



WGL

ENERGY ANSWERS.
ASK US.

Forward.

Resolve. Focus. Commitment.
Qualities embodied in our people
committed to moving forward for
our shareholders, our communities,
our company and each other.





Not long after Adrian and I took on the role of leading this company in 2009, WGL Holdings embarked upon a process that evaluated our business relative to the challenges facing us and other energy providers. Our assessment prompted a new approach, one that recognized that the energy business was rapidly changing—and that we needed not just to keep up, but to lead.

New technologies were emerging in oil and gas production. Growth in regulated utilities was slowing, and our industry was consolidating. New supply needs were becoming more complex. And energy consumers—families, institutions and businesses—were not only focused on price, but also on finding cleaner and more reliable energy sources to power their lives.

We put in place a plan to broaden our business. Recognizing that we already had a key advantage—natural gas is our nation's most environmentally friendly, cost-effective fossil fuel—we first sought to continue to build and nurture our core utility business, which currently provides natural gas to more than 1.1 million customers in the District of Columbia, Maryland and Virginia.

We applied our expertise and strong cash flows to invest in regional natural gas transmission and energy storage, launching our WGL Midstream business. And we began to develop and invest significant sums in complementary non-utility business pursuits—solar energy, carbon reduction, energy efficiency and distributed generation.

This strategy—building on a strong, growing core business with enterprises that reflect the full spectrum of opportunities in energy generation and management—continued to serve us well in the 12-month period we just reported in fiscal year 2016:

- We reported record GAAP earnings of \$176.6 million, or \$3.31 per share, and record non-GAAP consolidated operating earnings of \$165.1 million, or \$3.27 per share, exceeding fiscal year 2015 GAAP results of \$131.3 million, or \$2.62 per share, and non-GAAP results of \$158.2 million, or \$3.16 per share.
- We exceeded guidance for the year, and are on track to continue our seven to 10 percent annual earnings growth trajectory.
- In our regulated utility segment, we benefitted from strong customer growth resulting in the addition of more than 12,500 customer meters during the year.
- Our WGL Midstream business delivered strong results, driven by optimization opportunities, favorable natural gas storage spreads this past winter and our pipeline investments. We exercised our option to acquire a 30% ownership stake in the Stonewall Gas Gathering system and acquired an additional 3% interest in the Mountain Valley Pipeline, increasing our ownership to 10%.
- At WGL Energy, our Commercial Energy Systems business delivered improved results, driven by more distributed generation assets in service and in our investment solar businesses. We continue to build a book of Federal energy efficiency business to meet the 2020 Federal mandate. Our Retail Energy Marketing business continues to perform in line with our long-term expectations.

Moving forward— addressing our challenges, building on our business

We recognize that our fiscal 2016 wasn't without its challenges. These include some uncertainty surrounding the timing of two of our Midstream projects. We were also deeply saddened by the explosion and fire last August at an apartment building in Silver Spring, MD. Above all, our heartfelt condolences are with those impacted by what happened and we continue to support the community in every way we can. To date, that support has included direct financial and in-kind help to the families impacted, as well as continued safety inspections and services. Finally, as a signed party to the National Transportation Safety Board's investigation of the incident, we are working extremely closely with the agency to help understand the cause of this tragic accident.

With both our successes and our challenges, the most important takeaway from our most recently completed fiscal year is this: as the theme of this report indicates, we continue to move forward in all aspects of our business—in our regulated utility business, in our WGL Midstream business, and in our WGL Energy businesses. We learned from our successes, and from our difficulties. Our strategy continues to deliver value to our shareholders, customers and other stakeholders.

Washington Gas performed well in fiscal 2016. We added more than 12,500 average active customer meters during the year. We spent \$132 million on our accelerated pipe replacement program in all three of our jurisdictions, significantly enhancing the safety and reliability of our natural gas distribution system. These investments have helped drive our utility results since the start of our programs in 2011.

WGL Midstream also delivered strong results in fiscal 2016, driven by favorable storage conditions last winter. We invested \$158.1 million in our midstream segment in fiscal year 2016. We have and will continue our investment in our Constitution project. Though this project experienced construction delays, throughout the Eastern Seaboard, both the supply of and demand for natural gas is strong, and we are confident the project will move forward.

