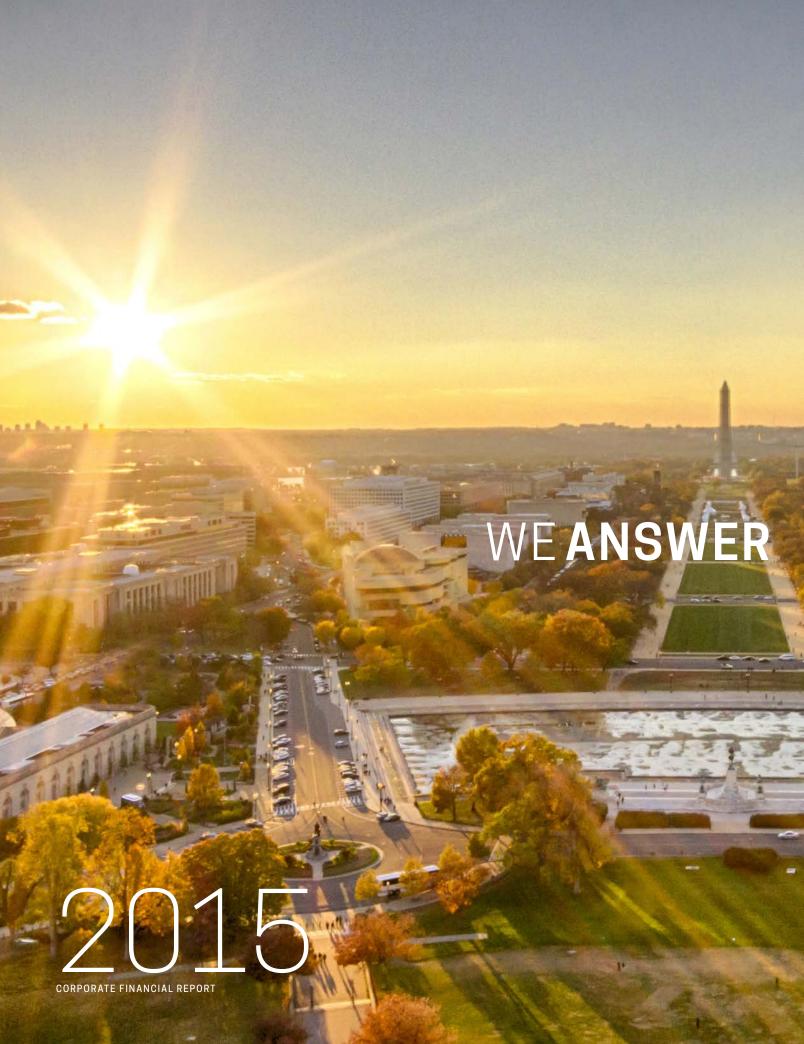
THE ENERGY LANDSCAPE IS CHANGING.
OUR CUSTOMERS HAVE **QUESTIONS**...

WEANSWER



201





We are in the midst of a rapidly evolving energy marketplace. Undergoing its greatest changes since the energy crisis of the 1970s, the energy landscape is being shaped by the convergence of three revolutions. The shale gas revolution has enhanced our energy supply with an abundance of this clean, reliable resource. The renewable energy revolution is yielding new ways to expand the energy market and to establish more efficient, sustainable solutions. And the technology revolution, impacting almost every industry, has increased the customer's ability to more accurately control their connection to energy and, combined with social media, is significantly altering customer relationships and expectations.

These three dynamics are creating new opportunities for companies nimble enough to capitalize on them. In fiscal year 2015, WGL proved it is effectively aligning its utility-based strengths with evolving customer needs and the rapidly changing energy landscape of this century. Our transformation lies in the creativity and innovation of our solutions but is driven by our core expertise in the safe, reliable delivery of energy. We are committed to an asset-based growth strategy that is designed to provide the best solutions for customers and predictable, steady returns for shareholders. We provide unique value in a complex energy market due to the collaboration of our integrated businesses, which include:



Washington Gas, 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. We have provided natural gas service 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, an expanding natural gas distribution business specializing 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.



Hampshire Gas, an owner and operator of interests in natural gas storage facilities in and around Hampshire County, W.V., Hampshire Gas provides exclusive storage services to Washington Gas.

As we strengthen our core natural gas utility business through upgraded infrastructure and with projects and investments that link our service area to enormous gas reserves in neighboring states, WGL is creating a unique portfolio of owned distributed generation and pipeline assets to expand our market opportunities. We believe we are superbly positioned to grow in a market in which natural gas will remain abundant for the foreseeable future and new technologies enable energy to become more predictable, reliable, responsive and secure. Our solutions address environmental concerns, increase jobs and economic development, improve security and sustain the communities we serve.



Together, WGL Holdings' companies achieved record results in fiscal year 2015 with non-GAAP operating earnings of \$158.2 million, or \$3.16 per share, an 18 percent non-GAAP EPS increase over fiscal year 2014. We have now realized a nine percent compound annual growth rate in non-GAAP earnings per share since 2011. WGL increased its annual dividend by nine cents in FY2015, a five percent increase over last year, to \$1.85 per share. This marks the 39th consecutive year that the company has increased the dividend on its common stock. Segment highlights included the following:

- Washington Gas generated strong double-digit net revenue growth, adding more than 12,700 active customer meters. Utility service was available to 99.8 percent of customers without interruption this year.
- WGL Energy Services reported record adjusted EBIT of \$68.5 million, an increase of \$57.8 million over the previous year.
 WGL's Energy Systems reported strong adjusted EBIT of \$16.8 million in 2015, a 37 percent increase over last year.
- WGL Midstream secured an opportunity to invest approximately \$210 to \$245 million for an interest in the Mountain Valley Pipeline project, a 300-mile-long pipeline to supply abundant, affordable natural gas from the Marcellus and Utica shale formations.
- The company accelerated carbon emission reduction progress, and is well ahead of pace to achieve its 2020 objectives, through pipeline replacement, energy efficiency measures at our sites and increasing the number of vehicles in our fleet running on compressed natural gas.
- WGL significantly exceeded its supplier diversity objectives and was recognized by the Women's Forum of New York for the diversity of our Board of Directors.
- Our highly engaged employees exceeded WGL's goal for total volunteer hours by more than 22 percent through support of a wide range of programs designed to strengthen education, health and the environment in WGL's communities.
- By all measures, including system maintenance and construction, pipeline integrity and personnel safety, we are proud to say we delivered a strong safety performance during a year that included record cold temperatures. The safe delivery of natural gas and other energy services remains our number one priority.

Infrastructure development and expansion remain critical to the success of our company and our investments reflect this focus. In FY2015, we invested \$327.4M in our regulated utility and \$42.7M in midstream pipeline projects. Utility investments drove higher revenues from customer growth and accelerated pipe replacement, both realizing timely earnings. In addition to installed meters, this year we expanded our utility growth strategy to include economic development initiatives such as natural gas infrastructure expansion and single-meter large throughput solutions.

Our FY2015 investments also underscore our commitment to diversifying our portfolio with owned assets that provide relatively predictable revenue streams. We invested \$158.3 million in distributed generation in this year, adding new solar energy and fuel cell projects to our portfolio and bringing our total capital investment in this strategic market to \$500 million. WGL's assets now consist of more than 150 megawatts of distributed generation capacity across 120 projects installed or under construction. We plan to increase distributed generation capacity by 50 percent this year.

ENERGY ANSWERS

At WGL, we pride ourselves on delivering tailored and distinguished energy answers. For example, in FY2015, Washington Gas identified an opportunity to help developers of multi-family housing projects in Maryland bring affordable, efficient natural gas to their residents. WGL worked with Maryland stakeholders and regulators to develop incentives for builders and developers to install natural gas to lower energy bills and reduce carbon emissions. The innovative regulatory and public policy program serves as a win for customers, the environment and WGL shareholders.

For large government clients, we provide similarly tailored answers. In FY2015, WGL Energy Services was awarded a major contract by the U.S. General Services Administration to provide power to the vast majority of federal government departments and agencies in the District of Columbia and Maryland. The estimated electricity load over the term of the contract is 3.3 million megawatt hours provided from WGL Energy Services portfolio of electricity, natural gas, solar and wind solutions.

Energy answers for the commercial sector included an innovative fuel cell solution for SevOne, a digital infrastructure management company. The 500 kW fuel cell agreement will provide SevOne's data center with reliability and energy security. If there is an interruption of service from the main grid, the fuel cell will continue to run, as will the SevOne data center.







DISTRIBUTED IMPACT™

Customers of all types and sizes—consumers, corporations, campuses and governments—are seeking solutions that incorporate multiple resources, and that are reliable and environmentally friendly. WGL meets this need through its foundational strength in the safe and reliable delivery of natural gas combined with asset-based distributed generation investments to enable WGL's most differentiated offering: Distributed Impact™.

Distributed Impact draws from resources across the energy spectrum, including natural gas infrastructure, power and gas distribution, solar and windpower, and other resource combinations such as carbon offsets, storage and energy efficiency. The integration of and redundancy enabled by diverse energy resources feeding into one intelligent solution increases security and reliability while enabling better control of energy spend to support our customers' profitability, sustainability and environmental goals. Soon after its formal launch this year, WGL was selected in a competitive process to bring a Distributed Impact solution to The Parks at Walter Reed, a 66-acre, multi-use real estate development project in the District of Columbia. The solution provides for onsite power and heating and cooling through secure and resilient central plants owned by WGL. The WGL solution selected by The Parks at Walter Reed is designed to harness natural gas as the primary source of fuel for its onsite generation, alongside renewable power options and energy storage systems which will mitigate fuel price volatility, provide long-term operational efficiency and deliver competitive energy rates to customers. The ability to minimize onsite energy demand and intelligently and reliably connect that demand with environmentally sustainable onsite generation distinguishes this as a Distributed Impact solution.

COMMUNITY ENGAGEMENT AND SUSTAINABILITY

Distributed Impact™ has the potential to shape how entire communities are powered and change the perception of energy from a cost to an asset. And, it is just one of the ways we are contributing to the communities we serve. Our employees are dedicated to giving back to our communities in ways that extend beyond energy supply. In FY2015, WGL employees and their families volunteered more than 12,800 hours of their time to a variety of community service projects in the Washington, D.C., metropolitan area.

Other community contributions included the continuation of our signature philanthropic program, the Washington Area Fuel Fund (WAFF), which pays for all types of fuel each winter to heat the homes of District of Columbia-area residents in need. WGL employees were also the top corporate fundraisers for the 2015 National Capital Area's Light the Night Walk to benefit the Leukemia & Lymphoma Society (LLS), helped to build an energy education program within a Junior Achievement Finance Park and participated in WGL's annual Day of Weatherization, providing volunteer energy efficiency support to elderly and low-income residents throughout its utility service territory.

We lead by example in corporate sustainability efforts. 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. WGL's utility fleet reduced its carbon footprint by 25 percent through increased use of natural gas vehicles. Based on progress since 2010, we expect to achieve the 70 percent reduction in greenhouse gas emissions from our fleet and facilities earlier than our 2020 target date. Through accelerated pipeline replacement initiatives, we are on track to achieve an 18 percent reduction in emissions for every unit of natural gas delivered by 2020.





FINANCIAL INFORMATION & ANNUAL REPORT ON FORM 10-K

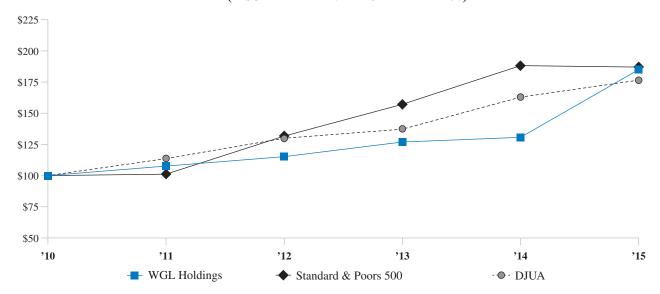
Financial and Operating Highlights

We present the information below to allow readers to see and analyze trends in the selected data, including a five and ten-year period.

	Fiscal Years Ended September 30,							
(In thousands, except per share data)		2015		2014		2011		2006
Financial Results		· ·						
Earnings Summary								
Operating revenues								
Utility	\$	1,303,044	\$	1,416,951	\$	1,264,580	\$	1,622,510
Non-utility		1,356,786		1,363,996		1,486,921		1,015,373
Total Operating Revenues		2,659,830		2,780,947		2,751,501		2,637,883
Net Income applicable to common stock	\$	131,259	\$	105,940	\$	117,050	\$	87,578
Diluted earnings per average common share:								
Net income applicable to common stock	\$	2.62	\$	2.05	\$	2.28	\$	1.79
Capital expenditures—accrual basis ^(a)	\$	454,758	\$	417,409	\$	218,655	\$	161,496
Total capitalization	\$	2,215,621	\$	1,953,977	\$	1,818,101	\$	1,526,119
Common Stock Data								
Return on average common equity		10.5%		8.4%		9.9%		9.6%
Annualized dividends per share	\$	1.85	\$	1.76	\$	1.55	\$	1.35
Dividend payout ratio		69.3%		84.9%		67.2%		74.7%
Book value per share—year-end	\$	25.0	\$	24.61	\$	23.42	\$	18.86
Dividend yield on book value		7.4%		7.2%		6.6%		7.2%
Market price (New York Stock Exchange)								
Range	\$	59.08-\$42.04	\$	45.40-\$35.88	\$	41.99-\$34.69	\$	32.88-\$27.04
Close—year-end	\$	57.67	\$	42.12	\$	39.07	\$	31.34
Market-to-book ratio—average		216.0%		164.9%		166.5%		161.0%
Average shares traded daily		294,589		301,777		308,619		249,273
Common shares outstanding—year-end (thousands)		49,729		50,657		51,365		48,878
Selected Statistics								
Gas delivered by the utility (thousands of therms)		1,931,939		1,888,290		1,772,503		1,576,906
Heating degree days—actual		3,929		4,111		3,999		3,710
Weather percent colder (warmer) than normal		4.6%		9.6%		6.1%		(2.5)%
Number of active customer meters—year-end		1,129,865		1,117,043		1,082,983		1,031,916
Number of employees—year-end								
Utility		1,420		1,332		1,268		1,606
Non-utility		109		112		116		67

⁽a) Excludes Allowance for Funds Used During Construction. Additionally, excludes adjustments for capital expenditures accrued and other cash-basis adjustments.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURNS* (FISCAL YEAR ENDED SEPTEMBER 30)



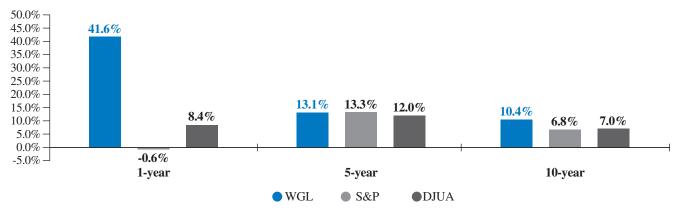
^{*} Assumes daily reinvestment of dividends.

This calculation is based on \$100 invested on September 30, 2010.

GROWTH OF \$100 INVESTMENT

	'10	'11	'12	'13	'14	'15
WG	\$ 100.00	\$ 107.63	\$ 115.19	\$ 126.93	\$ 130.68	\$ 185.02
S&P 500	\$ 100.00	\$ 101.14	\$ 131.69	\$ 157.16	\$ 188.18	\$ 187.02
DJUA	\$ 100.00	\$ 113.61	\$ 129.94	\$ 137.22	\$ 162.91	\$ 176.54

AVERAGE ANNUAL RETURNS



Reconciliation of Non-GAAP Financial Measures (Unaudited)

The tables below reconcile adjusted EBIT on a segment basis to GAAP income (loss) before income taxes and reconcile operating earnings (loss) on a consolidated basis to GAAP net income (loss) applicable to common stock. Management believes that adjusted EBIT and operating earnings (loss) provide a more meaningful representation of our earnings from ongoing operations on a segment and consolidated basis, respectively. These measures facilitate analysis by providing consistent and comparable measures to help management, investors and analysts better understand and evaluate our operating results and performance trends, and assist in analyzing period-to-period comparisons. Additionally, we use these non-GAAP measures to report to our board of directors and to evaluate management's performance.

To derive our non-GAAP measures, we adjust for the financial recognition of certain transactions (non-GAAP adjustments) based on at least one of the following criteria:

 To better match the financial recognition of transactions with their economics;

- To better align with regulatory view/recognition;
- To eliminate the effects of:
 - i. Significant out of period adjustments;
 - Other significant items that may obscure historical earnings comparisons and are not indicative of performance trends; and
 - iii. For adjusted EBIT, other items that may obscure segment comparisons.

There are limits in using adjusted EBIT and operating earnings (loss) to analyze our segment and consolidated results, respectively, as they are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies. In addition, using adjusted EBIT and operating earnings (loss) to analyze our results may have limited value as they exclude certain items that may have a material impact on our reported financial results. We compensate for these limitations by providing investors with the attached reconciliations to the most directly comparable GAAP financial measures.

The following table summarizes the reconciliations of adjusted EBIT by segment to income before income taxes:

	Fiscal Year End	led Se	ptember 30,
(In thousands)	2015		2014
Adjusted EBIT:			
Regulated utility	\$ 235,713	\$	244,359
Retail energy-marketing	68,459)	10,653
Commercial energy systems	16,803	;	12,258
Midstream energy services	(3,571	.)	5,144
Other activities ^(*)	(4,042	.)	(7,951)
Eliminations	(1,013)	(167)
Total	\$ 312,349	\$	264,296
Non-GAAP adjustments ⁽¹⁾	(45,455)	(62,044)
Interest expense	50,511		37,738
Income before income taxes	\$ 216,383	\$	164,514
Income tax expense	83,804	ļ	57,254
Dividends on Washington Gas preferred stock	1,320)	1,320
Net income applicable to common stock	\$ 131,259	\$	105,940

^(*) Activities and transactions that are not significant enough on a stand-alone basis to warrant treatment as an operating segment and that do not fit into one of our operating segments.

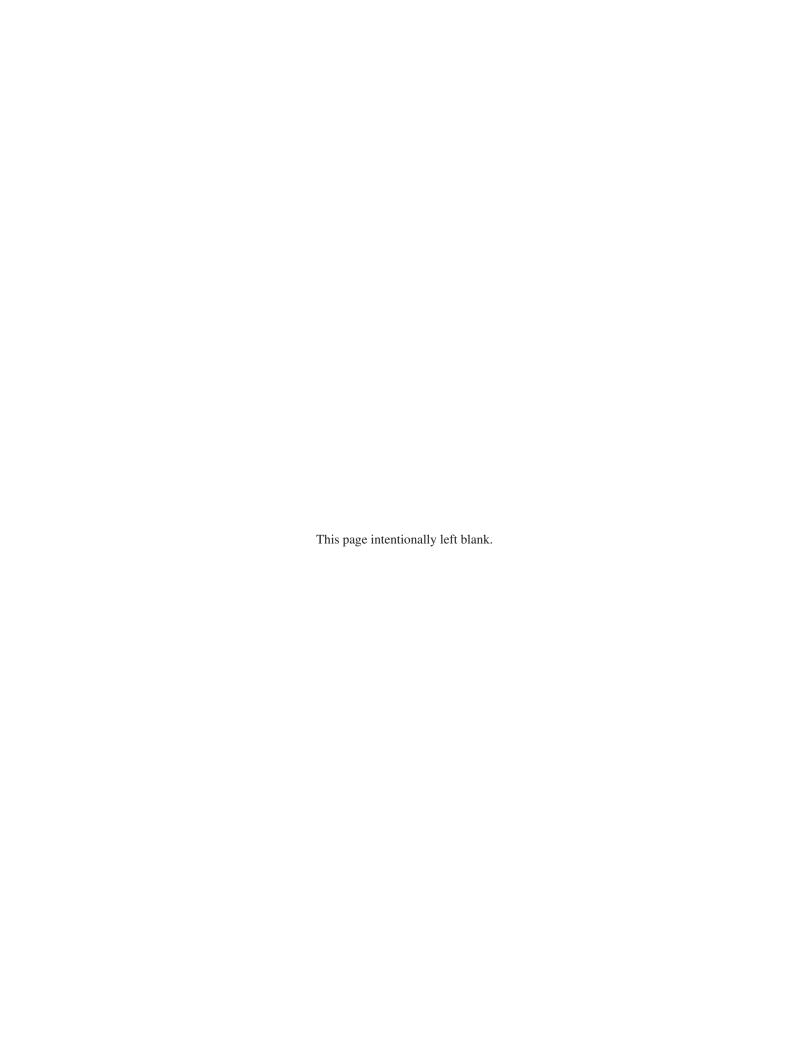
The following table represent the reconciliation of operating earnings to net income applicable to common stock:

	Fise	cal Year Ende	ed September 30,		
(In thousands, except per share data)		2015		2014	
Operating earnings	\$	158,247	\$	138,952	
Non-GAAP adjustments ⁽¹⁾		(45,455)		(62,044)	
Income tax expense on non-GAAP adjustments		18,467		25,411	
Regulatory asset - tax effect Medicare Part D		-		3,621	
Net income applicable to common stock	\$	131,259	\$	105,940	
Diluted average common shares outstanding		50,060		51,770	
Operating earnings per share	\$	3.16	\$	2.68	
Per share effect of non-GAAP adjustments		(0.54)		(0.63)	
Diluted earnings per average common share	\$	2.62	\$	2.05	

⁽¹⁾ The following tables summarize non-GAAP adjustments, by operating segment and present a reconciliation of adjusted EBIT to EBIT. EBIT is defined as earnings before interest and taxes from continuing operations. Items we do not include in EBIT are interest expense, inter-company financing activity, dividends on Washington Gas preferred stock, and income taxes.

