority Application

On April 24, 2024, Washington Gas filed an application with the PSC of Maryland for authority to issue long-term debt securities up to $675 million. The application was approved by the PSC of MD on June 12, 2024. There is no expiration date for the authority.

District of Columbia Financing Authority Application

On April 24, 2024, Washington Gas filed an application with the PSC of DC requesting authority to issue and sell up to $475 million of long-term debt, for the period January 1, 2025 through December 31, 2026. Presently, the Company has an authorization to issue long-term debt up to $475 million through December 31, 2024. On June 17, 2024, the PSC of DC issued an order rejecting the Company's request for expedited approval of the application and called for the Company to file additional financial information by July 1, 2024. On June 24, 2024, the Company filed the required information. On August 7, 2024, the PSC of DC approved, under certain specified conditions, the Company's request to issue and sell long-term debt securities up to $475 million, at a maximum rate of 475 basis points above comparable U.S. Treasury Securities, for the period of January 1, 2025, through December 31, 2026.

Climate Regulation

In the District of Columbia, DC Law 24-177 requires the Mayor to issue final regulations by December 31, 2026 that requires all new construction or substantial improvements of commercial buildings (buildings with more than three stories) to be constructed to a net-zero-energy standard, which is defined to prohibit on-site fuel combustion. On October 17, 2024, Washington Gas, joined by co-plaintiffs, filed suit in the U.S. District Court for the District of Columbia challenging the legality of D.C. 24-177.

In Montgomery County, Maryland, Bill 13-22 will require regulations that establish all-electric building standards for all new construction (with limited exceptions) by December 31, 2026. On October 17, 2024, Washington Gas, joined by co-plaintiffs, filed suit in the U.S. District Court for the District of Maryland challenging the legality of Montgomery County, Maryland Bill 13-22.

Critical Accounting Policies

Preparation of financial statements and related disclosures in compliance with GAAP requires the selection and the application of appropriate technical accounting guidance to the relevant facts and circumstances of our operations, as well as our use of estimates to compile the financial statements. The application of these accounting policies involves judgment regarding estimates and projected outcomes of future events, including the likelihood of success of particular regulatory initiatives, the likelihood of realizing estimates for legal and environmental contingencies, and the probability of recovering costs and investments.

Our critical accounting policies have not changed materially from those previously reported in our Annual Report for the year ended December 31, 2023.