We completed our 30 percent investment last February in the Stonewall Gas Gathering system, which is currently collecting approximately 1 billion cubic feet of natural gas *daily* from the Marcellus region in West Virginia. Our \$89 million investment was immediately accretive in fiscal year 2016 and we expect this project to generate additional earnings in fiscal year 2017.

Moving forward— committed to diversification

For the past six years, we have averaged over \$100 million a year in investments in alternative energy systems. We now have invested approximately \$684 million in this segment, including investments through ASD, Nextility, and SunEdison, which represent an additional \$137 million in capital investments. We now have more than 235 commercial distributed generation projects throughout the country, representing approximately 145 megawatts in service, with an additional 66 megawatts contracted or under construction.

In fiscal year 2016, our Retail Energy Marketing business increased its focus on large commercial and government account relationships, resulting in an overall decline in the number of customer accounts year-over-year but an increase in electric volume of approximately 9 percent in fiscal 2016 over 2015.

Moving forward— with our customers, employees and shareholders

JD Power, in its 2016 Gas Utility Business Customer Satisfaction Study, recently awarded Washington Gas the highest ranking among utilities in the eastern region. This recognition illustrates our employees' commitment and dedication to our customers.

We continue to work diligently to earn and retain the trust of our customers. Our service reliability results are strong; 99.85 percent of our customers did not experience a natural gas outage in fiscal year 2016. In addition, we have been investing in our technology solutions to make sure that all our customers are able

to maintain their accounts online easily and reliably. We have committed to a major technology upgrade to enhance service and security, and have begun to deploy SAP's customer relationship and billing software, workforce scheduling and optimization, mobile application services, and other state-of-the-art functionality into our customer information platform.

Our company was founded in 1848, and for the past 168 years we have endeavored to serve and support our communities. This year, at our annual Day of Weatherization, more than 200 company volunteers helped prepare more than 100 homes in need for winter. We also installed solar panels at a District of Columbia apartment complex in our second year of partnership with GRID Alternatives. Our ongoing participation and financial support of the Washington Area Fuel Fund, which assists low-income families and individuals with their fuel bills, our philanthropic activities in health, education and the environment, and activities such as our support of Junior Achievement of Greater Washington are just a few of the ways we give back to our communities.

As we look forward, we are confident that the strategic plan we put in place seven years ago will continue to serve us well. We believe we are on track to continue to deliver on our growth targets and to position our company to meet the ever-changing needs of the energy marketplace.

We thank our customers, shareholders, communities and business partners for their trust in us. We look forward to a promising future for our company.



TERRY D. McCALLISTER
Chairman and Chief Executive Officer



ADRIAN P. CHAPMAN
President and Chief Operating Officer



HARDEEP S. RANA
Chief Engineer—Washington Gas

In the next five years, WGL will invest more than \$1.8 billion in new or upgraded pipelines at the utility. Our goal always: reliability, safety, efficiency.



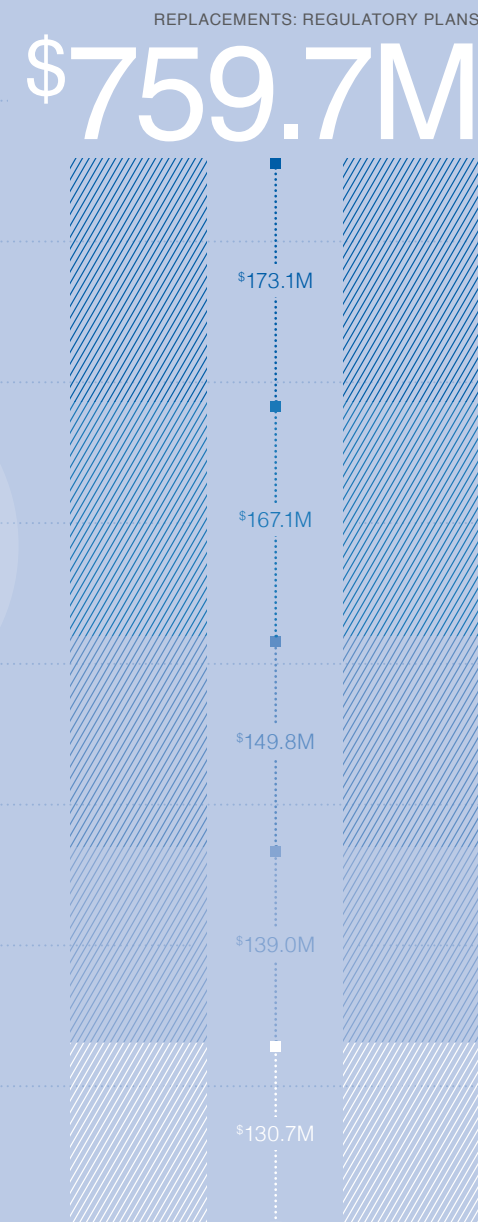
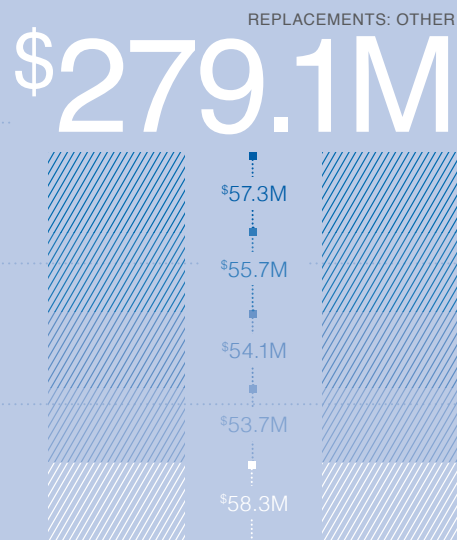
JERRY T. SANFORD
Manager, Economic Development—
Washington Gas