					F	iscal Year l	Ended Septem	ber	30, 2015			
			l	Retail-	Co	mmercial	Midstream					
	R	egulated	F	Energy	1	Energy	Energy		Other	Interseg	ment	
(In thousands)		Utility	Ma	arketing	S	Systems	Services	A	ctivities	Elimina	tions	Total
Adjusted EBIT	\$	235,713	\$	68,459	\$	16,803	\$ (3,571)	\$	(4,042)	\$ (1,013)	\$ 312,349
Non-GAAP adjustments:												
Unrealized mark-to-market valuations on												
energy-related derivatives		(6,322)		(20,727)		-	(5,807)		-		-	(32,856)
Storage optimization program		(3,704)		-		-	-		-		-	(3,704)
DC weather impact		86		-		-	-		-		-	86
Distributed generation asset related investment tax credits		-		-		(4,134)	-		-		-	(4,134)
Change in measured value of inventory		-		-		-	6,658		-		-	6,658
Competitive service provider imbalance cash settlement		(1,331)		(1,103)		-	-		-			(2,434)
Investment impairment		-		-		-	-		(5,625)		-	(5,625)
Impairment loss on Springfield Operations Center		(465)		-		-	-		-		-	(465)
Unrecovered government contracting costs		-		-		(2,981)			-		-	(2,981)
Total non-GAAP adjustments	\$	(11,736)	\$	(21,830)	\$	(7,115)	\$ 851	\$	(5,625)	\$	-	\$ (45,455)
EBIT	\$	223,977	\$	46,629	\$	9,688	\$ (2,720)	\$	(9,667)	\$ (1,013)	\$ 266,894

	Fiscal Year Ended September 30, 2014									
(In thousands)		egulated Utility	Retail- Energy Marketin		Eı	nmercial nergy estems	Midstream Energy Services	Other ctivities	Intersegment Eliminations	Total
Adjusted EBIT	\$	244,359	\$ 10,6	53	\$	12,258	\$ 5,144	\$ (7,951)	\$ (167)	\$ 264,296
Non-GAAP adjustments:										
Unrealized mark-to-market valuations on energy-related derivatives		(66,220)	3,3	62		-	1,464	-	-	(61,394)
Storage optimization program		4,972		-		-	-	-	-	4,972
DC weather impact		2,135		-		-	-	-	-	2,135
Distributed generation asset related investment tax credits		-		-		(2,795)	-	-	-	(2,795)
Change in measured value of inventory		-		-		-	1,804	-	-	1,804
Impairment loss on Springfield Operations Center		(770)		-		-	-	-	-	(770)
Competitive service provider imbalance cash settlement		488		-		-	-	-	-	488
Incremental professional services fees		-		-		-	-	(3,588)	-	(3,588)
Impairment loss on proposed Chillum liquefied natural gas facility		(1,869)		-		-	-	-	-	(1,869)
Regulatory implementation true up		1,573		-		-	-	-	-	1,573
Legal related cost accrual		-		-		(2,600)	_	-		(2,600)
Total non-GAAP adjustments	\$	(59,691)	\$ 3,3	62	\$	(5,395)	\$ 3,268	\$ (3,588)	\$ -	\$ (62,044)
EBIT	\$	184,668	\$ 14,0	15	\$	6,863	\$ 8,412	\$ (11,539)	\$ (167)	\$ 202,252



UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the Fiscal Year Ended September 30, 2015

Commission File Number	Exact name of registrant as specified in its and principal office address and telephone		State of Incorporation	I.R., Employer Iden	
1-16163	WGL Holdings, Inc. 101 Constitution Ave., N.W. Washington, D.C. 20080 (703) 750-2000		Virginia	52-221	0912
0-49807	Washington Gas Light Company 101 Constitution Ave., N.W. Washington, D.C. 20080 (703) 750-4440		District of Columbia and Virginia	53-016	2882
SEC	URITIES REGISTERED PURSUANT TO	O SECTION 12(b) OF THE ACT (AS OF SEPT	EMBER 30, 20	15):
	Title of each class		Name of each exchange or	which registered	l
WGL	Holdings, Inc. common stock, no par value	;	New York Stock I	Exchange	
SEC	URITIES REGISTERED PURSUANT TO	O SECTION 12(-		
	Title of each class		Name of each exchange or	which registered	l
Wasł	nington Gas Light Company preferred stock, cumulative, without par value: \$4.25 Series \$4.80 Series \$5.00 Series		Over-the-Counter Bu Over-the-Counter Bu Over-the-Counter Bu	ılletin Board	
Indicate by ch	eck mark			YES	NO
 if each registra 	nt is a well-known seasoned issuer, as define	ed in Rule 405 of t	he Securities Act.		
WGL Holdings	, Inc.			~	
Washington Ga	s Light Company				~
• if each registra	nt is not required to file reports pursuant to Se	ction 13 or Section	15(d) of the Act.		V
Act of 1934 du	egistrant: (1) has filed all reports required to be fring the preceding 12 months (or for such short) has been subject to such filing requirements:	ter period that the re	egistrants were required to file such	•	
Data File requ	gistrant has submitted electronically and post- ired to be submitted and posted pursuant to for such shorter period that the registrant was	Rule 405 of Reg	ulation S-T during the preceding	~	
herein, and wi	delinquent filers pursuant to Item 405 of Regu Il not be contained, to the best of the registra orporated by reference in Part III of this For	ants' knowledge, i	in definitive proxy or information		
	gistrant is a large accelerated filer, an accelerated filer," "accelerated filer" and "smaller rep				e definitions of
WGL Holdings	_		C	,	
Large accel	erated filer Accelerated filer		Non-accelerated filer	Smaller reportin	g company
Washington Ga	s Light Company:		1 0 1 1 7 7		
Large accel	erated filer Accelerated filer		Non-accelerated filer voteck if a smaller reporting company)	Smaller reportin	g company
• whether each	registrant is a shell company (as defined in I	Rule 12b-2 of the	Act):		V

The aggregate market value of the voting common equity held by non-affiliates of the registrant, WGL Holdings, Inc., amounted to \$2,785,557,535 as of March 31, 2015.

WGL Holdings, Inc. common stock, no par value outstanding as of October 31, 2015: 49,831,775 shares.

All of the outstanding shares of common stock (\$1 par value) of Washington Gas Light Company were held by WGL Holdings, Inc. as of October 31, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of WGL Holdings, Inc.'s definitive *Proxy Statement* and Washington Gas Light Company's definitive *Information Statement* in connection with the 2016 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission pursuant to Regulation 14A and 14C not later than 120 days after September 30, 2015, are incorporated in Part III of this report.

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PART I

Introduction

Filing Format

This annual report on Form 10-K is a combined report being filed by two separate registrants: WGL Holdings, Inc. (WGL) and Washington Gas Light Company (Washington Gas). Except where the content clearly indicates otherwise, any reference in the report to "WGL," "we," "us" or "our" is to the holding company or the consolidated entity of WGL Holdings and all of its subsidiaries, including Washington Gas which is a distinct registrant that is a wholly owned subsidiary of WGL.

The Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion) included under Item 7 is divided into two major sections for WGL and Washington Gas. The Consolidated Financial Statements of WGL and the Financial Statements of Washington Gas are included under Item 8 as well as the Notes to Consolidated Financial Statements that are presented on a combined basis for both WGL and Washington Gas.

Safe Harbor for Forward-Looking Statements

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 or strategies and 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 verbs such as "will," "should," "would" and "could." Although the registrants believe such forward-looking statements are based on reasonable assumptions, they cannot give assurance that every objective will be achieved. Forward-looking statements speak only as of today, and the registrants assume no duty to update them. Factors that could cause actual results to differ materially from forward-looking statements or historical performance include those discussed in Item 1A. Risk Factors and may include, but are not limited to the following:

- the level and rate at which we incur costs and expenses, and the extent to which we are allowed to recover from customers, through the regulatory process, such costs and expenses relating to constructing, operating and maintaining Washington Gas' distribution system;
- the availability of natural gas and electricity supply, interstate pipeline transportation and storage capacity;
- factors beyond our control that affect the ability of natural gas producers, pipeline gatherers and natural gas processors to deliver natural gas into interstate pipelines for delivery to the entrance points of Washington Gas' distribution system;
- security breaches of our information technology infrastructure, including cyber attacks and cyber-terrorism;
- leaks, mechanical problems, incidents or other operational issues in our natural gas distribution system, including the effectiveness of our efforts to mitigate the effects of receiving low-HHC natural gas;

- changes and developments in economic, competitive, political and regulatory conditions;
- · unusual weather conditions and changes in natural gas consumption patterns;
- changes in energy commodity market conditions, including the relative prices of alternative forms of energy such as electricity, fuel oil and propane;
- changes in the value of derivative contracts and the availability of suitable derivative counterparties;
- changes in our credit ratings, disruptions in credit market and equity capital market conditions or other factors that may affect our access to and cost of capital;
- factors affecting the timing of construction and the effective operation of pipelines in which we have invested;
- the creditworthiness of customers; suppliers and derivatives counterparties;
- changes in laws and regulations, including tax, environmental, pipeline integrity and employment laws and regulations;
- legislative, regulatory and judicial mandates or decisions affecting our business operations;
- the timing and success of business and product development efforts and technological improvements;
- the level of demand from government agencies and the private sector for commercial energy systems, and delays in federal government budget appropriations;
- the pace of deregulation of energy markets and the availability of other competitive alternatives to our products and services;
- changes in accounting principles;
- our ability to manage the outsourcing of several business processes, including the transition of certain processes to new third party vendors;

- strikes or work stoppages by unionized employees;
- acts of nature and catastrophic events, including terrorist acts and
- decisions made by management and co-investors in noncontrolled investees.

All such factors are difficult to predict accurately and are generally beyond the direct control of the registrants. Readers are urged to use care and consider the risks, uncertainties and other factors that could affect the registrants' business as described in this annual report on Form 10-K.

Glossary of Key Terms and Definitions

Accelerated Pipe Replacement Programs: 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 emissions.

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

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.

Business Process Outsourcing (BPO) Agreement: An agreement whereby a service provider performs certain ongoing support

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.

City Gate: A point or measuring station at which a gas distribution company such as Washington Gas receives natural gas from an unaffiliated pipeline or transmission system.

Competitive Service Provider (CSP): Also referred to as Third Party Marketer (see definition below).

Commercial Energy Systems: Includes the operations of WGL Energy Systems, Inc. and WGSW, Inc.

Conservation and Ratemaking Efficiency (CARE Plan): Provides for the CRA as well as cost effective conservation and energy efficient programs.

Cooling Degree Day (CDD): A measure of the variation in weather based on the extent to which the daily average temperature is above 65 degrees Fahrenheit.

Crab Run: Crab Run Gas Company was the limited partner in the Western/Crab Run Limited Partnership which was formed to manage oil and gas properties. WGL owns all of the shares of common stock of Crab Run Gas Company but sold its interest in the limited partnership to the managing partner on February 5, 2015.

Delivery Service: The regulated distribution or delivery of natural gas to retail customers. Washington Gas provides delivery service to retail customers in Washington, D.C. and parts of Maryland and Virginia.

Design Day: Washington Gas' design day represents the maximum anticipated demand on Washington Gas' distribution system during a 24-hour period assuming a five-degree Fahrenheit average temperature and 17 miles per hour average wind, considered to be the coldest conditions expected to be experienced in the Washington, D.C. region.

Distributed Generation Assets: Assets that use renewable energy sources including Solar Photovoltaic (Solar PV) systems, combined heat and power plants, and natural gas fuel cells to generate electricity near the point of consumption.

Earnings Before Interest and Taxes (EBIT): A performance measure that includes operating income, other income (expense) and earnings from unconsolidated affiliates. EBIT is used in assessing the results of each segment's operations.

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.

Financial Contract: A contract in which no commodity is transferred between parties and only cash payments are exchanged in amounts equal to the financial benefit of holding the contract.

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.

Gross Margin: A non-GAAP measure calculated as operating revenues, less the associated cost of energy and applicable revenue taxes. Gross margin is used to measure the success of the retail energy-marketing segment's core strategy for the sale of natural gas and electricity.

Hampshire: Hampshire Gas Company 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.

Heavy Hydrocarbons (HHCs): Compounds, such as hexane, that Washington Gas is injecting into its distribution system to treat vaporized liquefied natural gas or domestic sources of gas that have had such HHCs removed as a result of liquids processing.

Interruptible Customers: Large commercial 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.

Liquefied Natural Gas (LNG): The liquid form of natural gas.

Lower-of-Cost or Market: The process of adjusting the value of inventory to reflect the lesser of its original cost or its current market value.

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

Midstream Energy Services: The midstream energy services segment includes the operations of WGL Midstream, Inc.

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 or CDDs based on historical HDD or CDD data.

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.

Purchased Gas Charge (PGC): The purchased gas charge represents the cost of gas, gas transportation, gas storage services purchased and other gas related costs. The purchased gas charge is collected from customers through tariffs established by the regulatory commissions that have jurisdiction over Washington Gas.

Regulated Utility Segment: Includes the operations of Washington Gas the operations of Hampshire.

Renewable Energy Credits (RECs): a certificate representing the "green attributes" of one megawatt-hour (MWh) of electricity generated from renewable energy.

Retail Energy-Marketing Segment: Sales of natural gas and electricity to end users by our subsidiary, WGL Energy Services, Inc. that are not price regulated.

Return on Average Common Equity: Net income divided by average common shareholders' equity.

Revenue Normalization Adjustment (RNA): A regulatory billing mechanism in the state of Maryland designed to stabilize the level of 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.

Sendout: The total amount of gas that flows into Washington Gas' distribution system within a certain interval of time.

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

Steps to Advance Virginia's Energy Plan (SAVE Plan): An accelerated pipe replacement plan 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 accelerated pipe replacement plan 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 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 Dth.

Third Party Marketer: Unregulated companies that sell natural gas and electricity directly to retail customers. WGL Energy Services, an affiliate of Washington Gas and a wholly owned subsidiary company of Washington Gas Resources Corporation, is a third-party marketer.

Unbundling: The separation of the delivery of natural gas or electricity from the sale of these commodities and related services that, in the past, were provided only by a regulated utility.

Utility Net Revenues: A measure used by the regulated utility segment which is calculated as operating revenues less the associated cost of gas and applicable revenue taxes. For the regulated utility, the cost of gas associated with sales to customers and revenue taxes are generally pass through amounts.

Value-At-Risk: A risk measurement that estimates the largest expected loss over a specified period of time under normal market conditions within a specified probabilistic confidence interval.

Washington Gas: Washington Gas Light Company is a subsidiary of WGL Holdings, Inc. that sells and delivers natural gas primarily to retail customers in accordance with tariffs approved by the PSC of DC, the PSC of MD and the SCC of VA.

Washington Gas Resources: Washington Gas Resources Corporation is a subsidiary of WGL Holdings, Inc. that owns the majority of the non-utility subsidiaries.

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

WGL: WGL Holdings, Inc. is a holding company that is the parent company of Washington Gas Light Company and other subsidiaries.

WGL Energy Services: WGL Energy Services, Inc. is a subsidiary of Washington Gas Resources Corporation that sells natural gas and electricity to retail customers on an unregulated basis.

WGL Energy Systems: WGL Energy Systems, Inc. is a subsidiary of Washington Gas Resources Corporation, which provides commercial energy efficient and sustainable solutions to government and commercial clients.

WGL Midstream: WGL Midstream, Inc. is a subsidiary of Washington Gas Resources that engages in acquiring and optimizing natural gas storage and transportation assets.

WGSW: WGSW, Inc. is a subsidiary of Washington Gas Resources Corporation that was formed to invest in certain renewable energy projects.

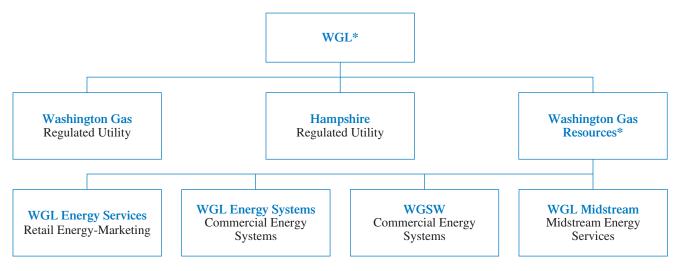
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Corporate Overview

WGL Holdings, Inc.

WGL was established on November 1, 2000 as a Virginia corporation. Through our wholly owned subsidiaries, we sell and deliver natural gas and provide energy-related products and services to customers primarily in the District of Columbia and the surrounding metropolitan areas in Maryland and Virginia, although our non-utility segments provide various energy services across the United States. WGL promotes the efficient use of clean natural gas and renewable energy to improve the environment for the benefit of customers, investors, employees,

and the communities it serves. WGL owns all of the shares of common stock of Washington Gas, Washington Gas Resources, Hampshire and Crab Run. Washington Gas Resources owns four unregulated subsidiaries that include WGL Energy Services, WGL Energy Systems, WGL Midstream and WGSW. Additionally, several subsidiaries of WGL own interests in other entities, some of which are disregarded and others of which are treated as partnerships for tax purposes.



^{*} Holding company whose stand alone results are reported in "other activities".

Industry Segments

Our segments include regulated utility, retail energy-marketing, commercial energy systems and midstream energy services. Transactions and activities not specifically identified in one of these four segments are reported as "Other Activities." The four segments are described below.

Regulated Utility Segment

Washington Gas Light Company

The regulated utility segment consists of Washington Gas and Hampshire and represents approximately 80% of WGL's total assets. Washington Gas is a regulated public utility that sells and delivers natural gas to retail customers in accordance with tariffs approved by regulatory commissions in the District of Columbia and adjoining areas in Maryland, Virginia and several cities and towns in the northern Shenandoah Valley of Virginia. Washington Gas has been engaged in the natural gas distribution business since its incorporation by an Act of Congress in 1848. Washington Gas has been a Virginia corporation since 1953 and a corporation of the District of Columbia since 1957.

Washington Gas provides regulated distribution or delivery of natural gas to retail customers under tariff rates designed to provide for a return on and return of the investment used in providing that service. The rates are also designed to provide for recovery of operating expenses and taxes incurred in providing that service. Washington Gas also sells natural gas to customers who have not elected to purchase natural gas from unregulated third party marketers (refer to the section entitled "Natural Gas Unbundling"). Washington Gas recovers the cost of the natural gas purchased to serve firm customers through recovery mechanisms as approved in jurisdictional tariffs. Any difference between gas costs incurred on behalf of firm customers and the gas costs recovered from those customers is deferred on the balance sheet as an amount to be collected from or refunded to

customers in future periods. Therefore, increases or decreases in the cost of gas associated with sales made to firm customers have no direct effect on Washington Gas' net revenues and net income. However, to the extent Washington Gas does not have regulatory mechanisms in place to mitigate the indirect effects of higher gas prices, such as: (i) lower natural gas consumption caused by customer conservation; (ii) increased short-term interest expense to finance a higher natural gas storage and accounts receivables balances and (iii) higher expenses for uncollectible accounts, its net income may decrease.

Washington Gas, under its asset optimization program, makes use of storage and transportation capacity resources when those assets are not required to serve utility customers. The objective of this program is to derive a profit to be shared with

its utility customers by entering into commodity-related physical and financial contracts with third parties (refer to the section entitled "Asset Optimization" for further discussion of the asset optimization program). Unless otherwise noted, therm deliveries reported for the regulated utility segment do not include deliveries related to the asset optimization program.

At September 30, 2015, Washington Gas' service area had a population estimated at 5.5 million and included approximately 2.0 million households and commercial structures. Washington Gas operations are such that the loss of any one customer or group of customers would not have a significant adverse effect on its business. The following table lists the number of active customer meters and therms delivered by jurisdiction as of and for the year ended September 30, 2015 and 2014, respectively.

ACTIVE CUSTOMER METERS AND THERMS DELIVERED BY JURISDICTION

	Active Customer	Millions of Therms Delivered	Active Customer	Millions of Therms Delivered
Jurisdiction	Meters as of September 30, 2015	Fiscal Year Ended September 30, 2015	Meters as of September 30, 2014	Fiscal Year Ended September 30, 2014
Jurisuicuon	September 30, 2015	September 30, 2015	September 30, 2014	September 30, 2014
District of Columbia	157,010	316.3	155,993	317.8
Maryland	460,745	930.7	454,273	891.7
Virginia	512,110	684.9	506,777	679.4
Total	1,129,865	1,931.9	1,117,043	1,888.9

For additional information about gas deliveries and meter statistics, refer to the section entitled "Results of Operations" in Management's Discussion and Analysis for Washington Gas.

Hampshire Gas Company

Hampshire 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 regulated utility segment reported total operating revenues related to gas sales and deliveries to external customers of approximately \$1.3 billion, \$1.4 billion, and \$1.2 billion in fiscal years ended September 30, 2015, 2014 and 2013, respectively.

Regulatory Environment

Washington Gas is regulated by the PSC of DC, the PSC of MD and the SCC of VA which approve its terms of service and the billing rates that it charges to its customers. Hampshire is regulated by the FERC. The rates charged to utility customers are designed to recover Washington Gas' operating expenses and natural gas commodity costs and to provide a return on its investment in the net assets used in its firm gas sales and delivery service. For a discussion of current rates and regulatory matters, refer to the section entitled "Rates and Regulatory Matters" in Management's Discussion and Analysis for Washington Gas.

District of Columbia Jurisdiction

The PSC of DC consists of three full-time members who are appointed by the Mayor with the advice and consent of the District of Columbia City Council. The term of each commissioner is four years with no limitations on the number of terms that can be served. The PSC of DC has no time limitation within which it must make decisions regarding modifications to base rates charged by Washington Gas to its customers; however, it targets resolving pending rate cases within three months of the close of record.

Maryland Jurisdiction

The PSC of MD consists of five full-time members who are appointed by the Governor with the advice and consent of the Senate of Maryland. Each commissioner is appointed to a five-year term, with no limit on the number of terms that can be served.

When Washington Gas files for a rate increase, the PSC of MD may initially suspend the proposed increase for 180 days, and then has the option to extend the suspension for an additional 30 days. If action has not been taken after 210 days, the requested rates become effective subject to refund.

Virginia Jurisdiction

The SCC of VA consists of three full-time members who are elected by the General Assembly of Virginia. Each commissioner has a six-year term with no limitation on the number of terms that can be served.

Either of two methods may be used to request a modification of existing rates. Washington Gas may file an application for a general rate increase, in which it may propose new adjustments

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to the cost of service that are different from those previously approved for Washington Gas by the SCC of VA, as well as a revised return on equity. The proposed rates under this process may take effect 150 days after the filing, subject to refund pending the outcome of the SCC of VA's action on the application.

Alternatively, an expedited rate case procedure allows proposed rate increases to be effective 30 days after the filing date, subject to refund. Under this procedure, Washington Gas may not propose new adjustments for issues not approved in its last general rate case, or request a change in its authorized return on common equity. Once filed, other parties may propose new adjustments or a change in the cost of capital from the level authorized in its last general rate case. The expedited rate case procedure may not be available if the SCC of VA decides that there has been a substantial change in circumstances since the last general rate case filed by Washington Gas.

Seasonality of Business Operations

Washington Gas' business is weather-sensitive and seasonal because the majority of its business is derived from residential and small commercial customers who use natural gas for space heating. Excluding deliveries for electric generation, in fiscal year 2015 and 2014, approximately 80% and 79%, respectively, of the total therms delivered in Washington Gas' service area occurred during its first and second fiscal quarters. Washington Gas' earnings are typically generated during these two quarters, and Washington Gas typically incurs net losses in the third and fourth fiscal quarters. The seasonal nature of the business creates large variations in short-term cash requirements, primarily due to the season-to-season fluctuations in the level of customer accounts receivable, unbilled revenues and storage gas inventories. Washington Gas finances these seasonal requirements primarily through the sale of commercial paper and unsecured short-term bank loans. For information on our management of weather risk, refer to the section entitled "Weather Risk" in Management's Discussion and Analysis. For information about management of cash requirements, refer to the section entitled "Liquidity and Capital Resources" in Management's Discussion and Analysis.

Non-Weather Related Changes in Natural Gas **Consumption Patterns**

Natural gas supply requirements for the utility are affected by changes in the natural gas consumption patterns of our customers that are driven by factors other than weather. Natural gas usage per customer may decline as customers change their consumption patterns in response to: (i) more volatile and higher natural gas prices; (ii) customer upgrades to more energy efficient appliances and building structures and (iii) a decline in the economy in the region in which we operate.

For each jurisdiction in which Washington Gas operates, changes in customer usage profiles are reflected in rate case proceedings and rates are adjusted accordingly. Changes in customer usage by existing customers that occur subsequent to rate case proceedings in Maryland generally will not change revenues because the RNA mechanism stabilizes the level of delivery charge revenues received from customers.

In Virginia, decoupling rate mechanisms for residential, small commercial and industrial and group metered apartment customers permit Washington Gas to adjust revenues for non-weather related changes in customer usage. The WNA and the CRA are billing mechanisms that together eliminate the effects of both weather and other factors such as conservation.

In the District of Columbia, decrease in customer usage that occurs subsequent to rate case proceeding would have the effect of reducing revenues, which could be offset by additions of new customers.

Natural Gas Supply and Capacity

Capacity and Supply Requirements

Washington Gas must contract for reliable and adequate natural gas supplies, interstate pipeline capacity and storage capacity to provide natural gas to its distribution system, while considering: (i) the dynamics of the commodity supply and interstate pipeline and storage capacity markets; (ii) its own on-system natural gas peaking facilities and (iii) the characteristics of its customer base. Energy-marketing companies that sell natural gas to customers located within Washington Gas' service territory are responsible for acquiring natural gas for their customers; however, Washington Gas allocates certain storage and pipeline capacity related to these customers in accordance with regulatory requirements.

Washington Gas has adopted a diversified portfolio approach designed to address constraints on supply by using multiple supply receipt points, dependable interstate pipeline transportation and storage arrangements, and its own substantial storage and peak shaving capabilities. Washington Gas' supply and pipeline capacity plan is based on forecasted system requirements, and takes into account estimated load growth, attrition, conservation, geographic location, interstate pipeline and storage capacity and contractual limitations and the forecasted movement of customers between bundled service and delivery service. Under reduced supply conditions, Washington Gas may implement contingency plans in order to maximize the number of customers served. Contingency plans include requests to the general population to conserve and target curtailments to specific sections of the system, consistent with curtailment tariffs approved by regulators in each of Washington Gas' three jurisdictions.

Washington Gas obtains natural gas supplies that originate from multiple regions throughout the United States. At September 30, 2015 and 2014, Washington Gas had service agreements with four pipeline companies that provided firm transportation and/ or storage services directly to Washington Gas' city gate. For fiscal year 2015, these contracts have expiration dates ranging from fiscal years 2016 to 2034. Additionally, Washington Gas has contracted with various interstate pipeline and storage companies to add to its storage and transportation capacity starting in fiscal years 2016-2019 and continues to monitor other opportunities to acquire or participate in obtaining additional pipeline and storage capacity that will support customer growth and improve or maintain the high level of service expected by its customer base.