Foundational Strength:

Managing Energy Infrastructure

Investments in our utility natural gas delivery system—our pipelines and its many components—will play a critical role in ensuring that our system remains safe, secure, and cost-effective. We see our system, as well as our investment in pipeline development and capacity, as essential to helping our region stay competitive in our global market and in meeting the evolving needs of our customers well into our third century of operations.

Projected Capital Expenditures
FY2017–FY2021



A Stronger Infrastructure

New Pipeline and Expanded Capacity

Not since our Brandywine Pipeline project in 2002 has Washington Gas embarked upon as ambitious a pipeline project as the 26-mile, 24-inch pipeline we are now planning for the Prince George's and Charles counties corridor outside of Washington, D.C.

"This is a very important project for us," said Hardeep Rana, Chief Engineer for Washington Gas. "Once completed, this high-capacity pipeline will significantly improve our ability to provide service to the growing demands of customers in our system."

Also, as our region continues to grow, we have focused on key areas that will benefit from improved capacity, such as in Tyson's Corner, one of the most densely populated parts of Virginia. We plan to replace an existing 12-inch line with a new 24-inch line that will both lower the pressure of the gas moving to that part of our system and increase capacity.



New Markets, Greater Security

A Choice

Washington Gas is now in the early planning stages of a \$34 million project to bring new gas service to the greater La Plata, MD, community in Charles County, 30 miles southeast of Washington, D.C. and one of the fastest growing counties in Maryland. The company is planning 12 miles of pipeline infrastructure to serve La Plata and its associated communities. Natural gas availability in the region will promote and attract growth of commercial, institutional and residential customers, creating increased economic activity while reducing emissions and energy costs for consumers. Natural gas has the added benefit of reliability in emergency situations.

"The La Plata community was impacted by an F4 tornado in 2002. We're trying to provide a fuel choice that increases reliability during disasters or other environmental challenges," said Jerry Sanford, Economic Development Manager of Washington Gas. "In addition to about 3,000 households, our project could also provide cost-efficient, reliable, safe natural gas service to educational, medical and government buildings as well as other facilities that provide essential services to the community."



Enhancing and Accelerating Infrastructure Replacement

Washington Gas is aggressively targeting pipeline replacement through the SAVE (Steps to Advance Virginia's Energy Plan) law in Virginia, the STRIDE (Strategic Infrastructure Development and Enhancement) law in Maryland and the PROJECT*pipes* initiative in the District of Columbia.

These programs allow Washington Gas to accelerate our replacement activities and receive timely cost recovery. In fiscal year 2016, pursuant to the programs, we expended and received our commission-authorized return on a \$17.1 million investment in the District; \$54.1 million in Maryland; and \$61.0 million in Virginia.

WGL Midstream

Building a Regional Infrastructure

WGL Midstream is a key component of our overall business model. Energy distribution along the densely-populated Eastern Seaboard is vitally important, especially in light of the need to provide cost-effective, safe and reliable transmission of natural gas from the giant natural gas Marcellus formation that stretches from New York State to West Virginia.