Asset Optimization Derivative Contracts

Under the asset optimization program, Washington Gas utilizes its storage and transportation capacity resources when they are not being used to serve its utility customers. Washington Gas executes commodity-related physical and financial contracts in the form of forwards, futures and options as part of an asset optimization program that is managed by its internal staff. These transactions are accounted for as derivatives. The objective of this program is to derive a profit to be shared with Washington Gas' utility customers. Washington Gas enters into these derivative transaction contracts to lock in operating margins that will ultimately be shared between Washington Gas customers and shareholders. Because these sharing mechanisms are approved by our regulators in all three jurisdictions, any changes in fair value of the derivatives are recorded through earnings or as regulatory assets or liabilities if realized gains and losses will be included in the rates charged to customers.

The derivatives used under this program are subject to fair value accounting treatment which may cause significant period-to-period volatility in earnings from unrealized gains and losses associated with changes in fair value for the portion of net profits attributed to shareholders. However, this volatility does not change the locked in operating margins that Washington Gas expects to realize from these transactions. All physically and financially settled contracts under our asset optimization program are reported on a net basis in the statements of income in "Utility cost of gas." Total net margins including unrealized gains and losses recorded to "Utility cost of gas" after sharing and management fees associated with all asset optimization transactions for the years ended September 30, 2015, 2014 and 2013 was a net gain of \$27.9 million and net losses of \$35.4 million and \$33.2 million, respectively.

Refer to the sections entitled "Results of Operations — Regulated Utility" and "Market Risk" in Management's Discussion and Analysis for further discussion of the asset optimization program and its effect on earnings.

Annual Sendout

As reflected in the table below, Washington Gas received natural gas from multiple sources in fiscal year 2015 and expects to use those same sources to satisfy customer demand in fiscal year 2016. Firm transportation denotes gas transported directly to the entry point of Washington Gas' distribution system in contractual volumes. Transportation storage denotes volumes stored by a pipeline during the spring, summer and fall for withdrawal and delivery to the Washington Gas distribution system during the winter heating season to meet load requirements. Peak load requirements are met by: (i) underground natural gas storage at the Hampshire storage field; (ii) the local production of propane air plants located at Washington Gas-owned facilities in Rockville, Maryland (Rockville Station) and in Springfield, Virginia (Ravensworth Station) and (iii) other peak-shaving resources. Unregulated third party marketers acquire interstate pipeline and storage capacity and the natural gas commodity on behalf of Washington Gas' delivery service customers under customer choice programs. Washington Gas also provides transportation, storage and peaking resources to unregulated third party marketers (refer to the section entitled "Natural Gas Unbundling"). These retail marketers have natural gas delivered to the entry point of Washington Gas' distribution system on behalf of those utility customers that have decided to acquire their natural gas commodity on an unbundled basis, as discussed below.

Excluding the sendout of sales and deliveries of natural gas used for electric generation, the following table outlines total sendout of the system. The sources of delivery and related volumes that were used to satisfy the requirements of fiscal year 2015 and those projected for pipeline year 2016 are shown in the following table.

SOURCES OF DELIVERY FOR ANNUAL SENDOUT

(In millions of therms)		Fiscal Year	
Sources of Delivery	Actual 2014	Actual 2015	Projected 2016 ^(a)
Firm Transportation	622	683	604
Transportation Storage	269	314	267
Hampshire Storage, Company-Owned Propane-Air Plants, and other Peak-Shaving Resources	20	26	21
Unregulated Third Party Marketers	851	841	786
Total	1,762	1,864	1,678

Based on normal weather.

Design Day Sendout

The effectiveness of Washington Gas' capacity resource plan is largely dependent on the sources used to satisfy forecasted and actual customer demand requirements for its design day. For planning purposes, Washington Gas assumes that all interruptible customers will be curtailed on the design day. Washington Gas' forecasted design day demand for the 2015-2016 winter

season is 19.6 million therms and Washington Gas' projected sources of delivery for design day sendout is 20.6 million therms. This provides a reserve margin of approximately 6.3%. Washington Gas plans for the optimal utilization of its storage and peaking capacity to reduce its dependency on firm transportation and to lower pipeline capacity costs.

The following table reflects the sources of delivery that are projected to be used to satisfy the forecasted design day sendout estimate for fiscal year 2016.

PROJECTED SOURCES OF DELIVERY FOR DESIGN DAY SENDOUT

(In millions of therms)	Fiscal Year	r 2016
Sources of Delivery	Volumes	Percent
Firm Transportation	6.1	29%
Transportation Storage	8.5	41%
Hampshire Storage, Company-Owned Propane-Air Plants and other Peak-Shaving Resources	5.9	29%
Unregulated Third Party Marketers	0.1	1%
Total	20.6	100%

Natural Gas Unbundling

At September 30, 2015, customer choice programs for natural gas customers were available to all of Washington Gas' regulated utility customers in the District of Columbia, Maryland and Virginia. These programs allow customers to purchase their natural gas from unregulated third party marketers, rather than purchasing this commodity as part of a bundled service from the local utility. Of Washington Gas' 1.1 million active customers at September 30, 2015, approximately 184,900 customers purchased their natural gas commodity from unregulated third party marketers.

The following table provides the status of customer choice programs in Washington Gas' jurisdictions at September 30, 2015.

PARTICIPATION IN CUSTOMER CHOICE PROGRAMS AT SEPTEMBER 30, 2015

	<u> </u>	Eligible	Customers
Jurisdiction	Customer Class	Total	% Participating
District of Columbia	Firm:		
	Residential	144,336	11%
	Commercial	12,504	34%
	Interruptible	170	92%
Maryland	Firm:		
	Residential	430,353	22%
	Commercial	30,196	45%
	Interruptible	194	99%
	Electric Generation	2	100%
Virginia	Firm:		
	Residential	483,033	10%
	Commercial	28,847	33%
	Interruptible	230	79%
Total		1,129,865	

When customers choose to purchase the natural gas commodity from unregulated third party marketers, Washington Gas' net income is not affected because Washington Gas charges its customers the cost of gas without any mark-up. When customers select an unregulated third party marketer as their gas supplier, Washington Gas continues to charge these customers to deliver natural gas through its distribution system at rates identical to the delivery portion of the bundled sales service customers.

Safety and Reliability of the Natural Gas Distribution **System**

Maintaining and improving the public safety and reliability of Washington Gas' distribution system is our highest priority providing benefits to both customers and investors through improved customer service. Washington Gas continually monitors and reviews changes in requirements of the codes and regulations that govern the operation of the distribution system and refines its safety practices, with a particular focus on design, construction, maintenance, operation, replacement, inspection and monitoring

practices to meet or exceed these requirements. Significant changes in regulations can impact the cost of operating and maintaining the system. Operational issues that affect public safety and the reliability of Washington distribution system that are not addressed within a timely and adequate manner could adversely affect our future earnings and cash flows, as well as result in a loss of customer confidence.

Competition

The Natural Gas Delivery Function

The natural gas delivery function, the core business of Washington Gas, continues to be regulated by local and state regulatory commissions. In developing this core business, Washington Gas has invested \$4.5 billion as of September 30, 2015 to construct and operate a safe and reliable distribution system. Because of the high fixed costs and significant safety and environmental considerations associated with building and operating a distribution system, Washington Gas expects to continue being the only owner

and operator of a distribution system in its current franchise area for the foreseeable future. The nature of Washington Gas' customer base and the distance of most customers from interstate pipelines mitigate the threat of bypass of its facilities by other potential delivery service providers.

Competition with Other Energy Products

Washington Gas faces competition based on customers' preference for other energy products and the prices of those products compared to natural gas. In the residential market, which generates a significant portion of Washington Gas' net income, the most significant product competition occurs between natural gas and electricity. Because the cost of electricity is affected by the cost of fuel used to generate electricity, such as natural gas, Washington Gas generally maintains a price advantage over competitive electricity supply in its service area for traditional residential uses of energy such as heating, water heating and cooking. Washington Gas continues to attract the majority of the new residential construction market in its service territory, and consumers' continuing preference for natural gas allows Washington Gas to maintain a strong market presence.

The following table lists the new customer meters added by jurisdiction and major rate class for the year ended September 30, 2015.

NEW CUSTOMER METERS BY AREA

		Commercial and		
	Residential	Interruptible	Apartments	Total
Maryland	5,391	297	20	5,708
Virginia	5,116	430	-	5,546
District of Columbia	716	101	28	845
Total	11,223	828	48	12,099

In the interruptible market, fuel oil is the prevalent energy alternative to natural gas. Washington Gas' success in this market depends largely on the relationship between natural gas and oil prices. The supply of natural gas primarily is derived from domestic sources, and the relationship between supply and demand generally has the greatest impact on natural gas prices. Since the source of a large portion of oil comes from foreign countries, political events and foreign currency conversion rates can influence oil supplies and prices to domestic consumers.

Critical Factors

Factors critical to the success of the regulated utility segment include: (i) operating a safe and reliable natural gas distribution system; (ii) having sufficient natural gas supplies to meet customer demands; (iii) being competitive with other sources of energy such as electricity, fuel oil and propane; (iv) having access to sources of liquidity; (v) recovering the costs and expenses of this business in the rates charged to customers and (vi) earning a just and reasonable rate of return on invested capital.

Retail Energy-Marketing Segment

Description

The retail energy-marketing segment consists of the operations of WGL Energy Services, which competes with regulated utilities and other unregulated third party marketers to sell natural gas and/or electricity directly to residential, commercial and industrial customers in Maryland, Virginia, Delaware, Pennsylvania and the District of Columbia. WGL Energy Services is subject to regulation by the public service regulatory commissions of the states in which the company is authorized as a competitive service provider. These regulatory commissions: (i) authorize WGL Energy Services to provide service, (ii) review certain terms and conditions of service, (iii) establish the regulatory rules for interactions between the utility and the competitive service

provider and (iv) issue orders and promulgate rules that establish the broad structure and conduct of retail energy markets. Changes to the rules, rates and orders by the regulatory commissions may affect WGL Energy Services' financial performance.

WGL Energy Services buys natural gas and electricity with the objective of earning a profit through competitively priced sales contracts with end-users. These commodities are delivered to retail customers through the distribution systems owned by regulated utilities. Washington Gas is one of several utilities that deliver gas to, and on behalf of, WGL Energy Services. Unaffiliated electric utilities deliver all of the electricity sold. Additionally, WGL Energy Services bills its customers either independently or through the billing services of the regulated utilities that deliver its commodities. Refer to Note 18—Related Party Transactions of the Notes to Consolidated Financial Statements for further discussion of our purchase of receivables program.

WGL Energy Services also sells wind and other RECs and carbon offsets to retail customers. WGL Energy Services owns five solar generating assets which are dedicated to specific customers. The results of operations for these assets are reported within the Commercial Energy Systems segment. WGL Energy Services does not own or operate any other electric generation, transmission or distribution assets.

At September 30, 2015, WGL Energy Services served approximately 143,800 residential, commercial and industrial natural gas customer accounts and approximately 138,000 residential, commercial and industrial electricity customer accounts located in Maryland, Virginia, Delaware, Pennsylvania and the District of Columbia. Its customer concentration is such that the loss of any one customer or group of customers would not have a significant adverse effect on its business.

The retail energy-marketing segment's total operating revenues were \$1.3 billion for each of the fiscal years ended September 30, 2015, 2014 and 2013.

Seasonality of Business Operations

The operations of WGL Energy Services are seasonal, with larger amounts of electricity being sold in the summer months and larger amounts of natural gas being sold in the winter months. Working capital requirements can vary significantly during the year and these variations are financed through internally generated funds and WGL's issuance of commercial paper and unsecured short-term bank loans. WGL Energy Services accesses these funds through the WGL money pool. For a discussion of the WGL money pool, refer to the section entitled "Money Pool" in Management's Discussion and Analysis.

Natural Gas and Electricity Supply

WGL Energy Services contracts for storage and pipeline capacity to meet its customers' needs primarily through transportation releases and storage services allocated from the utility companies in the various service territories in which it provides retail energy commodity.

On February 20, 2013, WGL Energy Services entered into a five-year secured supply arrangement with Shell Energy North America (US), LP (Shell Energy). Under this arrangement, WGL Energy Services has the ability to purchase the majority of its power, natural gas and related products from Shell Energy in a structure that reduces WGL Energy Services' cash flow risk from collateral posting requirements. While Shell is intended to be the majority provider of natural gas and electricity, WGL Energy Services retains the right to purchase supply from other providers.

Natural gas supplies are delivered to WGL Energy Services' market territories through several interstate natural gas pipelines. To supplement WGL Energy Services' natural gas supplies during periods of high customer demand, WGL Energy Services maintains gas storage inventory in storage facilities that are assigned by natural gas utilities such as Washington Gas. This storage inventory enables WGL Energy Services to meet daily and monthly fluctuations in demand and to minimize the effect of market price volatility.

The PJM Interconnection (PJM) is a regional transmission organization that regulates and coordinates generation supply and the wholesale delivery of electricity in the states and jurisdictions where WGL Energy Services operates. WGL Energy Services buys wholesale and sells retail electricity in the PJM market territory, subject to its rules and regulations. PJM requires that its market participants have sufficient load capacity to serve their customers' load requirements.

Competition

Natural Gas

WGL Energy Services competes with regulated gas utilities and other third party marketers to sell natural gas to customers both inside and outside of the Washington Gas service area. Marketers of natural gas compete largely on price; therefore, gross margins are relatively small. To provide competitive pricing to its retail customers and in adherence to its risk management policies and procedures, WGL Energy Services manages its natural gas contract portfolio by attempting to closely match the commitments for gas deliveries from wholesale suppliers with requirements to serve

retail sales customers. For a discussion of WGL Energy Services' exposure to and management of price risk, refer to the section entitled "Market Risk-Price Risk Related to the Retail Energy-*Marketing Segment*" in Management's Discussion and Analysis.

Electricity

WGL Energy Services competes with regulated electric utilities and other third party marketers to sell electricity to customers. Marketers of electric supply compete largely on price; therefore, gross margins are relatively small. To provide competitive pricing to its retail customers and in adherence to its risk management policies and procedures, WGL Energy Services manages its electricity contract portfolio by attempting to closely match the commitment for electricity deliveries from suppliers with requirements to serve sales customers. For a discussion of WGL Energy Services' exposure to and management of price risk, refer to the section entitled "Market Risk—Price Risk Related to the Retail Energy-Marketing Segment" in Management's Discussion and Analysis.

WGL Energy Services' residential and small commercial electric customer growth opportunities are significantly affected by the price for Standard Offer Service (SOS) offered by electric utilities. These rates are periodically reset for each customer class based on the regulatory requirements in each jurisdiction. Customer growth opportunities either expand or contract due to the relationship of these SOS rates to current market prices.

Critical Factors

Factors critical to managing the retail energy-marketing segment include:

- managing the market risk of the difference between the price committed to customers under sales contracts and the cost of natural gas and electricity needed to satisfy these commitments, including PJM costs and costs to meet renewable portfolio standards;
- managing credit risks associated with customers and suppliers;
- having sufficient deliverability of natural gas and electric supplies and transportation to serve the demand of its customers, which can be affected by the ability of natural gas producers, pipeline gatherers, natural gas processors, interstate pipelines, electricity generators and regional electric transmission operators to deliver the respective commodities;
- access to sources of financial liquidity;
- controlling the level of selling, general and administrative expenses, including customer acquisition expenses and
- access to markets through customer choice programs or other forms of deregulation.

Commercial Energy Systems Segment

Description

The commercial energy systems segment consists of the operations of WGL Energy Systems, WGSW and the results of operations of affiliate owned commercial distributed energy projects. This segment focuses on clean and energy efficient solutions for its customers, driving earnings through (i) owning and operating distributed generation assets such as Solar Photovoltaic (solar PV) systems, combined heat and power plants, and natural gas fuel cells and (ii) operating as a general contractor to upgrade the mechanical, electrical, water and energy-related infrastructure of large governmental and commercial facilities by implementing both traditional and alternative energy technologies. This segment has assets and activities across the United States.

As of September 30, 2015 and 2014, this segment owned \$369.3 million and \$242.7 million, respectively, of operating distributed generation assets, generating a total of 147,451 megawatt hours in fiscal year 2015 and 85,141 megawatt hours in fiscal year 2014, respectively. Additionally, as of September 30, 2015, there was \$107.0 million of signed projects under construction. These distributed generation assets drive revenue through the sale of renewable power generation under long-term power purchase agreements and the sale of renewable energy credits. As of September 30, 2015, the assets in service have generated \$122.7 million in investment tax credits and grants for eligible projects. These credits and grants are recognized as reductions in tax expense by amortizing them over the useful life of the underlying assets, typically 30 years.

Competition

There are many competitors in this business segment. In the renewable energy and distributed generation market, competitors primarily include other developers, tax equity investors, distributed generation asset owner firms and lending institutions. Within the government sector, competitors primarily include companies contracting with customers under Energy Savings Performance Contracting (ESPC) as well as utilities providing services under Utility Energy Saving Contracts (UESC). WGL Energy Systems competes on the basis of strong customer relationships developed over many years of implementing successful projects, developing and maintaining strong supplier relationships, and focusing in areas where it can bring relevant expertise.

Critical Factors

Factors critical to the success of the commercial energy systems segment include: (i) generating adequate sales commitments from distributed generation channel partners and customers; (ii) generating adequate sales commitments from the government and private sectors in the facility construction and retrofit markets; (iii) building a stable base of customer relationships; (iv) estimating and managing fixed-price contracts with contractors; (v) managing selling, general and administrative expenses; (vi) managing price and operational risk associated with distributed energy projects and (vii) successful operation and optimization of commercial assets.

Midstream Energy Services Segment

Description

The Midstream Energy Services segment, which consists of the operations of WGL Midstream, engages in investing in and optimizing natural gas pipelines and storage facilities in the Midwest and Eastern United States. At September 30, 2015, WGL

Midstream had pipeline investments totaling \$73.4 million. For a discussion of WGL Midstream's pipeline investments, refer to the section entitled "Liquidity and Capital Resources-Pipeline Investments" in Management's Discussion and Analysis.

WGL Midstream provides natural gas related solutions to its customers and counterparties including producers, utilities, local distribution companies, power generators, wholesale energy suppliers, LNG exporters, pipelines and storage facilities. Moreover, WGL Midstream contracts for storage and pipeline capacity in its asset optimization activities through both long term contracts and short term transportation releases. WGL Midstream also contracts for physical natural gas sales and purchases on both a long term and short term basis.

WGL Midstream enters into both physical and financial derivative transactions to mitigate risks while seeking to maximize potential profits from the optimization of the transportation and storage assets it has under contract. These derivatives may cause significant period-to-period volatility in earnings as recorded under GAAP; however, this volatility will not change the operating margins that WGL Midstream expects to realize from sales to customers or counterparties.

WGL Midstream seeks to manage price risk exposure under its risk management policy by matching its forward physical and financial positions with its asset base. For a discussion of WGL Midstream's exposure to and management of price risk, refer to the section entitled "Market Risk-Price Risk Related to the Other Non-Utility Segment" in Management's Discussion and Analysis.

Competition

WGL Midstream competes with other midstream infrastructure and energy services companies, wholesale energy suppliers, producers and other non-utility affiliates of regulated utilities for the acquisition of natural gas storage and transportation assets.

Price Volatility

WGL Midstream can be positively or negatively affected by significant volatility in the wholesale price of natural gas. WGL Midstream risk management policies and procedures are designed to minimize the risk that purchase commitments and the related sale commitments do not closely match. In general, opportunities for asset optimization activities are increased for WGL Midstream with increased volatility in natural gas prices. These opportunities are primarily in short term transportation and storage spreads, seasonal storage spreads and long term supply or basis transactions.

Critical Factors

Factors critical to the success of WGL Midstream's operations include: (i) ensuring pipeline investment projects are on time and on budget within set parameters; (ii) internal risk management policies; (iii) winning business in a competitive marketplace; (iv) managing credit risks associated with customers and counterparties; (v) maintaining and leveraging expertise in managing and optimizing natural gas related contracts; (vi) access to sources of financial liquidity and (vii) the level of general and administrative expenses.

Other Activities

Activities and transactions that are not significant enough on a stand-alone basis to warrant treatment as an operating segment, and that do not fit into one of our other operating segments, are aggregated as "Other activities" and are included as part of non-utility operations in the operating segment financial information. Administrative and business development activity costs associated with WGL and Washington Gas Resources are included in this segment.

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 timeframe 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). 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

 variation between the estimated and actual period of time required 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 use of an MGP was 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. Based on the information available to us, we have concluded that none of the sites are likely to present an unacceptable risk to human health or the environment, and either the appropriate remediation is being undertaken, or Washington Gas believes no remediation is necessary. The impact of these matters is not expected to have a material effect on Washington Gas' financial position, cash flows, capital expenditures, earnings or competitive position. See Note 12—Environmental Matters of the Notes to Consolidated Financial Statements for further discussion of environmental response costs.

Other Information

At September 30, 2015, we had 1,529 employees comprising 1,420 utility and 109 non-utility employees.

WGL has determined that none of its entities, either separately or in the aggregate, will be classified as swap dealers or major swap participants under the Dodd-Frank Act.

Our code of conduct, corporate governance guidelines, and charters for the governance, audit and human resources committees of the Board of Directors are available on the corporate Web site www.wglholdings.com under the "Corporate Governance" link, and any changes or amendments to these documents will also be posted to this section of our Web site. Copies may be obtained by request to the Corporate Secretary at WGL Holdings, Inc.,

101 Constitution Ave., N.W., Washington, D.C. 20080. Also on the corporate web site is additional information about WGL Holdings and free access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments filed with or furnished to the Securities and Exchange Commission.

Our Chairman and Chief Executive Officer certified to the New York Stock Exchange (NYSE) on March 24, 2015 that, as of that date, he was unaware of any violation by WGL of the NYSE's corporate governance listing standards.

Our research and development costs during fiscal years 2015, 2014 and 2013 were not material.

ITEM 1A Risk Factors

The risk factors described below should be read in conjunction with other information included or incorporated by reference in this annual report on Form 10-K, including an in-depth discussion of these risks in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

All of the risk factors discussed below affect the consolidated entity of WGL Holdings and all of its subsidiaries. The risk factors affecting Washington Gas are included under both the subheadings "Risks Relating to WGL and All of Its Subsidiaries" (to the extent that such factors describe risks related to the subsidiaries of WGL) and "Risks Affecting Washington Gas," below.

Risks Relating to WGL and all of its Subsidiaries

WGL is a holding company and we depend on the receipt of dividends and other payments from our subsidiaries to pay dividends on our common stock and to pay principal and interest on our outstanding debt.

WGL is a holding company whose assets consist primarily of investments in subsidiaries. Accordingly, we conduct all of our operations through our subsidiaries. Our ability to pay dividends on our common stock and to pay principal and accrued interest on our outstanding debt depends on the payment of dividends to us by certain of our subsidiaries or the repayment of funds to us by our subsidiaries. Our subsidiaries, in turn, may be restricted from paying dividends, making repayments or making other distributions to us for financial, regulatory, legal or other reasons. The extent to which our subsidiaries are not able to pay dividends or repay funds to us may adversely affect our ability to pay dividends to holders of our common stock and principal and interest to holders of our debt, which could negatively affect WGL's stock price.

If we are unable to access sources of liquidity or capital, or if the cost of funds increases significantly, our business, financial results and strategic growth plans may be adversely affected.

WGL and Washington Gas require access to sources of liquidity to fund our operations and to support our growth strategy. Our ability to obtain adequate and cost effective financing depends on the credit ratings of WGL and Washington Gas and the liquidity of financial markets. A material downgrade in WGL's or Washington Gas' credit ratings or disruptions in the capital or credit markets, including as a result of natural disasters and catastrophic events (including terrorist acts), could adversely affect our access to sources of liquidity and capital and increase our borrowing costs.

Our strategic growth plans assume that we will have continued access to liquidity and capital. In addition, the ability of our nonutility subsidiaries to purchase natural gas and electricity from their suppliers is partly dependent upon the creditworthiness of WGL, and upon access to cash collateral through the issuance of commercial paper and unsecured short-term bank loans by WGL. If WGL's credit ratings are downgraded, we may be required to provide additional credit support. If we are required to provide significant additional credit support, or if there is significant disruption in the credit markets, our ability to implement our strategic plans and the ability of our non-utility subsidiaries to make commodity purchases at reasonable prices may be impaired.