We continued our strong investment in our Midstream business unit in fiscal year 2016, including \$89.4 million to acquire a 30 percent stake in the Stonewall Gas Gathering system, which is now collecting approximately a billion cubic feet of natural gas daily from the Marcellus region in West Virginia. We are also optimistic about the future potential of our investments in the Constitution Pipeline, and in our Central Penn and Mountain Valley pipeline investments.



HARDEEP S. RANA
Chief Engineer—Washington Gas



JERRY T. SANFORD
Manager, Economic
Development—
Washington Gas



ALICIA LaROCHE
Manager, Green Products—WGL Energy

Our portfolio reflects our commitment to integrated solutions that draw from the full spectrum of energy sources & technology.



RUBEN RODRIGUEZ
Director, Customer Experience & Communications—Washington Gas

Sustainable, Resilient Solutions:

Bringing Our Customers Complete,
Integrated Energy Solutions

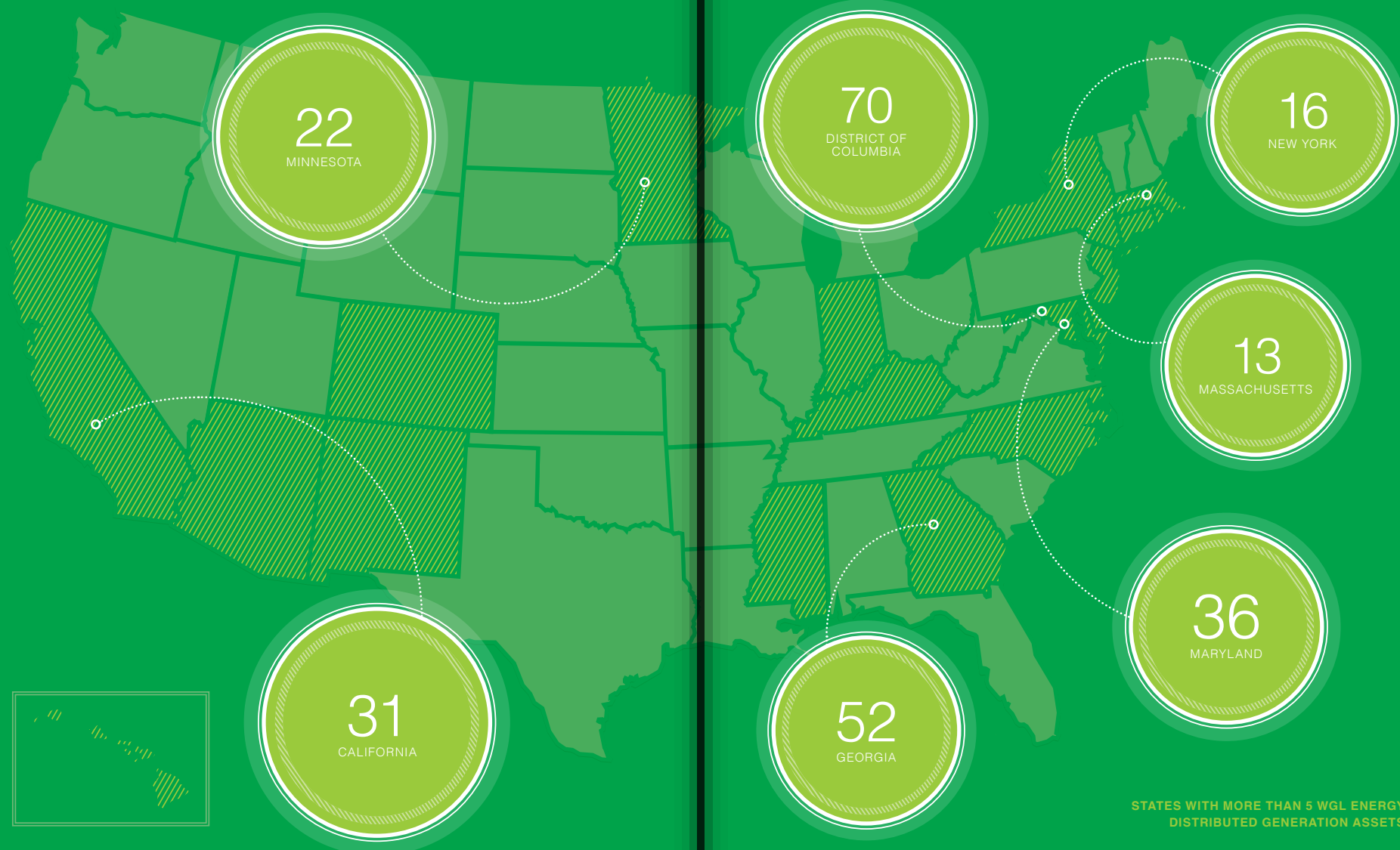
WGL Energy Systems Distributed Generation Assets