In addition, as a wholly-owned subsidiary of WGL, Washington Gas depends solely on WGL to raise new common equity capital and to contribute that common equity to Washington Gas. If WGL is unable to raise common equity capital, this also could adversely affect Washington Gas' credit ratings and its ability to earn its authorized rate of return. An increase in the interest rates Washington Gas pays without the recognition of the higher cost of debt in rates charged to its customers could materially affect future net income and cash flows.

Cyber attacks, including cyber-terrorism or other information technology security breaches, may disrupt our business operations, increase our costs, lead to the disclosure of confidential information and damage our reputation.

Security breaches of our information technology infrastructure, including cyber attacks and cyber-terrorism, could lead to disruptions of our natural gas distribution operations and otherwise adversely impact our ability to safely operate our pipeline and distributed generation systems and serve our customers effectively. In addition, an attack on or failure of information technology systems could result in the unauthorized release of customer, employee or Company data that is crucial to our operational security or could adversely affect our ability to deliver and collect on customer bills. Such events could adversely affect our business reputation, diminish customer confidence, subject us to financial liability or increased regulation, increase our costs and expose us to material legal claims and liability and adversely affect our operations and financial results. We have implemented preventive and detective measures to manage these risks, and we maintain cyber risk insurance to mitigate the effects of these events. Nevertheless, our preventive and detective measures may not be effective. To the extent that the occurrence of any of these cyber events is not fully covered by insurance, it could adversely affect WGL's financial condition and results of operations.

Our ability to meet our customers' requirements may be impaired if contracted supply is not available, if supplies are not delivered in a timely manner, if we lose key suppliers or if we are not able to obtain additional supplies during significant spikes in demand.

Washington Gas must acquire adequate natural gas supply and pipeline and storage capacity to meet current and future customers' annual and seasonal natural gas requirements. Similarly, WGL Energy Services requires adequate natural gas and electric supplies to serve the demands of its customers and WGL Midstream requires storage and pipeline capacity to meet its delivery obligations to its customers. We depend on the ability of natural gas producers, pipeline gatherers, natural gas processors, interstate pipelines, suppliers of electricity and regional electric transmission operators to meet these requirements. If we are unable to secure adequate

ITEM 1A Risk Factors

supplies in a timely manner because of a failure of our suppliers to deliver the contracted commodity, capacity or storage, if we are unable to secure additional quantities during significant abnormal weather conditions, or if Washington Gas' or WGL Energy Services' interruptible customers fail to comply with requests to curtail their gas usage during periods of sustained cold weather, we may be unable to meet our customers' requirements. Such inability could result in defaults under contracts with customers, penalties and financial damage payments, costs relating to procedures to recover from a disruption of service, the loss of key licenses and operating authorities, and the loss of customers, which could have a material adverse effect on our financial results.

Natural disasters and catastrophic events, including terrorist acts, may adversely affect our business.

Natural disasters and catastrophic events such as fires, earthquakes, explosions, floods, tornados, terrorist acts, and other similar occurrences, could damage our operational assets, including utility facilities, information technology infrastructure, distributed generation assets and pipeline assets owned by investees of our non-utility subsidiaries. Such events could likewise damage the operational assets of our suppliers or customers. These events could disrupt our ability to meet customer requirements, significantly increase our response costs, and significantly decrease our revenues. Unanticipated events or a combination of events, failure in resources needed to respond to events, or a slow or inadequate response to events may have an adverse impact on our operations, financial condition, and results of operations. The availability of insurance covering catastrophic events, sabotage and terrorism may be limited or may result in higher deductibles, higher premiums, and more restrictive policy terms.

We are exposed to credit risk that could adversely affect our results of operations, cash flows and financial condition.

We extend credit to counterparties, including other utilities, holding companies, banks, gas exploration and production companies, government-backed utilities and other participants in the energy industry. Although we believe we have prudent policies in place to manage our credit risk, including credit policies, netting arrangements and margining provisions incorporated in contractual agreements, we may not be able to collect amounts owed to us, which could adversely affect our liquidity and results of operations.

Our risk management strategies and related hedging activities may not be effective in managing risks and may cause increased volatility in our earnings and, in our utility segment, may result in costs and losses for which rate recovery may be disallowed.

We are exposed to commodity price, weather and interest rate risks. In addition, WGL Energy Services is exposed to pricing of certain ancillary services provided by the power pool in which it operates.

For gas purchases to serve utility customers, Washington Gas attempts to manage its exposure to these risks, in part, through regulatory recovery mechanisms. WGL Energy Services primarily seeks to manage these risks by matching its natural gas and electricity purchase obligations with their sales commitments in terms of volume and pricing. In addition, all of our subsidiaries attempt to mitigate these risks by hedging, setting risk limits and

employing other risk management tools and procedures. These risk management activities may not be effective, and cannot eliminate these risks in their entirety. If these tools and procedures are ineffective, we could incur significant losses, which could have a material adverse effect on our financial results and liquidity. In addition, although Washington Gas generally anticipates rate recovery of its costs or losses incurred in connection with these risk management activities, a regulator could subsequently disallow these costs or losses from the determination of revenues, which could adversely affect our financial results and increase the volatility of our earnings.

Derivatives legislation and implementing rules could have an adverse impact on our ability to hedge risks associated with our business.

The Dodd-Frank Act regulates derivative transactions, which include certain instruments, such as interest rate swaps, forward contracts, option contracts, financial contracts and other contracts, used in our risk management activities. The Dodd-Frank Act requires that most swaps be cleared through a registered clearing facility and that they be traded on a designated exchange or swap execution facility, with certain exceptions for entities that use swaps to hedge or mitigate commercial risk. The Dodd-Frank requirements relating to derivative transactions have not been fully implemented by the SEC and the Commodities Futures Trading Commission. When fully implemented, the law and any new regulations could increase the operational and transactional cost of derivatives contracts and affect the number and/or creditworthiness of available counterparties.

In addition, we may transact with counterparties based in the European Union, Canada or other jurisdictions which, like the U.S., are in the process of implementing regulations to regulate derivatives transactions, some of which are currently in effect and impose costs on our derivatives activities.

Our business, earnings and cash requirements are highly weather sensitive and seasonal.

The earnings of Washington Gas can vary from year to year depending, in part, on weather conditions. Warmer-than-normal weather can reduce our utility margins as customer consumption declines. In Maryland and Virginia, we have in place regulatory mechanisms and rate designs intended to stabilize the level of net revenues that we collect 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. If our rates and tariffs are modified to eliminate these provisions, then we would be exposed to significant risk associated with weather.

The operations of WGL Energy Services, our retail energymarketing subsidiary, are weather sensitive and seasonal, with a significant portion of revenues derived from the sale of natural gas to retail customers for space heating during the winter months, and from the sale of electricity to retail customers for cooling during the summer months. Weather conditions directly influence the volume of natural gas and electricity delivered to customers. Weather conditions can also affect the short-term pricing of energy supplies that WGL Energy Services may need to procure to meet the needs of its customers. Similarly, the business of WGL Midstream is seasonal due to the tendency of storage and transportation spreads to increase during the winter. Deviations from normal weather conditions and the seasonal nature of these

businesses can create large fluctuations in these subsidiaries' short-term cash requirements and earnings.

Washington Gas and WGL Midstream may face regulatory and financial risks related to pipeline safety legislation.

A number of proposals to require increased oversight over pipeline operations and increased investment in and inspections of pipeline facilities are pending or have previously been proposed in the United States Congress. Additional operating expenses and capital expenditures may be necessary to remain in compliance with the increased federal oversight resulting from such proposals. While we cannot predict with certainty the extent of these expenses and expenditures or when they will become effective, the adoption of such proposals could result in significant additional costs to Washington Gas' and WGL Midstream's businesses. Washington Gas may be unable to recover from customers through the regulatory process all or some of these costs and may be unable to earn its authorized rate of return on these costs.

Failure of our service providers, including in connection with the transition of certain outsourcing relationships to new vendors, could negatively impact our business, results of operations and financial condition.

Certain of our information technology, customer service, supply chain, payroll and human resources functions that we rely on are provided by third party vendors, some of which provide services from centers located outside of the United States. Services provided pursuant to these agreements could be disrupted due to events and circumstances beyond our control. Furthermore, we are in the process of transferring some of these services to new vendors. The transition of services between providers could lead to a loss of institutional knowledge, service disruptions and decreased customer satisfaction. Our reliance on these service providers could have an adverse effect on our business, results of operations and financial condition.

Risks Relating to Washington Gas

Changes in the regulatory environment or unfavorable rate regulation may restrict or delay Washington Gas' ability to earn a reasonable rate of return on its capital invested to provide utility service and to recover fully its operating costs.

Washington Gas is regulated by several regulatory commissions and agencies. These regulatory commissions generally have authority over many of the activities of Washington Gas' business including, but not limited to, the rates it charges to its customers, the amount and type of securities it can issue, the nature of investments it can make, the nature and quality of services it provides, safety standards, collection practices and other matters. These regulators also may modify Washington Gas' rates to change the level, type and methods that it utilizes to recover its costs, including the costs to acquire, store, transport and deliver natural gas. In addition, the regulatory environment and rate regulation can be affected by new laws and political considerations. Most significantly, we incur both planned and unplanned costs to operate, improve, maintain and repair our operational assets. The amount of these costs may vary from our expectations due to significant unanticipated repairs, maintenance and remediation of our assets, changes in legal and regulatory requirements, natural disasters, terrorism, changes in interest rates of our indebtedness and other events. To the extent these costs are not included in approved rates or tariffs, we seek our recovery through rate cases; however, the regulatory process may be lengthy and costs may be disallowed, causing us to suffer the negative financial effects of costs incurred without the benefit of rate relief. Additionally, the actions of regulatory commissions may restrict or delay Washington Gas' ability to earn a reasonable rate of return on invested capital.

Washington Gas must acquire additional capacity to deliver natural gas into growth areas and it may not be able to do so in a timely manner.

Washington Gas must acquire additional interstate pipeline transportation or storage capacity and construct transmission and distribution pipe to deliver additional capacity into growth areas on our system. The availability of these options may be limited by market supply and demand, the timing of Washington Gas' participation in new interstate pipeline construction projects and local permitting requirements as well as the acquisition of rights of way. These limitations could result in an interruption in Washington Gas' ability to satisfy the needs of some of its customers.

Leaks, mechanical problems, incidents or other operational issues could affect public safety and the reliability of Washington Gas' distribution system, which could materially affect Washington Gas' results of operations, financial condition and cash flows.

Washington Gas' business is exposed to operational issues, hazards and risks inherent in storing and transporting natural gas that could affect the public safety and reliability of its distribution system. Operating issues such as leaks, equipment problems and incidents, including explosions, could result in legal liability, repair and remediation costs, increased operating costs, significant increased capital expenditures, regulatory fines and penalties and other costs and a loss of customer confidence.

Washington Gas has experienced increased leak rates as a consequence of receiving an increasing volume of natural gas containing low concentration of HHCs into a portion of its distribution system. Although Washington Gas has implemented preventive and remedial measures to address this issue, its distribution system could experience a leakage rate of mechanical couplings on certain small diameter steel and copper piping that would compromise our ability to respond to these leaks in a timely manner, which could affect safety in portions of our distribution system. Any liabilities resulting from the occurrence of these events may not be fully covered by insurance, and Washington Gas may be unable to recover from customers through the regulatory process all of these repair, remediation and other costs and earn its authorized rate of return on these costs.

Current and future environmental regulations may adversely affect Washington Gas' operations and financial results.

Washington Gas is subject to federal, state and local laws and regulations related to environmental matters. These evolving laws and regulations may require expenditures over a long timeframe. Failure to comply with these laws and regulations may expose Washington Gas to fines, penalties and operational interruptions that could adversely affect its financial results. Moreover, new environmental requirements, revisions and reinterpretations of existing environmental requirements and changes in environmental enforcement policies and practices may stretch Washington Gas' operational resources and adversely affect its financial results.

In the past, the United States Congress has considered legislative proposals to limit greenhouse gas (GHG) emissions. Future proposals to limit GHG emissions could adversely affect our operating and service costs and demand for our product. Should future proposals become law, operating and service costs may increase and demand for our product could decrease, and utility costs and prices charged to utility customers may increase, which would adversely affect our financial results.

Changes in the relative prices of alternative forms of energy may weaken the competitive position of Washington Gas' delivery service, which could reduce growth in natural gas customers, reduce the volume of natural gas delivered and negatively affect Washington Gas' cash flows and earnings.

The price of natural gas delivery service that Washington Gas provides competes with the price of other forms of energy such as electricity, oil and propane. An increase in the price of natural gas compared to other sources of energy may cause the competitive position of our natural gas delivery service to decline. A decline in the competitive position of natural gas service may lead to fewer natural gas customers, lower volumes of natural gas delivered, lower cash flows and lower earnings.

A decline in the local economy in which Washington Gas operates may reduce net revenue growth and reduce future earnings and cash flows.

Approximately 80% of our assets are attributable to our regulated utility businesses, and the dividends paid by Washington Gas to WGL constituted approximately 87% of the amount of WGL Holdings' dividends paid for fiscal year 2015. Further, substantially all of our natural gas utility customers are located in Virginia, Maryland and the District of Columbia. A decline in the economy of the region in which Washington Gas operates or a change in the usage patterns and financial condition of customers in the region might adversely affect Washington Gas' ability to grow its customer base and collect revenues from existing customers, which may negatively affect net revenue growth and increase costs.

Washington Gas' business and financial condition could be adversely impacted by strikes or work stoppages by its unionized employees.

Washington Gas' business is dependent upon employees who are represented by unions and are covered by collective bargaining agreements. Disputes with the unions could result in work stoppages that could impact the delivery of natural gas and other services, which could affect our relationships with customers, vendors and regulators and adversely affect Washington Gas' business and financial condition.

The availability of adequate interstate pipeline transportation capacity and natural gas supply may decrease.

We purchase almost all of our natural gas supply from interstate sources that must then be transported to our service territory. In particular, while the Marcellus Shale region is rapidly developing as a premier gas formation, the interstate pipeline transportation capacity may limit the availability of gas from Marcellus in the near term. A significant disruption to or reduction in interstate pipeline capacity due to events such as operational failures or disruptions, hurricanes, tornadoes, floods, freeze off of natural gas wells, terrorist or cyber-attacks or other acts of war, or legislative or regulatory actions or requirements, including remediation related to integrity inspections, could reduce our normal interstate supply of gas, which may affect our ability to serve customer demand and may reduce our earnings.

The cost of providing retirement plan benefits to eligible current and former employees is subject to changes in the performance of investments, demographics, and other factors and assumptions. These changes may have a material adverse effect on us.

The cost of providing retirement plan benefits to eligible current and former employees is subject to changes in the market value of our retirement plan assets, changing bond yields, changing demographics and changing assumptions. Any sustained declines in equity markets, reductions in bond yields, increases in health care cost trends, or increases in life expectancy of beneficiaries may have an adverse effect on our retirement plan liabilities assets and benefit costs. Additionally, we may be required to increase our contributions in future periods in order to preserve the current level of benefits under the plans and/or due to federal funding requirements.

Risks Relating to the Non-Utility Subsidiaries of WGL

Legislative and regulatory developments and other uncertainties, delays or cost overruns may negatively affect WGL Energy Services and WGL Midstream.

Legislation or changes in the regulations that govern the conduct of competitive energy marketers could reduce customer growth opportunities for WGL Energy Services and could reduce the

profit opportunities associated with existing customers. In addition, WGL Midstream's business plans involve making substantial investments in pipeline construction projects, which are subject to Federal Energy Regulatory Commission (FERC) and state agency regulation and approval. These construction projects are also subject to environmental, political and legal uncertainties, many of which are beyond our control. Should these agencies deny or delay approval for the midstream projects or enact additional regulations related to these activities, or should other events delay these projects or require us to spend significant unanticipated amounts of capital, the value of those investments and the opportunity to grow our midstream business may decrease. In addition, the implementation of the federal Clean Power Plan that was announced in 2015 could adversely affect the businesses of all of our non-utility businesses in ways that we cannot yet anticipate. Finally, our non-utility subsidiaries hold investments in natural gas related businesses that are subject to laws and regulations that could adversely affect their performance.

Competition may negatively affect our non-utility subsidiaries.

We face strong competition in our non-utility segments. WGL Energy Services competes with other non-regulated retail suppliers of natural gas and electricity, as well as with the commodity rate offerings of electric and gas utilities. Increases in competition, including utility commodity rate offers that are below prevailing market rates, may result in a loss of sales volumes or a reduction in growth opportunities. WGL Midstream competes with other midstream infrastructure and energy services companies, wholesale energy suppliers and other non-utility affiliates of regulated utilities to acquire natural gas storage and transportation assets. For WGL Energy Systems, there are many competitors in the commercial energy systems segment, including, for government customers, companies that contract with customers under Energy Savings Performance Contracting (ESPC) and other utilities providing services under Utility Energy Saving Contracts (UESC) and, in the renewable energy and distributed generation market, other developers, tax equity investors, distributed generation asset owner firms and lending institutions. These competitors may have diversified energy platforms with multiple marketing approaches, broader geographic coverage, greater access to credit and other financial resources, or lower cost structures, and may make strategic acquisitions or establish alliances among themselves. There can be no assurances that we can compete successfully, and our failure to do so could have an adverse impact on our results of operations and cash flow.

WGL subsidiaries invest in non-controlling interests in investments, and may have limited ability to manage risks associated with these investments.

We own, and may acquire additional, non-controlling interests in investments. We may not have the right or power to direct the management of these interests in investments, and other investors may take action that is contrary to our interests. In addition, other participants may become bankrupt or have other economic or business objectives that could negatively impact the value and performance of our investments.

Returns on our non-utility subsidiaries' investments in renewable energy projects are dependent upon regulatory and tax incentives, which may expire or be reduced or modified.

WGL Energy Systems derives a significant portion of its revenues from the sale of solar renewable energy credits (SRECs), which are produced as a result of owning and operating commercial

distributed energy systems. The value of these SRECs is determined by markets in the states where the distributed energy systems are installed, which are driven by state legislation establishing renewable portfolio standards or alternative compliance payment requirements for renewable energy. Overbuilding of distributed energy systems in these states or legislative changes reducing renewable portfolio standards or alternative compliance payment requirements could negatively impact the price of SRECs that we sell and the value of the SRECs that we hold in our portfolio.

In addition, WGL Energy Systems and WGSW's investment strategy to own and operate energy assets and sell energy to customers is based on the current investment tax credit (ITC) provision in the federal tax code, which allows WGL to reduce its tax burden by investing in renewable and alternative energy assets, such as distributed energy, ductless heat pumps and fuel cells. The amount of the ITC relating to investments in certain energy assets is scheduled to decrease or to expire on December 31, 2016.

The expiration, reduction or modification of the ITC incentives may have an adverse effect on the potential for future growth in this area.

The construction and operations activities of WGL Midstream's pipeline assets are subject to operational hazards, equipment failures, supply chain disruptions and personnel issues, which could delay their in-service dates and negatively affect our results of operations.

The construction and operation of WGL Midstream's pipeline assets involves the risk of potential breakdown or failure of equipment or processes due to pipeline integrity, fuel supply or transportation disruptions, accidents, labor disputes or work stoppages, construction delays or cost overruns, and shortages of or delays in obtaining equipment, material and labor. Because these assets are interconnected with facilities of third parties, the operation of these facilities could also be adversely affected by unexpected or uncontrollable events occurring on the systems of such third parties. These events could delay the in-service date of WGL Midstream's projects or disrupt operations on these projects, which could have an adverse effect on its financial results.

Delays in federal government budget appropriations may negatively impact WGL Energy Systems' earnings.

The Energy Efficiency and Energy Management operations of WGL Energy Systems are sensitive to federal government agencies' receipt of funding in a timely manner. A significant portion of WGL Energy Systems revenues is derived from implementing projects related to energy efficiency and energy conservation measures for federal government agencies in the Washington D.C. metropolitan area. A delay in funding for these federal agencies directly impacts completion of ongoing projects and may harm WGL Energy Systems' ability to obtain new contracts, which may negatively impact earnings.

ITEM 1B Unresolved Staff Comments

None.

ITEM 2 **Properties**

At September 30, 2015, Washington Gas provided services in various areas of the District of Columbia, Maryland and Virginia, and held certificates of convenience and necessity, licenses and permits necessary to maintain and operate its properties and businesses. The regulated utility segment is the only segment where property, plant and equipment are significant assets.

At September 30, 2015, Washington Gas had approximately 577 miles of transmission mains, 12,865 miles of distribution mains and 12.675 miles of distribution services.

Washington Gas owns approximately 40 acres of land and three buildings (two completed in 2012 and one in 1970, respectively) at 6801, 6803 and 6805 Industrial Road in Springfield, Virginia. The Springfield site houses both operating and certain administrative functions of the utility. Washington Gas also holds title to land and buildings used as substations for its utility operations. The property at 6801 Industrial Road (Springfield Operations Center) is classified as held for sale.

Washington Gas also has peak shaving facilities in Springfield, Virginia (Ravensworth Plant) and Rockville, Maryland (Rockville Plant). At September 30, 2015, Hampshire owns full and partial interests in, and operates, underground natural gas storage facilities in Hampshire County, West Virginia. Hampshire owns certain exploration and development rights in West Virginia principally in the Oriskany Sandstone, the Marcellus Shale and other shale formations. These rights are predominately owned by lease and they are applicable to approximately 26,000 gross acres for

the storage facilities of which 12,200 acres may be subject to exploration in addition to its storage function. Hampshire also operates a compressor station utilized to increase line pressure for injection of gas into storage.

Washington Gas owns a 12-acre parcel of land located in Southeast Washington, D.C. Washington Gas entered into an agreement with a national developer to develop this land in phases. The development, Maritime Plaza, is intended to be a mixed-use commercial project that will be implemented in five phases. The first two phases have been developed, with Washington Gas retaining a 99-year ground lease on each phase.

In addition, WGL Energy Systems owns 104.1 megawatts of installed solar capacity across the United States at September 30, 2015.

Facilities utilized by our corporate headquarters, as well as by the retail energy-marketing and commercial energy systems segments, are located in the Washington, D.C. and Baltimore metropolitan area and are leased.

The Mortgage of Washington Gas dated January 1, 1933 (Mortgage), as supplemented and amended, securing any First Mortgage Bonds (FMBs) it issues, constitutes a direct lien on substantially all property and franchises owned by Washington Gas other than a small amount of property that is expressly excluded. At September 30, 2015 and 2014, there was no debt outstanding under the Mortgage.

ITEM 3 **Legal Proceedings**

The nature of our business ordinarily results in periodic regulatory proceedings before various state and federal authorities. For information regarding pending federal and state regulatory matters, see Note 13—Commitments and Contingencies of the Notes to Consolidated Financial Statements for further discussion.

ITEM 4 **Mine Safety Disclosures**

Not Applicable.

Executive Officers of the Registrants

The names, ages and positions of the executive officers of the registrants at October 31, 2015, are listed below along with their business experience during the past five years. The age of each officer listed is as of the date of filing of this report. There is no family relationship among the officers.

Unless otherwise indicated, all officers have served continuously since the dates indicated, and all positions are executive officers listed with Washington Gas Light Company.