District of Columbia—70
Georgia—52
Maryland—36
California—31
Minnesota—22
New York—16
Massachusetts—13

Connecticut—5
North Carolina—4
Arizona—3
Hawaii—3
Indiana—3
New Mexico—3
Delaware—2

New Jersey—2
Colorado—1
Kentucky—1
Mississippi—1
Rhode Island—1



STATES WITH MORE THAN 5 WGL ENERGY
DISTRIBUTED GENERATION ASSETS

Over the past seven years, WGL has been building a diversified portfolio of energy solutions that reflects the evolving needs of the businesses, institutions and individual customers who depend on us for a wide variety of energy needs.

Whether it's solar, wind, energy management, fuel cells, natural gas—or a combination of all these solutions, WGL recognizes that its success as an energy provider hinges on its ability to deliver integrated energy solutions to our customers.

In fiscal 2016, WGL invested more than \$162.6 million, up from \$158.3 million in fiscal year 2015, into its distributed generation efforts, adding new solar energy and fuel cell projects to our portfolio and bringing our total capital investment in this strategic market to nearly \$700 million. As of the end of fiscal 2016, WGL's assets consist of more than 235 projects representing approximately 145 megawatts of distributed generation capacity in service, with an additional 66 megawatts contracted or under construction.

We also are focusing our efforts in energy conservation, with new energy efficiency programs for federal facilities in the Washington Metropolitan Region offering greater revenue opportunities by managing the installation of energy efficiency measures. And within the next 12 months, we will be launching a new energy efficiency program focused on commercial buildings.



ALICIA LaROCHE
Manager, Green Products—WG



RUBEN RODRIGUEZ
Director, Customer Experience &
Communications—Washington Gas

Finding Creative Solutions



MOM's Organic Market: Expanding Renewable Energy Solutions

MOM's Organic Market, based in Rockville, MD, sets an extraordinarily high standard in its efforts to protect our planet. Its sustainability measures range from energy efficiency to recycling to purchasing renewable power.

This past July, WGL Energy helped MOM's take another major step in its efforts to promote a sustainable planet by entering into a 20-year power purchase agreement from a WGL-financed solar farm, bundled with national solar Renewable Energy Certificates (RECs). The 1.5-megawatt system, which is in Kingsville, MD, is projected to supply about 25 percent of the total power needs for the company's 15 stores in Washington, D.C., Maryland, Pennsylvania and Virginia.

"WGL is proud to be part of a project that will have such a dramatic positive impact on one of our valued customers," said Alicia LaRoche, Manager, Green Products—WGL Energy. "MOM's stores have limited roof space, and the off-site solution we provided allowed the company to fulfill its strong commitment to a sustainable planet."

Technology That Benefits All Stakeholders



Over the past 40 years, Washington Gas has consistently added new functionality to our mainframe Customer Information System (CIS). Within the next few months, Washington Gas will begin the process of replacing our existing legacy systems with a single, integrated technology platform.

"This initiative is a monumental, company-wide undertaking," said Ruben Rodriguez, Director, Customer Experience & Communications—Washington Gas. "As we strive to provide an exceptional customer experience, we believe WGL's new CIS platform will be a major step in that direction."

WGL's new system will provide a variety of benefits. These include:

- **Better Service:** All customer data will be integrated onto one platform, allowing better information in real-time, faster response time for customer service, billing issues and other requests.
- **Better Security:** Protecting our customers' information has always been paramount to WGL. Our new system significantly reduces the risk of our customers' private information becoming compromised.
- **Improved Safety:** Our new system allows for better communications with customers through automated notifications, automated safety precaution calls, turn-on schedules, requests for customer availability, information and updates.

"Our new CIS system will represent a leap forward as together we continue to improve the overall customer experience," Rodriguez said.