EXECUTIVE OFFICERS

Name, Age and Position with the registrants	Date Elected or Appointed
Vincent L. Ammann, Jr., Age 56 ⁽¹⁾	
Senior Vice President and Chief Financial Officer	October 1, 2013
Vice President and Chief Financial Officer	September 30, 2006
Gautam Chandra, Age 49 ⁽¹⁾	
Senior Vice President—Strategy, Business Development and Non-Utility Operations	October 1, 2014
Vice President—Business Development, Strategy and Non-Utility Operations	October 1, 2011
Vice President—Business Development, Strategy and Business Process Outsourcing and Non-Utility Operations	October 1, 2009
Adrian P. Chapman, Age 58 ⁽¹⁾	
President and Chief Operating Officer	October 1, 2009
William R. Ford, Age 60 ⁽¹⁾	
Vice President and Chief Accounting Officer	October 1, 2013
Controller	October 1, 2010
Marcellous P. Frye, Jr., Age 47	
Vice President—Support Services	March 21, 2008
Luanne S. Gutermuth, Age 53 ⁽¹⁾	
Senior Vice President—Shared Services and Chief Human Resource Officer	October 1, 2014
Vice President—Human Resources and Organization Development	October 1, 2010
Louis J. Hutchinson, III, Age $50^{(1)(2)}$	
Vice President and Chief Revenue Officer	October 1, 2014
Mark A. Lowe, Age 52	
Vice President—Gas Supply and Engineering	October 1, 2014
Division Head—Gas Supply	March 10, 2008
Terry D. McCallister, Age 59 ⁽¹⁾	
Chairman of the Board and Chief Executive Officer	October 1, 2009
Richard H. Moore, Age 47	
Vice President—Corporate Development	October 1, 2015
Division Head and Chief Operating Officer, Washington Gas Energy Services	May 25, 2014
Division Head—Strategy and Business Development	November 30, 2009
Anthony M. Nee, Age 59 ⁽¹⁾	
Vice President and Treasurer	October 1, 2013
Treasurer	February 14, 2009
Roberta W. Sims, Age 61	
Vice President—Rates and Regulatory Affairs	October 1, 2014
Vice President—Regulatory Affairs and Energy Acquisition	October 1, 2009
Douglas A. Staebler, Age 55	
Senior Vice President—Utility Operations	October 1, 2014
Vice President—Operations, Engineering, Construction and Safety	October 31, 2006
Leslie T. Thornton, Age 57 ⁽¹⁾⁽³⁾	
Senior Vice President—General Counsel and Corporate Secretary	October 1, 2014
Vice President and General Counsel	January 1, 2012
Counsel to the Chairman	November 28, 2011
Tracy L. Townsend, Age 49	
Vice President—Construction, Compliance and Safety	October 1, 2014
Division Head—Safety, Compliance, Construction Operations Support and Technology	October 1, 2010

At September 30, 2015, Executive Officer of both WGL Holdings, Inc. and Washington Gas Light Company.

Mr. Hutchinson was previously a Senior Vice President at Constellation Energy where he led sales and marketing for the public sector and energy efficiency

Ms. Thornton was previously a partner at Dickstein Shapiro, LLP where she managed sensitive internal corporate, federal government and state attorney general investigations.

PART II

ITEM 5 Market for Registrant's Common Equity, Related Stockholder Matters and Issuer **Purchases of Equity Securities**

At October 31, 2015, WGL had 9,563 common shareholders of record. During fiscal years 2015 and 2014, WGL's common stock was listed for trading on the New York Stock Exchange and was shown under the ticker symbol "WGL." We had no significant restrictions on dividends during fiscal years 2015 or 2014.

The table below shows quarterly price ranges and quarterly dividends paid for the fiscal years ended September 30, 2015 and 2014.

COMMON STOCK PRICE RANGE AND DIVIDENDS PAID

	High	Low D	ividends Paid Per Share	Dividend Payment Date
Fiscal Year 2015				
Fourth quarter	\$ 58.55 \$	51.86 \$	0.4625	8/1/2015
Third quarter	58.14	52.95	0.4625	5/1/2015
Second quarter	59.08	50.89	0.4400	2/1/2015
First quarter	56.79	42.04	0.4400	11/1/2014
Fiscal Year 2014				
Fourth quarter	\$ 44.71 \$	37.77 \$	0.4400	8/1/2014
Third quarter	43.12	37.94	0.4400	5/1/2014
Second quarter	40.72	35.35	0.4200	2/1/2014
First quarter	45.65	37.96	0.4200	11/1/2013

Selected Financial Data—WGL Holdings, Inc. ITEM 6

The following table presents selected financial data for WGL derived from our financial statements as of and for the last five fiscal years. The information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements.

(In thousands, except per share data)

Years Ended September 30,	2015	2014	2013	2012	2011
Summary of earnings					
Operating Revenues					
Utility	\$ 1,303,044	\$ 1,416,951	\$ 1,174,724	\$ 1,109,355	\$ 1,264,580
Non-utility	1,356,786	1,363,996	1,291,414	 1,315,955	1,486,921
Total operating revenues	\$ 2,659,830	\$ 2,780,947	\$ 2,466,138	\$ 2,425,310	\$ 2,751,501
Income from continuing operations	\$ 131,259	\$ 105,940	\$ 80,253	\$ 139,818	\$ 117,050
Common stock data					
Earnings per average share:					
Basic	\$ 2.64	\$ 2.05	\$ 1.55	\$ 2.71	\$ 2.29
Diluted	\$ 2.62	\$ 2.05	\$ 1.55	\$ 2.71	\$ 2.28
Dividends declared per share	\$ 1.8275	\$ 1.7400	\$ 1.6600	\$ 1.5875	\$ 1.5400
Shares outstanding—year end (thousands)	49,729	50,657	51,774	51,612	51,365
Capitalization-year end					
Common shareholders' equity	\$ 1,243,247	\$ 1,246,576	\$ 1,274,545	\$ 1,269,556	\$ 1,202,715
Washington Gas Light Company preferred stock	28,173	28,173	28,173	28,173	28,173
Long-term debt, excluding current maturities	944,201	679,228	524,067	589,202	587,213
Total capitalization	\$ 2,215,621	\$ 1,953,977	\$ 1,826,785	\$ 1,886,931	\$ 1,818,101
Other financial data			·		
Property, plant and equipment-net—year-end	\$ 3,672,728	\$ 3,314,445	\$ 2,907,463	\$ 2,667,413	\$ 2,489,901
Total assets—year-end	\$ 5,294,201	\$ 4,856,499	\$ 4,260,060	\$ 4,110,947	\$ 3,809,034

Selected Financial Data—Washington Gas Light ITEM 6 **Company**

The following table presents selected financial data for Washington Gas derived from the financial statements as of and for the last five fiscal years. The information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements.

Years Ended September 30,	2015	2014	2013	2012	2011
Summary of earnings					
Operating Revenues					
Utility	\$ 1,328,191	\$ 1,443,800	\$ 1,200,357	\$ 1,137,666	\$ 1,288,539
Non-utility	-	-	-	-	-
Total operating revenues	\$ 1,328,191	\$ 1,443,800	\$ 1,200,357	\$ 1,137,666	\$ 1,288,539
Income from continuing operations	\$ 107,358	\$ 97,004	\$ 71,002	\$ 108,726	\$ 68,270
Capitalization-year end					
Common shareholder's equity	\$ 1,081,292	\$ 1,050,166	\$ 1,024,583	\$ 1,025,743	\$ 990,135
Preferred stock	28,173	28,173	28,173	28,173	28,173
Long-term debt, excluding current maturities	695,885	679,228	524,067	589,202	587,213
Total capitalization	\$ 1,805,350	\$ 1,757,567	\$ 1,576,823	\$ 1,643,118	\$ 1,605,521
Other financial data					
Property, plant and equipment-net—year-end	\$ 3,243,446	\$ 3,022,064	\$ 2,724,882	\$ 2,574,396	\$ 2,448,574
Total assets—year-end	\$ 4,228,832	\$ 3,965,078	\$ 3,474,389	\$ 3,503,265	\$ 3,379,048
Utility gas sales and deliveries					
(thousands of therms)					
Gas sold and delivered					
Residential firm	734,874	738,963	660,424	540,206	677,558
Commercial and industrial					
Firm	197,543	200,153	180,942	149,515	179,207
Interruptible	2,072	2,193	2,897	 2,042	 2,573
Total gas sold and delivered	934,489	941,309	844,263	691,763	859,338
Gas delivered for others					
Firm	558,125	535,503	488,182	436,698	501,187
Interruptible	260,264	267,705	270,884	243,031	271,421
Electric generation	179,061	144,403	177,533	343,315	 140,557
Total gas delivered for others	997,450	947,611	936,599	1,023,044	913,165
Total utility gas sales and deliveries	1,931,939	1,888,920	1,780,862	1,714,807	1,772,503
Other statistics					
Active customer meters—year-end	1,129,865	1,117,043	1,105,123	1,094,109	1,082,983
New customer meters added	12,099	13,327	12,468	11,250	9,868
Heating degree days—actual	3,929	4,111	3,769	3,036	3,999

4.6%

9.6%

(0.2)%

(20.1)%

6.1%

Weather percent colder (warmer) than normal

ITEM 7 Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations (Management's Discussion) analyzes the financial condition, results of operations and cash flows of WGL and its subsidiaries. It also includes management's analysis of past financial results and potential factors that may affect future results, potential future risks and approaches that may be used to manage them. Except where the content clearly indicates otherwise, "WGL," "we," "us" or "our" refers to the holding company or the consolidated entity of WGL Holdings, Inc. and all of its subsidiaries.

Management's Discussion is divided into the following two major sections:

• WGL—This section describes the financial condition and results of operations of WGL Holdings, Inc. and its subsidiaries on a consolidated basis. It includes discussions of our regulated

- operations, including Washington Gas and Hampshire Gas Company (Hampshire), and our non-utility operations.
- Washington Gas—This section describes the financial condition and results of operations of Washington Gas, a subsidiary of WGL, which comprises the majority of the regulated utility segment.

Both sections of Management's Discussion—WGL and Washington Gas—are designed to provide an understanding of our operations and financial performance and should be read in conjunction with the respective company's financial statements and the combined Notes to Consolidated Financial Statements in this annual report.

Unless otherwise noted, earnings per share amounts are presented on a diluted basis, and are based on weighted average common and common equivalent shares outstanding.

Executive Overview

Introduction

WGL, through its subsidiaries, sells and delivers natural gas and provides a variety of energy-related products and services to customers primarily in the District of Columbia and the surrounding metropolitan areas in Maryland and Virginia. In addition to our primary markets, WGL's non-utility subsidiaries provide customized energy solutions across a much wider footprint, with business activities across the United States.

WGL has four operating segments:

- regulated utility;
- retail energy-marketing;
- · commercial energy systems; and
- · midstream energy services.

Refer to the *Business* section under Item 1 of this report for further discussion of our regulated utility and non-utility business segments.

Regulated Utility Operating Segment

The regulated utility operating segment is composed of our core subsidiary, Washington Gas. Washington Gas engages in the delivery and sale of natural gas that is regulated by regulatory commissions in the District of Columbia, Maryland and Virginia. During the fiscal year, our utility customer base continued to grow as active customer meters increased by over 12,800 meters when compared to the prior fiscal year. Moreover, we saw positive earnings impacts in the segment from our asset optimization program, as well as from the accelerated pipe replacement plans that are in place in all three of our jurisdictions. Partially offsetting these favorable effects were higher operating expenses driven primarily by higher labor, outside services and employee incentive costs.

Retail Energy-Marketing Operating Segment

We offer competitively priced natural gas, electricity and energy from renewable sources to customers through WGL Energy Services, our non-utility retail energy-marketing subsidiary. Our retail energy-marketing business performed well, with electric margins significantly higher than the prior fiscal year. Procedural changes introduced by PJM in response to the market dynamics of the last two winters have created more stable market conditions during periods of extremely cold weather. Additionally, our retail energy-marketing business has increased its focus on large commercial and government account relationships.

Commercial Energy Systems Operating Segment

Through WGL Energy Systems and WGSW we offer efficient and sustainable commercial energy solutions focused on owning and operating distributed generation assets such as Solar Photovoltaic (Solar PV) systems and upgrading energy related systems of large government and commercial facilities. During the fiscal year, we saw positive earnings impacts in the segment from growth in distributed generation assets in service and higher income from state rebate programs for certain distributed generation projects. Offsetting these favorable effects were higher operating expenses. This segment continues to grow its distributed generation assets in service as well as its federal contracting and investment solar businesses.

Midstream Energy Services Operating Segment

WGL Midstream engages in acquiring and optimizing natural gas storage and transportation assets. During the fiscal year, this segment continued growing its investment in three interstate pipeline projects, each in varying stages of construction. WGL Midstream experienced lower storage values and lower storage and transportation spreads, partially offset by higher

mark-to-market valuations on our derivative instruments, lower investment development expenses and higher income related to our pipeline investments.

Other Activities

Activities and transactions that are not significant enough on a stand-alone basis to warrant treatment as an operating segment,

and that do not fit into one of our four operating segments, are aggregated as "Other Activities" and are included as part of non-utility operations. Administrative and business development costs associated with WGL and Washington Gas Resources are also included in "Other Activities." Results for "Other Activities" for fiscal year 2015 include an impairment of our investment in American Solar Direct Holdings Inc. (ASDHI).

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 consolidated 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 in both the regulated utility and non-regulated business segments.

We have identified the following critical accounting policies discussed below that require our judgment and estimation, where the resulting estimates have a material effect on the consolidated financial statements.

Accounting for Unbilled Revenue

For regulated deliveries of natural gas, Washington Gas reads meters and bills customers on a monthly cycle basis. The billing cycles for customers do not coincide with the accounting periods used for financial reporting purposes. Washington Gas accrues unbilled revenues for gas that has been delivered but not yet billed at the end of an accounting period adjusted for estimated gas losses during transmission and distribution to customers. In connection with this accrual, Washington Gas must estimate the amount of gas that has not been accounted for on its delivery system and must estimate the amount of the unbilled revenue by jurisdiction and customer class. A similar computation is made for WGL Energy Services to accrue unbilled revenues for both gas and electricity.

Accounting for Regulatory Operations— Regulatory Assets and Liabilities

A significant portion of our business is subject to regulation by independent government entities. As the regulated utility industry continues to address competitive market issues, the cost-of-service regulation used to compensate Washington Gas for the cost of its regulated operations will continue to evolve. Non-traditional ratemaking initiatives and market-based pricing of products and services could have additional long-term financial implications for us. The carrying cost of Washington Gas' investment in fixed assets assumes continued regulatory oversight of our operations.

Washington Gas' jurisdictional tariffs contain mechanisms that provide for the recovery of the cost of gas applicable to firm customers. Under these mechanisms, Washington Gas periodically adjusts its firm customers' rates to reflect increases

and decreases in the cost of gas. Annually, Washington Gas reconciles the difference between the gas costs collected from firm customers and the cost of gas incurred, defers any difference and either recovers deficiencies from, or refunds excess recoveries to, customers over a period of time authorized by the regulator.

Washington Gas accounts for its regulated operations in accordance with FASB Accounting Standards Codification (ASC) Topic 980, Regulated Operations (ASC Topic 980), which results in differences in the application of GAAP between regulated and unregulated businesses. ASC Topic 980 requires recording regulatory assets or liabilities for certain transactions that would have been treated as expense or revenue in unregulated businesses. Washington Gas defers the recognition of an incurred cost and records a regulatory asset when it is probable that these costs will be recovered in future rates. Washington Gas defers the recognition of revenue and records a regulatory liability when it is probable that it will refund an amount previously collected from customers or refund a gain to customers. Additionally, Washington Gas records a regulatory liability when a regulator provides current rates intended to recover costs that will be incurred in the future. Future regulatory changes or changes in the competitive environment could result in WGL and Washington Gas discontinuing the application of ASC Topic 980 for some of its business and require the write-off of the portion of any regulatory asset or liability for which recovery or refund is no longer probable. If Washington Gas were required to discontinue the application of ASC Topic 980 for any of its operations, it would record a non-cash charge or credit to income for the net book value of its regulatory assets and liabilities. Other adjustments might also be required.

The current regulatory environment and Washington Gas' specific facts and circumstances support both the continued application of ASC Topic 980 for our regulatory activities and the conclusion that all of our regulatory assets and liabilities as of September 30, 2015 are recoverable or refundable through rates charged to customers. See Note 2—Regulated Operations of the Notes to Consolidated Financial Statements for further discussion of our regulated operations.

Accounting for Income Taxes

We recognize deferred income tax assets and liabilities for all temporary differences between the financial statement basis and the tax basis of assets and liabilities, including those temporary differences that regulators exclude from current rates for ratemaking purposes of Washington Gas. Regulatory assets or liabilities, corresponding to such additional deferred tax assets or liabilities, may be recorded to the extent recoverable from or payable to customers through the ratemaking process in future periods. Amounts applicable to income taxes due from and due to customers primarily represent differences between the book and tax basis of net utility plant in service.

The company is earning investment tax credits on its renewable energy investments. We have elected to amortize investment tax credits to income over the life of the related property.

See Note 9—Income Taxes of the Notes to Consolidated Financial Statements for further discussion of income taxes.

Accounting for 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 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. For a discussion of contingencies, see Note 13-Commitments and Contingencies of the Notes to Consolidated Financial Statements.

Accounting for Derivatives

We enter into both physical and financial contracts for the purchase and sale of natural gas and electricity. We designate a portion of our physical contracts related to the purchase of natural gas and electricity to serve our customers as "normal purchases and normal sales" and therefore, they are not subject to the fair value accounting requirements of ASC Topic 815, Derivatives and *Hedging*. The financial contracts and the portion of the physical contracts that qualify as derivative instruments and are subject to the mark-to-market accounting requirements are recorded on the balance sheet at fair value. Certain physical contracts do not qualify as derivative instruments due to the size of the notional amounts relative to the applicable liquid markets. However, future changes related to these markets may result in these physical contracts qualifying as derivative instruments subject to mark-to-market accounting requirements. WGL and Washington Gas also utilize derivative instruments that are designed to minimize the risk of interest-rate volatility associated with planned issuances of debt securities. Changes in the fair value of derivative instruments recoverable from or refundable to customers and therefore subject to ASC Topic 980 are recorded as regulatory assets or liabilities, while changes in the fair value of derivative instruments not affected by rate regulation are reflected in income.

The gain or loss on a derivative that qualifies as a cash flow hedge of an exposure to variable cash flows of a forecasted transaction is initially recorded in accumulated other comprehensive income (AOCI) to the extent that the hedge is effective and is subsequently reclassified into earnings, in the same category as the item hedged, when the gain or loss from the forecasted transaction occurs. If it is probable that a forecasted transaction will not occur, the deferred gain or loss in AOCI is immediately reclassified into earnings. Gains or losses related to any ineffective portion of the cash flow hedges are also recognized in earnings immediately.

Our judgment is required in determining the appropriate accounting treatment for our derivative instruments. This judgment involves various factors, including our ability to: (i) evaluate contracts and

other activities as derivative instruments subject to the accounting guidelines of ASC Topic 815; (ii) determine whether or not our derivative instruments are recoverable from or refundable to customers in future periods and (iii) derive the estimated fair value of our derivative instruments. See Note 14— Derivative and Weather-Related Instruments of the Notes to Consolidated Financial Statements for a discussion of our derivatives.

Accounting for Fair Value Instruments

Fair value is based on actively quoted market prices when they are available. In the absence of actively quoted market prices, we seek indicative price information from external sources, including broker quotes and industry publications. If pricing information from external sources is not available, internal models are used to estimate prices based on available historical and near-term future price information and/or the use of statistical methods. These inputs are used with industry standard valuation methodologies. See Note 15— Fair Value Measurements of the Notes to Consolidated Financial Statements for a discussion of our valuation methodologies.

Accounting for Investments

WGL evaluates its interests in other legal entities for consolidation under the variable interest entity (VIE) model or the voting interest model. A VIE is an entity where the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support or its equity investors, as a group, lack the characteristics of a controlling financial interest. WGL would consolidate a VIE when it is the primary beneficiary because it has both the power to direct the activities that have the most significant impact on economic performance and it has the obligation to absorb potentially significant losses or the right to receive potentially significant benefits. If an entity is not a VIE, it is evaluated under the voting interest method and would be consolidated if WGL has a controlling financial interest, which is typically evidenced by an ownership of a voting interest greater than 50% allowing for the control over the operations and policies of the investee.

WGL applies the equity method or cost method of accounting to its investments in which it does not have a controlling financial interest. WGL applies the equity method of accounting to its investments when it can exercise a significant influence over an investee. Under the equity method, Washington Gas reports its interest in the entity and its share of the earnings from the entity as single line items in its financial statements, namely Investments in unconsolidated affiliates. WGL uses the Hypothetical Liquidation at Book Value (HLBV) methodology for certain equity method investments when the capital structure of the equity investment results in different liquidation rights and priorities than what is reflected by the underlying percentage ownership interests as defined by an equity investment agreement.

WGL uses the cost method of accounting for investments where it does not exercise significant influence. Under the cost method, WGL reports its investment at cost and recognizes income only to the extent it receives dividends or distributions.

Accounting for Pension and Other Post-Retirement Benefit Plans

Washington Gas maintains a qualified, trusteed, employee-noncontributory defined benefit pension plan (qualified pension plan) covering most active and vested former employees of Washington Gas and a separate non-funded defined benefit supplemental retirement plan (DB SERP) covering certain executive officers. The qualified pension plan and DB SERP were closed to new entrants on January 1, 2010. As of January 1, 2010, all new employees were entitled to participate in our defined contribution plans, and certain management employees receive benefits under a non-funded defined benefit restoration plan (DB Restoration). The DB Restoration was established for the purpose of providing supplemental pension and pension related benefits. Washington Gas also provides certain healthcare and life insurance benefits for retired employees (health and life benefit plan) which are funded in a trust. Washington Gas accrues the estimated benefit obligation for all of our defined benefit plans as earned by the covered employees. The qualified pension plan and health and life benefit plan benefits are paid out of the respective trusts. For the unfunded DB SERP and DB Restoration, Washington Gas pays, from internal funds, the individual benefits as they are due. The qualified pension plan, DB SERP, DB Restoration and health and life benefit plans are collectively referred to as the "Plans."

The measurement of the Plans' obligations and costs is dependent on a variety of factors, such as employee demographics, the level of contributions made to the Plans, earnings on the Plans'

assets and mortality rates. The following assumptions are also critical to this measurement. These assumptions are derived on an annual basis with the assistance of a third party actuarial firm:

- Discount rate,
- Expected long-term return on plan assets,
- Rate of compensation increase, and
- Healthcare cost trend rate.

We determine the discount rate based on a portfolio of high quality fixed-income investments (AA- as assigned by Standard & Poor's or Aa3 as assigned by Moody's or better) whose cash flows would cover our expected benefit payments. We determine the expected long-term rate of return by averaging the expected earnings for the target asset portfolio. In developing the expected rate of return assumption, we evaluate an analysis of historical actual performance and long-term return projections, which gives consideration to the asset mix and anticipated length of obligation of the Plans. Historically, the expected long-term return on plan assets has been lower for the health and life benefit plan than for the qualified pension plan due to differences in the allocation of the assets in the plan trusts and the taxable status of one of the trusts. We calculate the rate of compensation increase based on salary expectations, expected inflation levels, union negotiated salary rates and promotional expectations. The healthcare cost trend rate is determined by working with insurance carriers, reviewing historical claims data for the health and life benefit plan, considering plan provisions and analyzing market expectations.

The following table illustrates the effect of changing these actuarial assumptions, while holding all other assumptions constant:

EFFECT OF CHANGING CRITICAL ACTUARIAL ASSUMPTIONS

(In millions)	Pension	Benefits	Health and Life Benefits			
Actuarial Assumptions	Percentage- Point Change in Assumption	Increase (Decrease) in Ending Obligation	Increase (Decrease) in Annual Cost	Increase (Decrease) in Ending Obligation	Increase (Decrease) in Annual Cost	
Expected long-term return on plan assets	+/- 1.00 pt.	n/a	\$(6.6) / \$6.6	n/a	\$(3.9) / \$3.9	
Discount rate	+/- 0.25 pt.	\$(30.3) / \$32.0	\$(2.2) / \$2.4	\$(9.4) / \$9.9	\$(0.8) / \$0.9	
Rate of compensation increase	+/- 0.25 pt.	\$5.5 / \$(5.3)	\$1.0 / \$(1.0)	n/a	n/a	
Healthcare cost trend rate	+/- 1.00 pt.	n/a	n/a	\$5.7 / \$(5.1)	\$2.1 / \$(1.8)	

We have historically utilized the Society of Actuaries' (SOA) published mortality data in developing a best estimate of mortality as part of the calculation of the pension and other post-retirement benefit obligations. On October 27, 2014, the SOA published updated mortality tables for U.S. plans (RP-2014) and an updated improvement scale (MP-2014), which both reflect improved longevity. The MP-2014 improvement scale assumes that shortterm rates of mortality improvement will converge to 1.00% per annum up to age 85 trending down to 0% between age 85 and age 115 with the ultimate long-term rate of improvement over a 20-year period from 2007 to 2027. Based upon an evaluation of the information provided by the SOA related to the RP-2014 tables and the MP-2014 improvement scale as well as recent additional studies of mortality improvement, we adopted the RP-2014 tables and adopted a modified improvement scale. We have modified the MP-2014 improvement scale to (a) adjust the ultimate long-term rate of mortality improvement from 1.00% to 0.75% per annum up to age 85 trending down to 0% between age 85 and age 115; and (b) shorten the convergence period from short term to ultimate rates of improvement from the 20-year period to a 15-year period. We adopted these new

mortality assumptions in fiscal year 2015 to determine the benefit obligations as of September 30, 2015. The change to these revised mortality assumptions increased our pension and other post-retirement obligations by \$46.8 million and \$15.3 million, respectively at September 30, 2015.

Differences between actuarial assumptions and actual plan results are deferred and amortized into cost when the accumulated differences exceed ten percent of the greater of the projected benefit obligation or the market-related value of the plan assets. If necessary, the excess is amortized over the average remaining service period of active employees. At September 30, 2015, the discount rate for the pension, DB SERP and DB Restoration plans increased to 4.5%, 4.1% and 4.1%, from 4.4%, 4.0% and 4.0%, respectively, for the comparable period in the prior year. The health and post-retirement plans discount rate also increased to 4.5% from 4.4% during the same period. The higher discount rates reflect the change in long-term interest rates primarily due to current market conditions. Refer to Note 10 -Pension and Other Post-Retirement Benefit Plans of the Notes to Consolidated Financial Statements for a listing of the actuarial assumptions used and for further discussion of the accounting for the Plans.

WGL Holdings, Inc.

Results of Operations

Beginning in fiscal year 2015, our chief operating decision maker began utilizing earnings before interest and tax ("EBIT") as the primary measure of profit and loss in assessing the results of each segment's operations. EBIT includes operating income, other income (expense) and earnings from unconsolidated affiliates. We believe that our use of EBIT enhances the ability to evaluate segment performance because it excludes interest and income tax expense, which are affected by corporate-wide strategies such as capital financing and tax sharing allocations.

EBIT should not be considered an alternative to, or a more meaningful indicator of our operating performance than, net income. Refer to summary results below for a reconciliation of EBIT to income before income taxes.

Summary Results

WGL reported net income applicable to common stock of \$131.3 million, \$105.9 million and \$80.3 million for the fiscal years ended September 30, 2015, 2014 and 2013, respectively. We earned a return on average common equity of 10.5%, 8.4% and 6.3%, respectively, during each of these three fiscal years.

The following table summarizes our EBIT by operating segment for fiscal years ended September 30, 2015, 2014 and 2013.

ANALYSIS OF CONSOLIDATED RESULTS

	Year	s Er	ided Septembe	r 30	,		Increase (Dec	rease)
(In millions)	2015		2014		2013	20	15 vs. 2014		2014 vs. 2013
EBIT:									
Regulated utility	\$ 224.0	\$	184.7	\$	153.6	\$	39.3	\$	31.1
Retail energy-marketing	46.6		14.0		53.3		32.6		(39.3)
Commercial energy systems	9.7		6.9		3.0		2.8		3.9
Midstream energy services	(2.7)		8.4		(29.3)		(11.1)		37.7
Other activities	(9.7)		(11.6)		(8.7)		1.9		(2.9)
Intersegment eliminations	(1.0)		(0.2)		(2.0)		(0.8)		1.8
Total	\$ 266.9	\$	202.2	\$	169.9	\$	64.7	\$	32.3
Interest expense	50.5		37.7		36.0		12.8		1.7
Income before income taxes	\$ 216.4	\$	164.5	\$	133.9	\$	51.9	\$	30.6
Income tax expense	83.8		57.3		52.3		26.5		5.0
Dividends on Washington Gas preferred stock	1.3		1.3		1.3		-		-
Net income applicable to common stock	\$ 131.3	\$	105.9	\$	80.3	\$	25.4	\$	25.6
Earnings per Average Common Share									
Basic	\$ 2.64	\$	2.05	\$	1.55	\$	0.59	\$	0.50
Diluted	\$ 2.62	\$	2.05	\$	1.55	\$	0.57	\$	0.50

Regulated Utility Operating Results

The following table summarizes the regulated utility segment's financial data for fiscal years ended September 30, 2015, 2014 and 2013.

REGULATED UTILITY FINANCIAL DATA

		Years	Ended Septemb		Increase (Decrease)			
(In millions)		2015	2014	2013	2015 vs. 2014		2014	vs. 2013
Utility net revenues ⁽¹⁾ :								
Operating revenues	\$	1,328.2	\$ 1,443.8	\$ 1,200.4	\$	(115.6)	\$	243.4
Less: Cost of gas		536.0	726.9	521.5		(190.9)		205.4
Revenue taxes		83.5	84.3	81.4		(0.8)		2.9
Total utility net revenues		708.7	632.6	597.5		76.1		35.1
Operation and maintenance		320.1	291.4	292.6		28.7		(1.2
Depreciation and amortization		110.4	104.1	100.4		6.3		3.7
General taxes and other assessments		53.7	53.4	52.3		0.3		1.1
Other income (expenses)-net		(0.5)	1.0	1.4		(1.5)		(0.4
EBIT	\$	224.0	\$ 184.7	\$ 153.6	\$	39.3	\$	31.1

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

Fiscal Year 2015 vs. Fiscal Year 2014

The increase in EBIT primarily reflects the following:

- higher utility net revenue related to growth of more than 12,700 average active customer meters;
- higher revenues due to new base rates in Maryland;
- higher realized margins and unrealized mark-to-market valuations associated with our asset optimization program;
- rate recovery related to the accelerated pipeline replacement programs and
- favorable effects of changes in natural gas consumption patterns in the District of Columbia.

Partially offsetting these favorable variances were:

- higher operation and maintenance expenses and
- higher depreciation due to the growth in our investment in utility plant.

Fiscal Year 2014 vs. Fiscal Year 2013

The increase in EBIT primarily reflects the following:

- higher net revenues attributed to the colder weather impacts of 2014 that were in excess of our weather protection provisions;
- higher revenues due to new base rates in Maryland and the District of Columbia;
- an increase in revenues related to the growth of more than 12,200 average active customer meters;
- favorable effects of changes in natural gas consumption patterns in the District of Columbia;
- rate recovery related to the accelerated pipeline replacement programs;
- higher realized margins associated with our asset optimization program; and
- lower operations and maintenance expense.

Partially offsetting these favorable variances were:

- higher unrealized losses associated with our asset optimization program; and
- higher depreciation expense due to the growth in our investment in utility plant.

Utility Net Revenues

The following table provides the key factors contributing to the changes in the utility net revenues of the regulated utility segment between years.

COMPOSITION OF CHANGES IN UTILITY NET REVENUES

	Increase	(Decrease)
(In millions)	2015 vs. 2014	2014 vs. 2013
Customer growth	\$ 5.1	\$ 8.1
Estimated effects of weather and consumption patterns	3.3	7.1
Impact of rate cases	2.6	12.2
Accelerated pipe replacement programs	9.7	3.9
Asset optimization:		
Realized margins	4.5	18.9
Unrealized mark-to-market valuations	59.9	(20.8)
Lower-of-cost or market adjustment	(1.1)	(0.3)
Storage carrying costs	(1.4)	1.1
Other	(6.5)	4.9
Total	\$ 76.1	\$ 35.1

Customer growth — Average active customer meters increased by more than 12,700 from fiscal year 2014 to 2015. Average active customer meters increased by more than 12,200 from fiscal year 2013 to 2014. Additionally, the fiscal year 2014 to 2013 comparison reflects changes in the composition of customers by class.

Estimated effects of weather and consumption patterns — Weather, when measured by HDDs, was 4.6% and 9.6% colder than normal during the years ended September 30, 2015 and 2014, respectively, and 0.2% warmer than normal during the year ended September 30, 2013. The effects of the warmer weather in fiscal year 2015 compared to 2014, were more than offset by changes in natural gas consumption patterns in the District of Columbia, partially due to commercial customers converting from interruptible to firm service. These conversions resulted in additional net revenues of approximately \$2.5 million in fiscal year 2015. Additionally, natural gas consumption patterns may be affected by shifts in weather patterns in which customer heating usage may not correlate highly

with average historical levels of usage per heating degree days that occur. Natural gas consumption patterns may also be affected by non-weather related factors such as customer conservation. Refer to the section entitled "Weather Risk" for a discussion of billing mechanisms in Maryland and Virginia, which are designed to eliminate the net revenue effects of variations in customer usage caused by weather and other factors such as conservation).

Impact of rate cases — The year over year variance for 2015 and 2014 reflects new base rates that were approved in Maryland, effective November 23, 2013. The year over year variance for 2014 and 2013 reflects new base rates that were approved in the District of Columbia and Maryland, effective June 4, 2013 and November 23, 2013, respectively.

Accelerated pipe replacement programs — The positive effect on revenues is primarily due to the continued growth of our accelerated pipe replacement programs in Maryland, Virginia and the District of Columbia.

Asset optimization — We recorded unrealized losses associated with our energy-related derivatives of \$6.3 million, \$66.2 million and \$45.4 million for the fiscal years ended September 30, 2015, 2014 and 2013, respectively. When these derivatives settle, any unrealized amounts will ultimately reverse and Washington Gas will realize margins in combination with related transactions that these derivatives economically hedge. The large swings in the valuations are primarily due to movements in unobservable inputs used in the valuation of long-dated forward contracts. We believe that these values are not reflective of our ultimate cash flows as these purchases are utilized in the optimization of our long-term natural gas transportation and storage capacity resources, the value of which is not reflected at fair value. Refer

to the section entitled "Market Risk—Price Risk Related to the Regulated Utility Segment" for further discussion of our asset optimization program.

Storage Carrying Costs — Each jurisdiction provides for the recovery of carrying costs based on the pre-tax cost of capital, multiplied by the average monthly investment balance of storage gas inventory. The year over year comparisons for 2015 and 2014 reflects lower average storage gas inventory balances primarily due to significantly lower priced gas in inventory. For fiscal year 2014 compared to 2013, the comparison reflects increased storage and related inventory due to adding additional storage capacity.

Operation and Maintenance Expenses

The following table provides the key factors contributing to the changes in operation and maintenance expenses of the regulated utility segment between years.

	Inc	Increase/(Decre						
(In millions)	2015 vs. 20	14	2014 vs. 2013					
Employee incentives and direct labor costs	\$	15.9	\$ 3.0					
Employee benefits		(6.7)	(18.1)					
Business development		6.7	0.2					
System safety and integrity		2.2	7.7					
Environment costs, net		1.9	2.2					
Support services		3.1	2.4					
Liability insurance		1.7	0.6					
Uncollectible accounts		0.8	4.7					
Other		3.1	(3.9)					
Total	\$	28.7	s (1.2)					

COMPOSITION OF CHANGES IN OPERATION AND MAINTENANCE EXPENSES

Employee incentives and direct labor costs — Washington Gas incurred increased employee incentives and labor costs for the year ended September 30, 2015 over the previous fiscal year, as a result of an increase in the valuation of our share-based long-term incentive plan as well as increases in employees and merit increases. The increase in expense for fiscal year 2014 compared to fiscal year 2013 is primarily due to higher direct labor costs driven by general wages increases, an increase in the number of employees and an increase in overtime work driven primarily by cold weather.

Employee benefits — The decrease in employee benefits expense in both year-over-year comparisons primarily relates to an amendment to the post-retirement benefits plan in April 2014, that resulted in a re-measurement of the benefit obligation and a reduction in the net periodic expense.

Business development — The increase primarily relates to an increase in customer growth initiatives for Washington Gas and costs related to the potential investment in Virginia gas reserves. Refer to the section entitled "Rates and Regulatory Matters" for a further discussion of this matter.

System safety and integrity — Washington Gas incurred increased maintenance costs for the year ended September 30, 2015 compared to the previous fiscal year primarily due to weather-related safety and reliability activities. The increase in expense in fiscal year 2014 compared to 2013 year-over year comparison reflects increased maintenance costs driven primarily by cold weather.

Environment costs, net — The increase in expense during fiscal year 2015 reflects an increase in the environmental liability due

to a change in the remediation plan at one of the Washington Gas environmental sites. Additionally, during the prior fiscal year, Washington Gas received proceeds from insurance policies for incurred legal costs and past and future environmental expenses. The increase in expense during the year ended September 30, 2014, compared to year ended September 30, 2013, reflects higher proceeds in fiscal year 2013 from an environmental insurance policy for past and future claims.

Support services — Washington Gas incurred additional costs for the year ended September 30, 2015 compared to the prior fiscal year due to increased project related costs including the implementation of a new customer information system as well as infrastructure support costs. The increase in expense during the year ended September 30, 2014, compared to the prior fiscal year is due to higher infrastructure support costs.

Liability insurance — The increase in liability insurance is due to higher excess liability and cyber insurance in fiscal year 2015.

Uncollectible accounts — The difference in expense between fiscal year 2015 compared to fiscal year 2014 relates to a potential refund to customers as a result of an order from the PSC of DC associated with a cash settlement to Competitive Service Providers (CSPs). Refer to Rates and Regulatory Matters for a further discussion. The increase in expense for the fiscal year 2014 to 2013 comparison is due to increased volumes of gas deliveries. In addition, Washington Gas provided an increased number of structured and deferred payment plans to customers in Maryland due to the extremely cold winter in fiscal year 2014.

Depreciation and Amortization

The following table provides the key factors contributing to the changes in depreciation and amortization of the regulated utility segment between years.

COMPOSITION OF CHANGES IN DEPRECIATION AND AMORTIZATION

	Increase	(Decrease)
(In millions)	2015 vs. 2014	2014 vs. 2013
Accelerated pipe replacement programs	\$ 1.6	\$ 0.8
Other Capital expenditures, net	4.7	3.6
Amortization reversal	-	(0.7)
Total	\$ 6.3	\$ 3.7

Non-Utility Operating Results

Retail Energy-Marketing

The following table depicts the retail energy-marketing segment's operating results along with selected statistical data.

RETAIL-ENERGY MARKETING FINANCIAL AND STATISTICAL DATA

	Yea	rs Eı	nded Septeml	ber :	30,		Increase (Dec	rease)
	2015		2014		2013	- 2	2015 vs. 2014	2	014 vs. 2013
Operating Results (In millions)									
Gross margins ⁽¹⁾ :									
Operating revenues	\$ 1,306.8	\$	1,310.3	\$	1,279.3	\$	(3.5)	\$	31.0
Less: Cost of energy	1,201.1		1,239.0		1,164.8		(37.9)		74.2
Revenue taxes	9.3		8.3		6.8		1.0		1.5
Total gross margins	96.4		63.0		107.7		33.4		(44.7)
Operation expenses	44.7		43.8		49.6		0.9		(5.8)
Depreciation and amortization	0.7		0.7		0.7		-		-
General taxes and other assessments—other	4.5		4.6		4.4		(0.1)		0.2
Other income (expenses)-net	0.1		0.1		0.2		-		(0.1)
EBIT	\$ 46.6	\$	14.0	\$	53.2	\$	32.6	\$	(39.2)
Analysis of gross margins (In millions)									
Natural gas									
Realized margins	\$ 61.0	\$	59.0	\$	44.1	\$	2.0	\$	14.9
Unrealized mark-to-market gains (losses)	(12.7)		5.2		(1.7)		(17.9)		6.9
Other	(1.1)		-		-		(1.1)		-
Total gross margins—natural gas	47.2		64.2		42.4		(17.0)		21.8
Electricity									
Realized margins	\$ 57.2	\$	0.7	\$	58.6	\$	56.5	\$	(57.9)
Unrealized mark-to-market gains (losses)	(8.0)		(1.9)		6.7		(6.1)		(8.6)
Total gross margins—electricity	49.2		(1.2)		65.3		50.4		(66.5)
Total gross margins	\$ 96.4	\$	63.0	\$	107.7	\$	33.4	\$	(44.7)
Other Retail-Energy Marketing Statistics									
Natural gas									
Therm sales (millions of therms)	713.0		718.1		702.5		(5.1)		15.6
Number of customers (end of period)	143,800		156,600		167,900		(12,800)		(11,300)
Electricity									
Electricity sales (millions of kWhs)	12,057.0		11,692.0		12,133.0		365.0		(441.0)
Number of accounts (end of period)	138,000		162,100		179,900		(24,100)		(17,800)

We utilize gross margins to assist with the analysis of profitability for the retail energy-marketing segment. Gross margins are calculated as revenues less the associated cost of energy and applicable revenue taxes. We consider gross margins to be a better reflection of performance than gross revenues or gross energy costs for our retail energy-marketing segment because gross margins are a direct measure of the success of our core strategy for the sale of natural gas and electricity. Gross margins should not be considered an alternative to, or a more meaningful indicator of our operating performance than operating income. Additionally, gross margins may not be comparable to similarly titled measures of other companies.

Fiscal Year 2015 vs. Fiscal Year 2014. The increase in EBIT primarily reflects improved realized margins for electricity in the current period, reflecting lower PJM capacity and ancillary service charges. Additionally, prior year electricity margins were much lower, reflecting extreme price movements during the colder than normal weather that occurred between January and March of 2014. Gross margins were also affected by lower unrealized mark-to-market valuations for both natural gas and electricity due to fluctuating market prices.

Fiscal Year 2014 vs. Fiscal Year 2013. The decrease in EBIT primarily reflects lower gross margins from the sale of electricity, partially offset by higher gross margins from the sale of natural gas. The decrease in gross margins from electric sales is due to higher capacity and ancillary service charges from the regional power grid operator (PJM) and a decrease in unrealized mark-to-market valuations due to fluctuating market prices.

The increase of the gross margins from natural gas sales reflects higher spot sales to interruptible customers, hedge settlements and portfolio optimization activity as well as an increase in unrealized mark-to-market valuations due to fluctuating market prices.

Commercial Energy Systems

The tables below represent the financial results of the commercial energy systems segment for the fiscal years ended September 30, 2015, 2014, and 2013.

COMMERCIAL ENERGY SYSTEMS SEGMENT FINANCIAL INFORMATION

	Year	s Enc	led Septem	ber 3	30,		Increase	Decre	ase)	
(In millions)	2015		2014		2013		2015 vs. 2014		2014 vs. 2013	
Operating revenues	\$ 51.8	\$	40.7	\$	35.2	\$	11.1	\$	5.5	
Operating expenses:										
Cost of sales	21.5		20.3		24.4		1.2		(4.1)	
Operations	17.1		10.4		6.9		6.7		3.5	
Depreciation and amortization	10.7		6.2		2.4		4.5		3.8	
General taxes and other assessment	0.4		0.3		0.3		0.1		-	
Operating expenses	\$ 49.7	\$	37.2	\$	34.0	\$	12.5	\$	3.2	
Equity earnings	2.2		2.0		1.1		0.2		0.9	
Other income	5.4		1.4		0.7		4.0		0.7	
EBIT	\$ 9.7	\$	6.9	\$	3.0	\$	2.8	\$	3.9	
EBIT by division:										
Energy-efficiency contracting	\$ (2.4)	\$	(2.9)	\$	0.4	\$	0.5	\$	(3.3)	
Commercial distributed generation	10.0		7.4		2.6		2.6		4.8	
Investment in distributed generation	2.1		2.4		-		(0.3)		2.4	
Total	\$ 9.7	\$	6.9	\$	3.0	\$	2.8	\$	3.9	

Fiscal Year 2015 vs. Fiscal Year 2014. The increase in EBIT primarily reflects higher revenues attributed to additional distributed generation assets placed in service in the current year compared to prior year, higher contract margins on new federal contracts and higher income from state rebate programs for certain distributed generation projects. These favorable variances are partially offset by higher operating expenses due to increased in-service distributed generation assets as well as \$3.0 million of unrecovered government contracting costs recorded in the current fiscal year related to contracting under the Small Business Administration's Business Development 8(a) Program. We do not anticipate any further unrecovered costs as the company exits its participation in this program. Additionally, not reflected in EBIT is the amortization of investment tax credits related to our distributed generation assets which were \$4.1 million and \$2.8 million for year ended September 30, 2015 and 2014, respectively.

Fiscal Year 2014 vs. Fiscal Year 2013. The increase in EBIT primarily reflects higher operating revenues due to higher solar renewable credits, solar generation revenue from commercial solar assets and higher solar investment income. The amortization of investment tax credits related to our distributed generation assets, not included in EBIT, was \$1.1 million for fiscal year 2013.

Midstream Energy Services

The table below represents the financial results of the midstream energy services segment for the year ended September 30, 2015, 2014 and 2013.

MIDSTREAM ENERGY SERVICES SEGMENT FINANCIAL INFORMATION

	Year	rs En	ded Septem	Increase (Decrease)					
(In millions)	2015		2014		2013		2015 vs. 2014		4 vs. 2013
Operating revenues ^(a)	\$ 3.2	\$	16.6	\$	(20.4)	\$	(13.4)	\$	37.0
Operating expenses:									
Operations	7.7		8.5		8.7		(0.8)		(0.2)
Depreciation and amortization	0.1		0.1		0.1		-		-
General taxes and other assessment	0.8		0.3		0.4		0.5		(0.1)
Operating expenses	\$ 8.6	\$	8.9	\$	9.2	\$	(0.3)	\$	(0.3)
Equity earnings	2.6		0.7		0.3		1.9		0.4
Other income	0.1		-		-		0.1		-
EBIT	\$ (2.7)	\$	8.4	\$	(29.3)	\$	(11.1)	\$	37.7

The trading margins of Midstream Energy Services, including unrealized gains and losses on derivative instruments, are netted within operating revenues.

Fiscal Year 2015 vs. Fiscal Year 2014. The decrease in EBIT for the year ended September 30, 2015 compared to 2014, primarily reflects a \$18.5 million reduction to income due to lower-of-cost or market adjustments on storage gas inventory and lower total annual storage and transportation spreads in the current year which affected our realized margins. Mostly offsetting the decrease in EBIT are the higher mark-to-market valuations on our derivative instruments of \$25.7 million as well as lower investment development expenses and higher income related to our pipeline investments.

Fiscal Year 2014 vs. Fiscal Year 2013. The improvement to EBIT for fiscal year 2014, compared to fiscal year 2013, is driven by higher realized margins on physical and financial transactions associated with higher gas prices and unrealized gains on derivative instruments. Both 2014 and 2013 reflect expenses of approximately \$4.0 million associated with investments in the Central Penn Line and Constitution pipeline projects, respectively.

Other Non-Utility Activities

Transactions that are not significant enough on a stand-alone basis to warrant treatment as an operating segment, and that do not fit into one of our four operating segments, are aggregated as "Other Activities" and included as part of non-utility operations. Our other non-utility activities reflect EBIT of \$(9.7) million, \$(11.6) million and \$(8.7) million for the year ended September 30, 2015, 2014 and 2013, respectively. The comparison of EBIT between fiscal year 2015 and fiscal year 2014 reflects lower branding initiatives and business development costs, partially offset by a \$5.6 million impairment related to ASDHI in the current year. The comparison of EBIT for fiscal years 2014 and 2013 reflects higher business development costs, legal expenses and corporate branding initiative costs.

Intersegment Eliminations

Intersegment eliminations include any mark-to-market valuations associated with trading activities between WGL Midstream and WGL Energy Services and timing differences between Commercial Energy Systems' recognition of revenue for the sale of REC's to Retail Energy-Marketing and Retail Energy-Marketing's recognition of the associated expense.

For further discussion of our financial performance by operating segment, refer to Note 16 - *Operating Segment Reporting* of the Notes to Consolidated Financial Statements.

Consolidated Interest Expense

The following table shows the components of WGL's consolidated interest expense for the years ended September 30, 2015, 2014 and 2013. The increase in interest on long-term debt year over year primarily reflects the issuance of additional unsecured MTNs and private placement notes issued by Washington Gas in fiscal years 2015 and 2014 and senior notes issued by WGL in fiscal year 2015.

COMPOSITION OF CONSOLIDATED INTEREST EXPENSE

	Yea	rs End	ed Septem	ber 3	0,		Increase	(Decreas	se)
(In millions)	2015		2014		2013	201	5 vs. 2014	2014	vs. 2013
Interest on long-term debt	\$ 51.2	\$	37.1	\$	35.3	\$	14.1	\$	1.8
Other net, including allowance for funds used									
during construction	(0.7)		0.6		0.7		(1.3)		(0.1)
Total	\$ 50.5	\$	37.7	\$	36.0	\$	12.8	\$	1.7

Consolidated Income Taxes

The following table shows WGL's consolidated income tax expense and effective income tax rate for the years ended September 30, 2015, 2014 and 2013.