ALICIA LaROCHE
Manager, Green Products—WGL



RUBEN RODRIGUEZ
Director, Customer Experience & Communications—Washington Gas



MELISSA E. ADAMS
Chief Corporate Social Responsibility Officer—WGL

For almost 170 years, WGL has been an integral part of our communities—our employees are your neighbors, friends and partners in growth and prosperity.



KELLY GIBSON CAPLAN
Community Outreach &
Staff Manager—Washington Gas

Corporate Citizenship

Giving Back. Paying Forward.
Helping Our Communities, Our Planet.

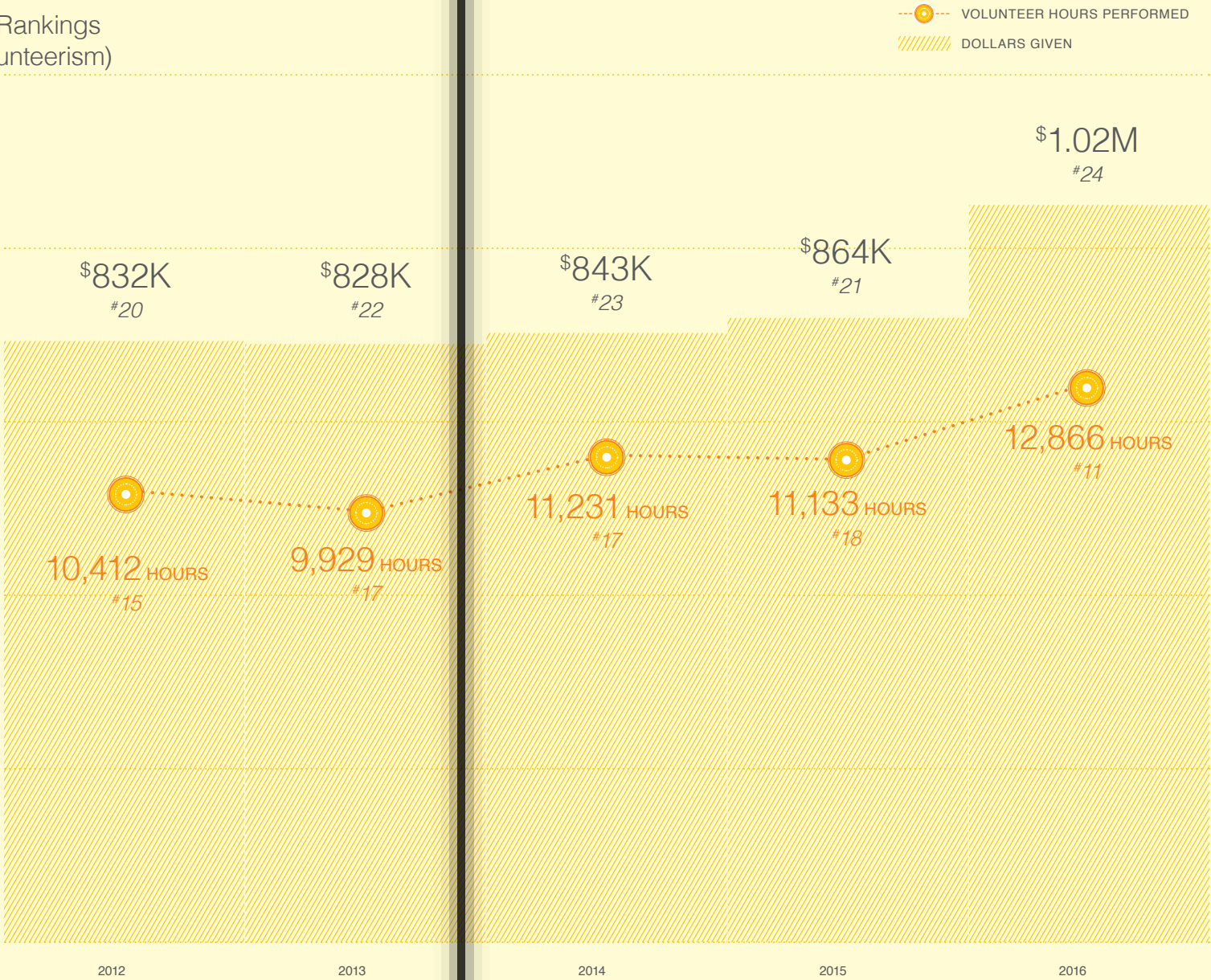
Washington Business Journal
Corporate Philanthropy Rankings
(Giving & Employee Volunteerism)

WGL Ranked Top
25
for Corporate
Volunteering
and Giving

*Note: The years to the right represent the actual awards presentation (the stats reflect the previous fiscal year).