CONSOLIDATED INCOME TAXES

	Yea	rs Enc	led Septem	ber :	30,	Increase (Decrease)			
(In millions)	2015		2014		2013	2015	vs. 2014	2014	vs. 2013
Income before income taxes	\$ 216.4	\$	164.5	\$	133.9	\$	51.9	\$	30.6
Income tax expense	83.8		57.3		52.3		26.5		5.0
Effective Income Tax Rate	38.7%		34.8%	,	39.1%		3.9%		(4.3)%

The lower fiscal year 2014 effective income tax rate, when comparing to fiscal years 2015 and 2013, is a result of the tax benefit recorded during the first quarter of fiscal year 2014 for the reinstatement of regulatory assets related to the tax effect of Med D, causing the rate to be lower during that year. Refer to Note 9—*Income Taxes* of the Notes to the Consolidated Financial Statements for details.

Liquidity and Capital Resources

General Factors Affecting Liquidity

Access to short-term debt markets is necessary for funding our short-term liquidity requirements, the most significant of which include buying natural gas, electricity, pipeline capacity, and financing accounts receivable and storage gas inventory. We access long-term capital markets primarily to fund capital expenditures, investment activities and to pay long-term debt. During the fiscal year ended September 30, 2015, WGL and Washington Gas met their liquidity and capital needs through retained earnings, the issuance of commercial paper and the issuance of long-term debt.

Our ability to access capital markets depends on our credit ratings, general market liquidity, and investor demand for our securities. Our credit ratings depend largely on the financial performance of our subsidiaries, and a ratings downgrade could both increase our borrowing costs and trigger the need for posting additional collateral with our wholesale counterparties or other creditors. In support of our credit ratings, we have a goal to maintain our common equity ratio in the 50% range of total consolidated capital over the long term. As of September 30, 2015, total consolidated capitalization, including current maturities of long-term debt and notes payable, comprised 48.3% common equity, 1.1% preferred stock and 50.6% long-term debt. This ratio varies during the fiscal year primarily due to the seasonal nature of Washington Gas' business. This seasonality also affects our short-term debt balances, which are typically higher in the fall and winter months and substantially lower in the spring when a significant portion of our current assets are converted into cash at the end of the heating season. Our cash flow requirements and our ability to provide satisfactory resources to meet those requirements are primarily influenced by the activities of all of WGL's operating segments.

Our plans provide for sufficient liquidity to satisfy our financial obligations. At September 30, 2015, we had no restrictions on our cash balances or retained earnings that would affect the payment of common or preferred stock dividends by either WGL or Washington Gas.

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. At September 30, 2015 and 2014, Washington Gas had balances in gas storage of \$94.5 million and \$156.1 million, respectively. Washington Gas collects the cost of gas under cost recovery mechanisms approved by its regulators. Additionally, Washington Gas may be required to post cash collateral for certain purchases.

During the first six months of our fiscal year, Washington Gas' large sales volumes cause its cash requirements to peak when combined storage inventory, accounts receivable, and unbilled revenues are at their highest levels. During the last six months of our fiscal year, after the heating season, Washington Gas typically experiences a seasonal net loss due to reduced demand for natural gas. During this period, large amounts of Washington Gas' current assets are converted to cash, which Washington Gas generally uses to reduce and usually eliminate short-term debt and acquire storage gas for the next heating season.

Variations in the timing of collections under Washington Gas' gas cost recovery mechanisms can significantly affect its short-term cash requirements. At September 30, 2015 and 2014, Washington Gas had \$15.9 million and \$9.8 million, respectively, in net over-collections, of gas costs reflected in current liabilities as gas costs due to customers. Amounts under-collected or over-collected that are generated during the current gas cost recovery cycle are

deferred as a regulatory asset or liability on the balance sheet until September 1 of each year, at which time the accumulated amount is transferred to gas costs due from/to customers as appropriate. At September 30, 2015 and 2014, Washington Gas had a net regulatory liability of \$28.8 million and \$11.7 million, respectively, related to the current gas recovery cycle.

WGL and Washington Gas use short-term debt in the form of commercial paper or unsecured short-term bank loans to fund seasonal cash requirements. Our policy is to maintain back-up bank credit facilities in an amount equal to or greater than our expected maximum commercial paper position. Bank credit balances available to WGL and Washington Gas net of commercial paper balances were \$207.0 million and \$261.0 million at September 30, 2015 and \$85.5 million and \$261.0 million at September 30, 2014, respectively.

WGL and Washington Gas have each entered into credit facilities. The credit facility for WGL permits it to borrow up to \$450.0 million, and further permits, with the banks' approval, additional borrowings of \$100 million for a maximum potential total of \$550 million. The credit facility for Washington Gas permits it to borrow up to \$350.0 million, and further permits, with the banks' approval, additional borrowings of \$100 million for a maximum potential total of \$450 million. The interest rate on loans made under each of the credit facilities will be a fluctuating rate per annum that will be set using certain parameters at the time each loan is made. WGL and Washington Gas incur credit facility fees, which in some cases are based on the long-term debt ratings of Washington Gas. In the event that the long-term debt of Washington Gas is downgraded below certain levels, WGL and Washington Gas would be required to pay higher fees. There are five different levels of fees. The credit facility for WGL defines its applicable fee level as one level below the level applicable to Washington Gas. Under the terms of the credit facilities, the lowest level facility fee is 0.06% and the highest is 0.175%. The credit agreements as amended each have the right to request two additional one-year extensions, with the banks' approval.

To manage credit risk, Washington Gas may require certain customers and suppliers to provide deposits, which may include collateral from wholesale counterparties, which are reported as current liabilities in "Customer deposits and advance payments," in the accompanying balance sheets. At September 30, 2015 and 2014, "Customer deposits and advance payments" totaled \$88.5 million and \$68.3 million, respectively. For Washington Gas, deposits from customers may be refunded at various times throughout the year based on the customer's payment habits. At the same time, other customers make new deposits that cause the balance of customer deposits to remain relatively steady. There are no restrictions on Washington Gas' use of these customer deposits. Washington Gas pays interest to its customers on these deposits in accordance with the requirements of its regulatory commissions.

For WGL Energy Services and WGL Midstream, deposits would typically represent collateral for transactions with wholesale counterparties. These deposits may be reduced, repaid or increased at any time based on the current value of WGL Energy Services' or WGL Midstream's net position with the counterparty. Currently, there are no restrictions on the use of deposited funds and interest is paid to the counterparty on these deposits in accordance with its contractual obligations. Refer to the section entitled "Credit Risk" for further discussion of our management of credit risk. WGL Energy Services and WGL Midstream have seasonal short-term cash requirements to fund the purchase of storage gas inventory in advance of the winter heating season. At September 30, 2015 and 2014, WGL Energy Services had balances in gas storage of \$36.1 million and \$50.5 million, respectively. WGL Energy Services collects revenues that are designed to reimburse commodity costs used to supply their retail customer and wholesale counterparty contracts. At September 30, 2015 and 2014, WGL Midstream had balances in gas storage of \$80.8 million and \$127.0 million, respectively. As market opportunities arise, WGL Midstream collects revenues in excess of its commodity costs through its wholesale counterparty contracts. WGL Energy Services and WGL Midstream derive funding to finance these activities from short-term debt issued by WGL. Additionally, WGL Energy Services and WGL Midstream may be required to post cash collateral for certain purchases. WGL Energy Services and WGL Midstream may be required to provide parent guarantees from WGL for certain transactions.

In addition to storage gas, WGL Midstream also has short-term cash requirements to fund the capital requirements of its various pipeline investments. At September 30, 2015 and 2014, WGL Midstream had a \$73.4 million and \$28.1 million investment related to these pipelines. WGL Midstream derives funding to finance capital calls related to these investments initially from short-term debt issued by WGL, prior to securing potential long-term financing arrangements in the form of debt or equity.

WGL Energy Systems has cash requirements to fund the construction and purchase of residential and commercial distributed generating systems. WGL Energy Systems derives funding to finance these activities from short-term debt issued by WGL prior to securing potential long-term financing arrangements in the form of debt or equity.

Money Pool

WGL has money pool arrangements with and among its subsidiaries to coordinate and provide for certain short term cash and working capital requirements. This money pool may also accumulate cash from the periodic issuance of WGL's common stock from the company's dividend reinvestment program and stock based compensation programs as well as the operations of certain subsidiaries. In return, the money pool provides short-term loans to its subsidiaries to meet various working capital needs. Washington Gas does not participate in the money pool.

Long-Term Cash Requirements and Related Financing

The primary drivers of our long-term cash requirements include capital expenditures, non-utility investments, long-term debt maturities and our share repurchase program (as described below). For the regulated utility segment, our capital expenditures primarily relate to adding new utility customers and system supply as well as maintaining the safety and reliability of Washington Gas' distribution system (refer to the section entitled "Capital Investments" below).

For our non-utility segments, our long-term cash requirements primarily depend on the level of investments and capital expenditures. For WGL Midstream, our investments primarily relate to providing capital for construction of the pipeline investments. For WGL Energy Systems, our investments primarily relate to providing capital for construction of new residential and commercial solar projects.

A share repurchase program was approved by the Board of Directors and announced on August 7, 2014 to repurchase WGL's common stock up to an amount of \$150 million. The shares may be repurchased in the open market or in privately negotiated transactions. The repurchase program is authorized for a two year period. During the year ended September 30, 2015, we repurchased 1.0 million shares of common stock for a cost of \$41.5 million all in the first quarter. Since the program's inception, we have repurchased 2.3 million shares of common stock for a total cost of \$97.6 million. We do not anticipate repurchasing additional shares prior to the expiration of this authorization.

WGL anticipates that, as it increases capital expenditures pursuant to its announced investment commitments and its other growth strategies, it will likely raise capital by issuing additional shares of common stock. There can be no assurance, however, that we will be able to raise capital on favorable terms or at all.

In October and December 2014, WGL issued \$250 million of long-term debt. In March 2015, WGL entered into intercompany agreements with three of its affiliates, WGL Energy Systems, WGSW and WGL Midstream. These agreements have terms consistent with WGL's long-term debt issuances. The intercompany loans are eliminated in consolidation. Refer to Cash Flows Provided by Financing Activities as well as Note 5—Long Term Debt in the Notes to Consolidated Financial Statements for further discussion of long term debt activity for both WGL and Washington Gas. Additionally, we are exposed to interest-rate risk associated with our debt financing. Prior to issuing longterm debt, WGL and Washington Gas may utilize derivative instruments to minimize its exposure to the risk of interest-rate volatility. Refer to the section entitled "Interest-Rate Risk" for further discussion of our interest-rate risk management activity.

Security Ratings

The table below reflects the credit ratings for the outstanding debt instruments of WGL and Washington Gas for the year ended September 30, 2015. Changes in credit ratings may affect WGL's and Washington Gas' cost of short-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.

	WGI	L	Washington Gas				
Rating Service	Senior Unsecured	Commercial Paper	Senior Unsecured	Commercial Paper			
Fitch Ratings ^(a)	A	F1	AA-	F1			
Moody's Investors Service ^(b)	A3	P-2	A1	P-1			
Standard & Poor's Ratings Services ^(c)	A	A-1	A+	A-1			

The long-term debt ratings outlook issued by Fitch Ratings for WGL and Washington Gas is stable.

The long-term debt ratings outlook issued by Moody's Investors Service for WGL and Washington Gas is stable.

The long-term debt ratings outlook issued by Standard & Poor's Rating Services for WGL and Washington Gas is stable.

Ratings Triggers and Certain Debt Covenants

WGL and Washington Gas pay credit facility fees, which in some cases are based on the long-term debt ratings of Washington Gas. Under the terms of WGL's and Washington Gas' credit agreements and private placement notes, the ratio of consolidated financial indebtedness to consolidated total capitalization cannot exceed 0.65 to 1.0 (65.0%). WGL's and Washington Gas' ratios of consolidated financial indebtedness to consolidated total capitalization were 51% and 42%, respectively. In addition, WGL and Washington Gas are required to inform lenders of changes in corporate existence, financial conditions, litigation and environmental warranties that might have a material effect on debt ratings. The failure to inform the lenders' agent of material changes in these areas 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 a suspension of further loans and/or acceleration in which obligations become immediately due and payable. At September 30, 2015, we were in compliance with all of the covenants under our revolving credit facilities.

For certain of Washington Gas' natural gas purchase and pipeline capacity agreements, if the long-term debt of Washington Gas is downgraded to or below the lower of a BBB- rating by Standard & Poor's or a Baa3 rating by Moody's Investors Service, or if Washington Gas is deemed by a counterparty not to be creditworthy, then the counterparty may withhold service or deliveries, or may require additional credit support. For certain other agreements, if the counterparty's credit exposure to Washington Gas exceeds a contractually defined threshold amount, or if Washington Gas' credit rating declines by a certain rating level, then the counterparty may require additional credit support. At September 30, 2015, Washington Gas would be required to provide additional credit support of \$2.2 million for these arrangements if its long-term credit rating was to be downgraded by one rating level.

WGL guarantees payments for certain purchases of natural gas and electricity on behalf of WGL Energy Services and WGL Midstream (refer to "Contractual Obligations, Off-Balance Sheet Arrangements and Other Commercial Commitments" for a further discussion of these guarantees). If the credit rating of WGL declines, WGL Energy Services and WGL Midstream may be required to provide additional credit support for these purchase contracts. At September 30, 2015, WGL Energy Services would not be required to provide additional credit support for these arrangements; however, WGL Midstream would be required to provide less than \$0.01 million of additional credit support for these arrangements if the long-term credit rating of WGL was to be downgraded by one rating level.

Historical Cash Flows

The following table summarizes WGL's net cash provided by (used in) operating, investing and financing activities for the fiscal years ended September 30, 2015, 2014 and 2013:

	Fiscal Y	ears	Ended Septe	mbe	r 30,	Increa	se / (Decrease)	Increa	ase / (Decrease)
(In millions)	2015		2014		2013	201	5 vs. 2014	201	4 vs. 2013
Cash provided by (used in):									
Operating activities	\$ 504.1	\$	382.2	\$	318.0	\$	121.9	\$	64.2
Investing activities	\$ (525.1)	\$	(422.1)	\$	(371.1)	\$	(103.0)	\$	(51.0)
Financing activities	\$ 19.0	\$	45.2	\$	46.3	\$	(26.2)	\$	(1.1)

Cash Flows Provided by Operating Activities

The regulated utility's cash flows from operating activities principally reflect gas sales and deliveries and the cost of operations. The volume of gas sales and deliveries is dependent primarily on factors external to the utility, such as growth of customer demand, weather, market prices for energy, economic conditions and measures that promote energy efficiency. Under revenue and weather normalization, ratemaking adjustments and decoupling mechanisms in place, changes in delivery volumes from levels assumed when rates were approved may affect the timing of cash flows but not net income. The price at which the utility provides energy to customers is determined in accordance with regulatory approved tariffs. In general, changes in the utility's cost of gas may affect the timing of cash flows but not net income because the costs are recovered in accordance with rate agreements. In addition, the regulated utility's cash flow is impacted by the timing of derivative settlements.

The non-utility cash flows from operating activities primarily reflect: (i) the timing of receipts related to distributed generation and federal projects at commercial energy systems; (ii) the timing of receipts related to electric and gas bills for WGL Energy Services as well as the timing of payments for the cost of the commodity and (iii) the timing of gas purchases and sales resulting from asset optimization arrangements at WGL Midstream. Both WGL Energy Services' and WGL Midstream's cash flows are impacted by the timing of derivative settlements.

Net income is the result of cash and non-cash (or accrual) transactions. Only cash transactions affect WGL's cash flows from operating activities. Principal non-cash charges include depreciation, accrued or deferred pension and other post-retirement benefit costs and deferred income tax expense. Non-cash charges or credits may also be accrued under the revenue decoupling and cost reconciliation mechanisms in the utilities' rate plans.

Net cash provided by operating activities for the fiscal year ended September 30, 2015 increased by \$121.9 million to \$504.1 million from \$382.2 million for fiscal year ended September 30, 2014. The increase in net cash flows primarily reflects lower natural gas prices to fill storage, higher EBIT from the retail energy-marketing segment and the timing of income tax payments. Seasonal trends and timing are reflected within changes to accounts receivable.

Net cash provided by operating activities for fiscal year ended September 30, 2014 totaled \$382.2 million compared to \$318.0 million in fiscal year ended September 30, 2013. This change in net cash flows reflects an increase in storage gas due to higher inventory prices; increased inventory and a decrease in pension and post-retirement benefit contributions; and a decrease in the change in gas costs (current) and other regulatory assets/liabilities- net due to increase in mark-to-market adjustments along with an increase in price. Seasonal trends and timing are reflected within changes to accounts receivables, recoverable energy costs and accounts payable.

Cash Flows Provided By Financing Activities

Cash flows provided by financing activities totaled \$19.0 million in fiscal year ended September 30, 2015 reflecting: (*i*) the issuance of \$298.2 million in long-term debt; (*ii*) the retirement of \$20.0 million in MTNs; a \$121.5 million decrease in notes

payable; \$91.3 million of dividend payments on common and preferred stock and the repurchase of \$41.5 million in common stock. Cash flows provided by financing activities totaled \$45.2 million in fiscal year ended September 30, 2014 reflecting the issuance of \$175.3 million of long-term debt; retirement of \$67.0 million in MTNs; \$80.4 million increase in notes payable used to finance gas purchase and storage inventory costs; \$85.2 million of dividend payments on common and preferred stock and the repurchase of \$56.1 million in common stock. Cash flows provided by financing activities totaled \$46.3 million in fiscal year ended September 30, 2013 reflecting an increase in notes payable of \$125.4 million used to finance gas purchase and storage inventory costs and \$86.1 million of dividend payments on common and preferred stock.

The following table reflects the issuances and retirements of long-term debt that occurred during the fiscal years 2015, 2014 and 2013 (also refer to Note 5 —*Long Term* Debt of Notes to Consolidated Financial Statements).

LONG-TERM DEBT ACTIVITY

	2015		201	4	2	2013
(\$ In millions)	Interest Rate	Face value	Interest Rate	Face value	Interest Rate	Face value
Long Term Debt ^(a)						
Issued	2.25-4.60% \$	300.0	4.22 - 5.00%	\$ 175.0	n/a	\$ -
Retired	4.83%	(20.0)	4.88 - 5.17%	(67.0)	n/a	-
Other financing						
Issued ^(b)	n/a	-	2.52%	0.3	n/a	-
$Retired^{(c)}$	2.52-4.10%	(8.3)	n/a	-	n/a	-
Other activity						
Total	\$	271.7	9	\$ 108.3		\$ -

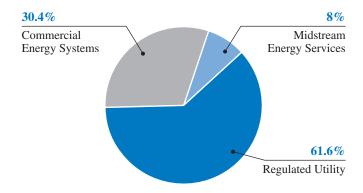
⁽a) Includes senior notes for WGL Holdings, MTN's and private placement debt for Washington Gas. Certain issuances for WGL Holdings contain make-whole call provisions.

Cash Flows Used in Investing Activities

Net cash flows used in investing activities totaled \$525.1 million, \$422.1 million and \$371.1 million during fiscal years 2015, 2014 and 2013, respectively, which primarily consists of utility capital expenditures made by Washington Gas and non-utility investments in pipeline and distributed generation.

Capital Investments

Total WGL expenditures for capital investments for the year ended September 30, 2015 are shown in the chart below:



⁽b) Includes the non-cash issuances of project debt financing of \$0.3 million for fiscal year 2014.

⁽c) Includes the non-cash extinguishments of project debt financing of \$8.3 million for fiscal year 2015.

The following table depicts our actual capital investments for fiscal years 2013, 2014 and 2015, and projected capital investments for fiscal years 2016 through 2020. Our capital outlays include expenditures to extend service to new areas, and to ensure safe, reliable and improved service for our utility and to grow our non-utility investments.

			A	ctual					Proje	cte	d		
(In millions)	2	2013	2	014	2015	2016	2017	- 2	2018		2019	2020	Total
New business ^(a)	\$	71.3	\$	97.0	\$ 84.8	\$ 105.0	\$ 130.5	\$	151.0	\$	169.7	\$ 184.0	\$ 740.2
Replacements:													
Regulatory plans(b)		40.2		51.7	113.1	112.9	125.0		126.9		134.2	151.6	650.6
Other		63.8		70.0	56.0	58.9	47.6		44.2		43.2	43.5	237.4
Customer information system		-		9.9	24.6	39.0	14.1		-		-	-	53.1
Other utility		52.5		82.2	42.5	45.7	48.5		58.6		48.2	56.1	257.1
Cash basis-utility		-		(24.5)	6.4	-	-		-		-	-	-
Total utility ^(c)		227.8		286.3	327.4	361.5	365.7		380.7		395.3	435.2	1,938.4
Pipeline investments ^(d)		6.2		20.8	42.7	262.6	336.5		121.3		37.5	-	757.9
Distributed generation		83.7		108.2	158.3	200.1	100.1		100.1		100.1	100.1	600.5
Other non-utility		0.7		0.2	0.2	10.4	0.4		0.1		0.1	0.1	11.1
Cash basis-non-utility		-		-	3.1	-	-		-		-	-	-
Total investments	\$	318.4	\$	415.5	\$ 531.7	\$ 834.6	\$ 802.7	\$	602.2	\$	533.0	\$ 535.4	\$ 3,307.9

Includes certain projects that support the existing distribution system.

Accelerated Pipe Replacement Programs

Accelerated pipe replacement programs are in place in all three of our jurisdictions. Washington Gas is accelerating pipe replacement in order to reduce risk and further enhance the safety and reliability of the pipeline system. Each regulatory commission having jurisdiction over Washington Gas' retail rates has approved accelerated replacement programs with an associated surcharge mechanism to recover the cost, including a return, on those capital investments. In contrast to the traditional rate-making approach to capital investments, for the accelerated pipe replacement programs, Washington Gas is receiving recovery for these investments through the approved surcharges for each program. The following table presents the expenditures made and revenues recognized for the accelerated pipe replacement programs in fiscal year 2015 and 2014.

ACCELERATED PIPE REPLACEMENT PROGRAMS

	Fiscal Year 2015 Ac	etivity			
(In millions)	District of	Columbia	Maryland	Virginia	Total
Capital Expenditures, excluding cost of removal	\$	23.5	\$ 39.0	\$ 50.6	\$ 113.1
Revenues recognized	\$	3.1	3.2	\$ 12.1	\$ 18.4

District of Columbia Jurisdiction

In the District of Columbia, the December 16, 2009 settlement for the replacement and encapsulation program targeting vintage mechanically coupled pipe is expected to be completed in calendar year 2016 for an estimated amount of \$49.1 million. On August 15, 2013, Washington Gas filed a request for approval with the PSC of DC of a Revised Accelerated Pipe Replacement Plan (revised APRP), including a surcharge mechanism to recover the associated costs for the first five years of the plan. Washington Gas proposed to replace bare and/or unprotected steel services, bare and targeted unprotected steel main, and cast iron main in its distribution system in the District of Columbia at an estimated five-year cost of \$110 million, including cost of removal. The PSC of DC granted final approval of the APRP in August 2014, and through a settlement approved in a separate proceeding authorized a surcharge to recover the costs of the first five years of the accelerated pipe replacement program, including replacement activity starting in June of 2014. On January 29, 2015, the PSC of DC issued an order approving the settlement agreement. The revised APRP is in addition to the program in place, which targets vintage mechanically coupled pipe.

Maryland Jurisdiction

On November 7, 2013, pursuant to the Strategic Infrastructure Development and Enhancement (STRIDE) law in Maryland, Washington Gas filed an application with the PSC of MD for authority to implement a STRIDE Plan and to recover the reasonable and prudent costs associated with the infrastructure replacements through monthly surcharges. Washington Gas proposed to replace bare and/or unprotected steel services and targeted copper and/or pre-1975 plastic services, bare and targeted unprotected steel main, mechanically coupled pipe main and service, and cast iron main in its distribution system in Maryland at an estimated five-year cost of \$200 million, including cost of removal, through calendar year 2018. On May 6, 2014, the PSC of MD issued an order approving Washington Gas' first STRIDE Plan. On March 10, 2015, Washington Gas filed an application with the PSC of MD for approval of an amendment to the approved STRIDE Plan. Washington Gas requested approval to add one additional program applicable to gas distribution system replacements and four additional programs applicable to gas transmission system replacements at an incremental cost of \$31.3 million, including cost of removal, in eligible infrastructure

Represents capital expenditures (excluding cost of removal), both approved, and expected to be approved, under our Accelerated Pipeline Replacement Programs in all jurisdictions. Refer to the section entitled "Accelerated Pipeline Replacement Programs" for a further discussion.