WGL is a part of each of the communities to which we provide services, whether that's in the form of natural gas distribution, through electric power supply services, renewable energy, greening efforts or energy efficiency programs. For as much as we see ourselves as a business enterprise, we also view ourselves as a neighbor and a citizen.

Being a good corporate citizen means many things to us. Citizenship takes the form of helping those who are less fortunate. It means giving back to our communities through volunteerism. It means protecting our environment through clean energy and energy efficiency initiatives. And it means helping the economies of our communities, contributing to jobs for all our fellow citizens, and building and maintaining a safe infrastructure that provides a strong foundation for our energy needs.



Committed to...

Sustainability— Investing in Efficiency, Leading by Example



We all share a responsibility to protect our planet, and in every aspect of our business—in our buildings, our vehicle fleet, our pipeline system—we try to lead by example.

Five years ago, Washington Gas committed to reducing, by 2020, its fleet and facilities emissions by 70 percent. We set 2008 as our baseline. As of 2016, we reduced the carbon footprint in our fleet by 25 percent through increased use of natural gas vehicles. At our LEED Gold-certified Washington Gas facility in Springfield, VA, approximately 40 percent of the building's base load electricity needs are supplied by a fuel cell and more than 30 percent of the building's materials are from recycled content.

Because of efforts like these at our facilities, combined with our reduction in fleet emissions, we are proud to say that we have achieved our goal more than four years early, reducing fleet and facilities emissions by 74 percent. Our second goal—same baseline, same target date—was to reduce emissions from our gas supply system by 18 percent. We have surpassed this goal as well with a 20 percent reduction.

"We are one of the few utilities with such an aggressive commitment to reducing greenhouse gasses," said Melissa Adams, WGL's Chief Corporate Responsibility Officer. "We have more than exceeded our initial targets, but we're not finished. We are developing a new set of goals to continue our progress."

Growth— Investing in Jobs and Infrastructure

WGL is committed to building a resilient infrastructure, promoting sustainable growth and fostering innovation, goals that are reflected in our multi-year investment in modernizing our pipeline systems and developing clean, renewable distributed energy solutions. Modern, efficient systems and distributed energy solutions promote economic growth and increase our region's competitiveness in our global economy.

As part of everything we do, WGL is committed to providing employment and opportunity for all. In 2015, we set a goal of awarding 20 percent or more of our business to minority-owned, woman-owned and service-disabled veteran-owned business. We exceeded that goal, awarding 26 percent of our business to qualified diverse suppliers. Since 2009, we have purchased more than \$800M from certified minority-owned, woman-owned and veteran-owned businesses.

Each Other— Investing in Education, Charities, Those in Need



When the weather gets cold, thousands of people struggle to pay for basic utilities. Founded in 1983 by Washington Gas and The Salvation Army, the Washington Area Fuel Fund (WAFF) is a financial assistance program that helps families who do not qualify for, or who have exhausted, government energy assistance.

WAFF provides funds for all types of fuel to heat families' homes. Washington Gas covers all the administrative, promotional and fundraising expenses. Since its founding, WAFF has disbursed more than \$24 million to help more than 271,000 residents. In 2016, WAFF helped 6,166 area residents with more than \$765,000 in energy assistance grants.

Volunteerism: In the past year alone, WGL's 1,500 employees gave our communities more than 12,000 hours of their time. We have long been involved in helping educate children in financial literacy through Junior Achievement of Greater Washington, along with volunteer efforts that support the environment and the health needs of our communities.

Philanthropy: Each year, WGL donates, on average, almost \$1 million to hundreds of regional non-profit and charitable organizations through our Corporate Giving Program. Since 2002, WGL has donated more than \$10 million under this program, and WGL's Employee Giving Campaign has raised more than \$1.6 million in donations to local, national and international charities.

"We have been here almost 170 years," said Kelly Caplan, community outreach and WAFF manager, Washington Gas. "Giving back to our communities is part of our corporate DNA. Indeed, we see ourselves as part of the DNA of the communities we serve."



MELISSA E. ADAMS
Chief Corporate Social Responsibility Officer



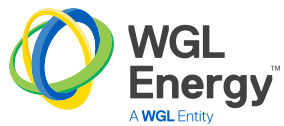
KELLY GIBSON CAPLAN
Community Outreach &
WAFF Manager—Washington Gas

Moving Forward

Our progress in FY2016 demonstrates our ability to provide unique solutions in a complex energy market. We expect even greater success in the coming years as we lead in creative energy answers and continue to invest in owned infrastructure. WGL's strong performance in FY2016 would not have been possible without the hard work and collaboration of our skilled employees.



A regulated natural gas utility providing safe, reliable natural gas service to more than 1.1 million customers in the District of Columbia, Maryland and Virginia. Through Washington Gas, we have provided energy to residential, commercial and industrial customers for 167 years.



WGL Energy delivers a full ecosystem of energy offerings, including natural gas, electricity, renewable energy, carbon reduction and energy efficiency provided by WGL Energy Services, Inc. and distributed generation from WGL Energy Systems, Inc.



WGL Midstream specializes in the investment, management, development and optimization of natural gas storage and transportation projects. WGL Midstream's customers and counterparties include producers, utilities, LNG exporters, local distribution companies, power generators, wholesale energy suppliers, pipelines and storage facilities.



An owner and operator of interests in natural gas storage facilities in and around Hampshire County, West Virginia. Hampshire Gas provides exclusive storage services to Washington Gas.

Company Officers

(1) WGL Holdings, Inc.
(2) Washington Gas



Terry D. McCallister^(1,2)
Chairman of the Board and
Chief Executive Officer



Adrian P. Chapman^(1,2)
President and
Chief Operating Officer



Vincent L. Ammann, Jr.^(1,2)
Senior Vice President and
Chief Financial Officer



Gautam Chandra^(1,2)
Senior Vice President



William R. Ford^(1,2)
Vice President and Chief
Accounting Officer



Marcellous P. Frye, Jr.⁽²⁾
Vice President



Luanne S. Gutermuth^(1,2)
Senior Vice President and
Chief Human Resources Officer



Louis J. Hutchinson, III^(1,2)
Vice President and
Chief Revenue Officer



Mark A. Lowe⁽²⁾
Vice President



Rick Moore⁽¹⁾
Vice President



Anthony M. Nee^(1,2)
Vice President and Treasurer



Roberta Willis Sims⁽²⁾
Vice President*



Douglas A. Staebler⁽²⁾
Vice President



Leslie T. Thornton^(1,2)
Senior Vice President, General
Counsel and Corporate Secretary



Tracy L. Townsend⁽²⁾
Vice President

*Retired, December 2016

Board of Directors

COMMITTEE MEMBERSHIP
(1) Executive
(2) Audit
(3) Human Resources
(4) Governance



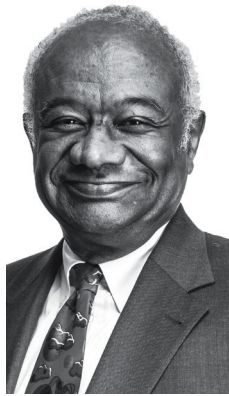
Terry D. McCallister⁽¹⁾
Chairman of the Board
and Chief Executive Officer
WGL Holdings, Inc. and
Washington Gas



Michael D. Barnes^(1,4)
Senior Fellow
Center for International Policy



George P. Clancy, Jr.^(1,2,3)
Retired Executive Vice President
Chevy Chase Bank



James W. Dyke, Jr.^(3,4)
Senior Advisor
McGuire Woods Consulting



Nancy C. Floyd^(2,4)
Founder and Managing Director
Nth Power



Linda Gooden⁽³⁾
Retired Executive Vice President
Lockheed Martin Information Systems
& Global Solutions



James F. Lafond^(1,3)
Retired Area Managing Partner
PricewaterhouseCoopers LLP



Debra L. Lee⁽²⁾
Chairman and Chief Executive Officer
BET Networks



Dale S. Rosenthal⁽²⁾
Division President
Clark Financial Services Group



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WGL Energy has retired 71 Green-e® Climate certified carbon offsets to counterbalance the greenhouse gas emissions resulting from the production, printing and distribution of this Performance Report.



ENERGY ANSWERS.
ASK US.

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WASHINGTON GAS
WGL ENERGY
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