Excludes Allowance for Funds Used During Construction and cost of removal. Includes capital expenditures accrued and capital expenditure adjustments recorded in the fiscal year.

Fiscal year 2016 includes a potential \$90 million investment in a pipeline gathering system in West Virginia.

replacements over the remaining four years of the STRIDE Plan. On May 27, 2015, the Chief Public Utility Law Judge issued a proposed order approving, with the modification to exclude the Maryland allocated portion of transmission programs located outside the state of Maryland, the proposed amendment to the approved STRIDE Plan. This decision was affirmed by the PSC of MD. On July 30, 2015, Washington Gas filed an appeal with the Circuit Court for Montgomery County to challenge the decision to deny recovery through the STRIDE Plan of costs related to transmission system replacement projects located outside Maryland. A decision in this case is pending.

Virginia Jurisdiction

On February 6, 2015, Washington Gas submitted an application to the SCC of VA requesting approval to amend its SAVE Plan to expand the scope of some existing programs, to include new distribution facilities replacement programs, and to add new programs to replace transmission facilities. On June 5, 2015, the SCC of VA approved the amended SAVE Plan; however, the Commission denied a portion of the proposal to replace transmission facilities and a portion of the proposal to include new distribution facilities. The SCC of VA approved incremental expenditures of \$66 million, including cost of removal, through 2017. The new incremental factor began on August 1, 2015. With the amendment, Washington Gas' current, approved SAVE Plan encompasses eight ongoing programs: (i) bare and/or unprotected steel service replacement program, (ii) bare and unprotected steel main replacement program, (iii) mechanically coupled pipe replacement, (iv) copper services replacement program, (v) black plastic services replacement program, (vi) cast iron mains replacement program, (vii) meter set and piping remediation/ replacement program and (viii) transmission programs. On November 9, 2015, the Commission approved Washington Gas' application for the SAVE Rider for 2016, which was filed on August 19, 2015. Washington Gas is authorized to invest \$257.4 million, including cost of removal, over the five-year calendar period through 2017.

Pipeline Investments

Constitution Pipeline

In May 2013, WGL Midstream entered into an agreement to invest in Constitution Pipeline Company, LLC. WGL Midstream will invest an estimated \$83.4 million in the project for a 10% share in the pipeline venture. The pipeline project is designed to transport at least 650,000 dekatherms of natural gas per day from the Marcellus region in northern Pennsylvania to major northeastern markets. Fully contracted with long-term commitments from established natural gas producers currently operating in Pennsylvania, the pipeline will originate from the Marcellus production areas in Susquehanna County, PA, and interconnect with the Iroquois Gas Transmission and Tennessee Gas Pipeline systems in Schoharie County, N.Y. In June 2013, Constitution Pipeline filed a formal certificate application with the FERC. On December 2, 2014, the FERC issued an order granting a certificate of public convenience and necessity. The pipeline has a targeted in-service date of the fourth quarter of 2016.

Central Penn Line Pipeline

In February 2014, WGL Midstream entered into a limited liability company agreement and formed Meade Pipeline Co LLC (Meade), to jointly develop and own, together with Transcontinental Gas Pipe Line Company, LLC (Transco), an approximately 185-mile pipeline originating in Susquehanna County, Pennsylvania and extending to Lancaster County, Pennsylvania (Central Penn) that will have the capacity to transport and deliver up to approximately 1.7 million dekatherms per day of natural gas. This pipeline will be an integral part of Transco's "Atlantic Sunrise" project. WGL Midstream will invest an estimated \$410.6 million for a 55% interest in Meade, and Meade will invest an estimated \$746 million in Central Penn for an approximate 39% interest in Central Penn. Transco will have the remaining ownership interests. Central Penn currently has a projected in-service date in the second half of 2017.

Additionally, in February 2014, WGL Midstream entered into an agreement with Cabot Oil & Gas Corporation (Cabot) whereby WGL Midstream will purchase 500,000 dekatherms per day of natural gas from Cabot over a 15 year term. As part of this agreement, Cabot will acquire 500,000 dekatherms per day of firm gas transportation capacity on Transco's Atlantic Sunrise project of which Central Penn is a part. This capacity will be released to WGL Midstream.

Mountain Valley Pipeline

In March 2015, WGL Midstream acquired a 7% equity interest in Mountain Valley Pipeline, LLC.

The proposed pipeline to be developed, constructed, owned and operated by Mountain Valley will transport approximately 2.0 million dekatherms of natural gas per day from two interconnects with EQT Corporation's Equitrans system in West Virginia to Transco's Station 165 in Pittsylvania County, Virginia. The pipeline is scheduled to be in service by December 2018.

The total project investment is anticipated to be approximately \$3.0 to \$3.5 billion. WGL Midstream will invest, in scheduled capital contributions through the in-service date of the pipeline, its pro rata share (based on its 7% equity interest) of project costs, for an estimated aggregate amount of approximately \$210 to \$245 million. In addition, WGL Midstream entered into a gas purchase commitment to buy 500,000 dekatherms of natural gas per day, at index-based prices, for a 20 year term and we will also be a shipper on the proposed pipeline.

Contractual Obligations, Off-Balance Sheet Arrangements and other Commercial Commitments

Contractual Obligations

WGL and Washington Gas have certain contractual obligations incurred in the normal course of business that require fixed and determinable payments in the future. These commitments include long-term debt, lease obligations, unconditional purchase obligations for pipeline capacity, transportation and storage services, certain natural gas and electricity commodity commitments and our commitments related to the business process outsourcing program.

The total estimated purchase obligations for WGL as of September 30, 2015 for future fiscal years are shown below.

ESTIMATED CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

		Years	En	ded September	r 3(),			
(In millions)	2016	2017		2018		2019	2020	Thereafter	Total
Pipeline and storage contracts ^(a)	\$ 232.4 \$	221.2	\$	216.4	\$	272.8	\$ 265.2	\$ 2,224.6	\$ 3,432.6
Long-term debt(b)	25.0	-		-		50.0	150.0	746.0	971.0
Interest expense ^(c)	48.4	48.1		48.1		45.0	40.1	627.8	857.5
Gas purchase commitments(d)									
—Washington Gas	340.6	413.8		403.4		396.6	413.6	4,819.0	6,787.0
-WGL Energy Services	156.4	67.8		9.7		0.5	-	-	234.4
-WGL Midstream(e)	252.9	348.6		1,082.6		1,650.9	1,866.4	32,117.1	37,318.5
Electric purchase commitments ^(f)	477.4	215.8		56.3		6.2	1.1	-	756.8
Operating leases	6.4	5.8		5.9		2.7	2.8	23.1	46.7
Business process outsourcing(g)	34.1	23.3		17.5		16.9	16.6	-	108.4
Other long-term commitments ^(h)	5.5	4.4		2.5		0.6	0.7	0.8	14.5
Total	\$ 1,579.1 \$	1,348.8	\$	1,842.4	\$	2,442.2	\$ 2,756.5	\$ 40,558.4	\$ 50,527.4

- Represents minimum payments for natural gas transportation, storage and peaking contracts for Washington Gas, WGL Energy Services and WGL Midstream.
- Represents scheduled repayment of principal.
- Represents the scheduled interest payments associated with long-term debt for WGL and Washington Gas.
- Includes known and reasonably likely commitments to purchase fixed volumes of natural gas. Cost estimates are based on forward market prices as of September 30, 2015. Certain of our gas purchase agreements have optionality, which may cause increases in these commitments.
- Includes gas purchase commitments to be sold under a gas sale and purchase, and capacity agreement with GAIL Global (USA) LNG LLC, a subsidiary of GAIL (India) Limited, under which WGL Midstream has agreed to sell and deliver a minimum of 340,000 dekatherms per day and up to 430,000 dekatherms per day of natural gas, for a term of 20 years from the in-service date of the export facility. Also includes gas purchase commitments related to certain of our investments.
- Represents electric purchase commitments that are based on existing fixed price and fixed volume contracts. Includes \$15.7 million related to renewable energy
- Represents fixed costs to service providers related to various contracts for business process outsourcing. For one of the business process outsourcing contracts, these payments do not reflect potential inflationary adjustments of \$7.8 million over the remaining term of the contract.
- Includes secured supply agreements' minimum program fees, certain information technology service contracts and committed payments related to certain environmental response costs and excludes uncertain tax positions.

The table above reflects fixed and variable obligations. Certain of these estimates reflect likely purchases under various contracts, and may differ from minimum future contractual commitments disclosed in Note 13 — Commitments of the Notes to Consolidated Financial Statements.

For commitments related to Washington Gas' pension and postretirement benefit plans, during fiscal year 2015, Washington Gas did not contribute to its qualified pension plan but did contribute \$1.8 million to its non-funded DB SERP. In addition, Washington Gas contributed \$16.0 million to its health and life insurance benefit plans during fiscal year 2015. During fiscal year 2016, Washington Gas does not expect to make a contribution to its qualified pension plan but does expect to make a payment totaling \$4.8 million to its non-funded DB SERP. Washington Gas expects to make a contribution of \$16.0 million to its health and life insurance benefit plans during fiscal year 2016. For a further discussion of our pension and post-retirement benefit plans, refer to Note 10—Pension and Other Post-Retirement Benefit Plans of the Notes to Consolidated Financial Statements.

Off-Balance Sheet Arrangements

WGL has provided contributions and guarantees to Meade on behalf of WGL Midstream. As of September 30, 2015, our maximum exposure to loss was \$59.4 million. WGL has provided guarantees to Mountain Valley on behalf of WGL Midstream and another partner in the venture. WGL's maximum exposure to loss due to the provided guarantees was \$20.0 million at September 30, 2015. Refer to Note 17 — Other Investments of the Notes to Consolidated Financial Statements for a further discussion of our Meade and Mountain Valley investments.

Financial Guarantees

WGL has guaranteed payments primarily for certain commitments on behalf of Washington Gas, WGL Energy Services, WGL Energy Systems and WGL Midstream. At September 30, 2015, these guarantees totaled \$30.7 million, \$230.1 million, \$8.5 million and \$318.3 million for Washington Gas, WGL Energy Services, WGL Energy Systems and WGL Midstream, respectively.

At September 30, 2015, WGL also had guarantees on behalf of other subsidiaries totaling \$2.0 million. The amount of such guarantees is periodically adjusted to reflect changes in the level of WGL's financial exposure related to these commitments. For all of our financial guarantees, WGL may cancel any or all future obligations upon written notice to the counterparty, but WGL would continue to be responsible for the obligations created under the guarantees prior to the effective date of the cancellation. WGL has also guaranteed payments for certain of our external partners. At September 30, 2015, these guarantees totaled \$8.1 million.

Operating Issues Related To Changes in Natural Gas Supply

In fiscal year 2005, Washington Gas began addressing a significant increase in the number of natural gas leaks on its distribution system in certain geographic areas. Natural gas containing a low concentration of HHCs caused the seals in certain mechanical

couplings in Washington Gas' distribution system to shrink, increasing the propensity for the coupling to leak. Independent laboratory tests performed on behalf of Washington Gas showed that the injection of HHCs offset the effect of the low HHC gas on the seals in couplings, reducing their propensity to leak.

Washington Gas constructed three facilities to inject HHCs into the gas stream entering the Washington Gas distribution system and replaced gas service lines and replaced or rehabilitated gas mains that contained the affected mechanical couplings in certain geographic areas. Additionally, Washington Gas continues to mitigate the impact of low HHC gas from whatever source through the operation of three HHC injection facilities and its accelerated pipeline replacement programs in all three of its jurisdictions. These accelerated pipeline replacement programs include the replacement of higher risk mains and services, including vintage mechanically coupled mains and services (refer to the section "Accelerated Pipeline Replacement Programs" for further discussion of these programs).

Credit Risk

Wholesale Credit Risk

Certain wholesale suppliers that sell natural gas to any or all of Washington Gas, WGL Energy Services, and WGL Midstream and electricity to WGL Energy Services, may have relatively low credit ratings or may not be rated by major credit rating agencies.

Washington Gas enters into transactions with wholesale counterparties for the purpose of meeting firm ratepayer commitments, to optimize the value of its long-term capacity assets, and for hedging natural gas costs. In the event of a counterparty's failure to deliver contracted volumes of gas or fulfill its payment obligations, Washington Gas may incur losses that would typically be passed through to its sales customers under the purchased gas cost adjustment mechanisms. Washington Gas may be at risk for financial loss to the extent these losses are not passed through to its customers.

For WGL Energy Services, any failure of wholesale counterparties to deliver natural gas or electricity under existing contracts could cause financial exposure for the difference between the price at which WGL Energy Services has contracted to buy these commodities and their replacement cost from another supplier. To the extent that WGL Energy Services sells natural gas to these wholesale counterparties, WGL Energy Services may be exposed to payment risk if WGL Energy Services is in a net receivable position. Additionally, WGL Energy Services enters into contracts with counterparties to hedge the costs of natural gas and electricity. Depending on the ability of the counterparties to fulfill their commitments, WGL Energy Services could be at risk for financial loss.

WGL Midstream enters into transactions with wholesale counterparties to hedge and optimize its portfolio of owned and managed natural gas assets. Any failure of wholesale counterparties

to deliver natural gas under existing contracts could cause financial exposure for the difference between the price at which WGL Midstream has contracted to buy these commodities and their replacement cost. To the extent that WGL Midstream sells natural gas to these wholesale counterparties, WGL Midstream may be exposed to payment risk if it is in a net receivable position. In addition, WGL Midstream enters into contracts with counterparties to hedge the costs of natural gas. Depending on the ability of the counterparties to fulfill their commitments, WGL Midstream could be at risk for financial loss.

Washington Gas, WGL Energy Services, and WGL Midstream operate under an existing wholesale counterparty credit policy that is designed to mitigate credit risks through requirements for credit enhancements including, but not limited to, letters of credit, parent guarantees and cash collateral when deemed necessary. In accordance with this policy, Washington Gas, WGL Energy Services, and WGL Midstream have each obtained credit enhancements from certain of their counterparties. If certain counterparties or their guarantors meet the policy's creditworthiness criteria, Washington Gas, WGL Energy Services, and WGL Midstream may grant unsecured credit to those counterparties or their guarantors. The creditworthiness of all counterparties is continuously monitored.

Washington Gas, WGL Energy Services and WGL Midstream are also subject to the collateral requirements of their counterparties. At September 30, 2015, Washington Gas, WGL Energy Services and WGL Midstream provided \$3.5 million, \$22.6 million and \$3.6 million in cash collateral to counterparties, respectively.

The following table provides information on our credit exposure, net of collateral, to wholesale counterparties as of September 30, 2015 for Washington Gas, WGL Energy Services and WGL Midstream, separately.

CREDIT EXPOSURE TO WHOLESALE COUNTERPARTIES (In million	CREDIT EXPOSI	RE TO WHOLESAL	E COUNTERPARTIES	(In millions)
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$Rating^{(a)}$	Exposure Before Credit Collateral ^(b)	Offsetting Credit Collateral Held ^(c)	Net Exposure	Number of Counterparties Greater Than 10% ^(d)	Net Exposure of Counterparties Greater Than 10%
Washington Gas					
Investment Grade	\$ 27.3	-	\$ 27.3	1	\$ 17.5
Non-Investment Grade	-	-	-	-	-
No External Ratings	2.0	-	2.0	-	-
WGL Energy Services					
Investment Grade	\$ 0.9	-	\$ 0.9	1	\$ 0.7
Non-Investment Grade	-	-	-	-	-
No External Ratings	0.2	-	0.2	-	-
WGL Midstream					
Investment Grade	\$ 23.2	-	\$ 23.2	2	\$ 17.4
Non-Investment Grade	-	-	-	-	-
No External Ratings	2.9	-	2.9	-	_

Investment Grade is primarily determined using publicly available credit ratings of the counter-party. If the counter party has provided a guarantee by a higher-rated entity (e.g., its parent), it is determined based upon the rating of it guarantor. Included in "Investment Grade" are counterparties with a minimum Standard & Poor's or Moody's Investor Service rating of BBB- or Baa3, respectively.

Retail Credit Risk

Washington Gas is exposed to the risk of non-payment of utility bills by certain of its customers. To manage this customer credit risk, Washington Gas may require cash deposits from its high risk customers to cover payment of their bills until the requirements for the deposit refunds are met. In addition, Washington Gas implemented a purchase of receivables (POR) program as approved by the PSC of MD, whereby it purchases receivables from participating energy marketers at approved discount rates. Under the program, Washington Gas is exposed to the risk of nonpayment by the retail customers for these receivables. This risk is factored into the approved discount rate at which Washington Gas purchases the receivables.

WGL Energy Services is also exposed to the risk of non-payment by its retail customers. WGL Energy Services manages this risk by evaluating the credit quality of certain new customers as well as by monitoring collections from existing customers. To the extent necessary, WGL Energy Services can obtain collateral from, or terminate service to, its existing customers based on credit quality criteria. In addition, WGL Energy Services participates in POR programs with certain Maryland, District of Columbia and Pennsylvania utilities, whereby it sells its receivables to various utilities at approved discount rates. Under the POR programs, WGL Energy Services is exposed to the risk of non-payment by its retail customers for delivered commodities that have not yet

been billed. Once the invoices are billed, however, the associated credit risk is assumed by the purchasing utilities that sponsor POR programs. While participation in POR programs reduce the risk of collection and fixes a discount rate on the receivables, there is a risk that the discount rate paid to participate in the POR program will exceed the actual bad debt expense and billing fees associated with these receivables.

WGL Energy Systems is subject to retail credit risk associated with customers who purchase electricity under long term agreements from distributed generation assets owned by the company. The customers undergo credit evaluation prior to contract execution and are monitored periodically during the contract term for payment performance and credit quality. These steps mitigate credit risk associated with the distributed generation asset customers.

WGSW is indirectly subject to retail credit risk associated with non-payment by customers who lease distributed energy equipment or maintain energy service agreements through ASD Solar LP, Nextility and SunEdison. This credit risk is mitigated with minimum credit quality criteria established in each of WGSW's agreements. These criteria must be satisfied for WGSW to participate in the project financing arrangement or partnership interest.

WGL Midstream is not subject to retail credit risk.

Market Risk

We are exposed to various forms of market risk including commodity price risk, weather risk and interest-rate risk. The following discussion describes these risks and our management of them.

Includes the net of all open positions on energy-related derivatives subject to mark-to-market accounting requirements and the net receivable/payable for the realized transactions. Amounts due from counterparties are offset by liabilities payable to those counterparties to the extent that contractual netting arrangements are in place.

Represents cash deposits and letters of credit received from counterparties, not adjusted for probability of default.

Using a percentage of the net exposure.

Price Risk Related to the Regulated **Utility Segment**

Washington Gas faces price risk associated with the purchase and sale of natural gas. Washington Gas generally recovers the cost of the natural gas to serve customers through gas cost recovery mechanisms as approved in jurisdictional tariffs; therefore, a change in the price of natural gas generally has no direct effect on Washington Gas' net income. However, Washington Gas is responsible for following competitive and reasonable practices in purchasing natural gas for its customers.

To manage price risk associated with its natural gas supply to its firm customers, Washington Gas: (i) actively manages its gas supply portfolio to balance sales and delivery obligations; (ii) injects natural gas into storage during the summer months when prices are generally lower, and withdraws that gas during the winter heating season when prices are generally higher and (iii) enters into hedging contracts and other contracts that qualify as derivative instruments related to the sale and purchase of natural gas.

Washington Gas executes commodity-related physical and financial contracts in the form of forward, futures and option contracts as part of an asset optimization program that is managed by its internal staff. Under this program, Washington Gas realizes value from its long-term natural gas transportation and storage capacity resources when they are not being fully used to serve utility customers. Regulatory sharing mechanisms in all three jurisdictions allow the profit from these transactions to be shared between Washington Gas' customers and shareholders.

The following two tables summarize the changes in the fair value of our net assets (liabilities) associated with the Regulated Utility segment's energy-related derivatives during the fiscal year ended September 30, 2015.

REGULATED UTILITY SEGMENT CHANGES IN FAIR VALUE OF ENERGY-RELATED DERIVATIVES

(In millions)	
Net assets (liabilities) at September 30, 2014	\$ (282.2)
Net fair value of contracts entered into during the period	7.0
Other changes in net fair value	(39.9)
Realized net settlement of derivatives	29.3
Net assets (liabilities) at September 30, 2015	\$ (285.8)

REGULATED UTILITY SEGMENT ROLL FORWARD OF ENERGY-RELATED DERIVATIVES

(In millions)	
Net assets (liabilities) at September 30, 2014	\$ (282.2)
Recorded to income	(14.5)
Recorded to regulatory assets/liabilities	(18.4)
Realized net settlement of derivatives	29.3
Net assets (liabilities) at September 30, 2015	\$ (285.8)

The maturity dates of our net assets (liabilities) associated with the regulated utility segment's energy-related derivatives recorded at fair value at September 30, 2015, is summarized in the following table based on the level of the fair value calculation under ASC Topic 820:

REGULATED UTILITY SEGMENT MATURITY OF NET ASSETS (LIABILITIES) ASSOCIATED WITH OUR ENERGY-RELATED DERIVATIVES

(In millions)	2016		2017	2018	2019	20	20	The	ereafter	Total	
Level 1 — Quoted prices in active markets	\$	- \$	-	\$ -	\$ -	\$	-	\$	-	\$	-
Level 2 — Significant other observable inputs	(2	.3)	(2.5)	0.1	-		-		-		(4.7)
Level 3 — Significant unobservable inputs	(27	.0)	(37.8)	(30.4)	(24.1)		(20.4)		(141.4)	(2	281.1)
Total net assets (liabilities) associated with our energy-related derivatives	\$ (29	.3) \$	(40.3)	\$ (30.3)	\$ (24.1)	\$	(20.4)	\$	(141.4)	\$ (2	285.8)

Refer to Note 14—Derivative and Weather-Related Instruments and Note 15—Fair Value Measurements of the Notes to Consolidated Financial Statements for a further discussion of our derivative activities and fair value measurements.

Price Risk Related to the Non-Utility Segments

Retail Energy Marketing

Our retail energy-marketing subsidiary, WGL Energy Services, sells natural gas and electricity to retail customers at both fixed and indexed prices. WGL Energy Services must manage daily and seasonal demand fluctuations for these products with its suppliers. Price risk may exist to the extent WGL Energy Services does not closely match the timing and volume of natural gas and electricity it purchases with the related fixed price or indexed sales commitments. WGL Energy Services' risk management policies and procedures are designed to minimize this risk.

A portion of WGL Energy Services' annual natural gas sales volumes is subject to variations in customer demand associated with fluctuations in weather and other factors. Purchases of natural gas to fulfill retail sales commitments are generally made under fixed-volume contracts based on certain weather assumptions. If there is significant deviation from normal weather or from other factors that affect customer usage or utility delivery requirements, purchase commitments may differ significantly from actual customer usage. To the extent that WGL Energy Services cannot match its customer requirements and supply commitments, it may be exposed to commodity price and volume variances, which could negatively impact expected gross margins (refer to the section entitled "Weather Risk" for further discussion of our management of weather risk). WGL Energy Services manages these risks through the use of derivative instruments, including financial products.

WGL Energy Services procures electricity supply under contract structures in which WGL Energy Services assumes the responsibility of matching its customer requirements with its supply purchases. WGL Energy Services assembles the various components of supply, including electric energy from various suppliers, and capacity, ancillary services and transmission service from the PJM Interconnection, a regional transmission organization, in matching its customer requirements obligations. While the capacity and transmission costs within PJM are generally stable and identifiable several years into the future, the cost of ancillary services which support the reliable operation of the transmission system does fluctuate as changes occur in the balance between generation and the consumption mix within the electric system.

WGL Energy Services could be exposed to price risk associated with changes in ancillary costs due to lack of available forward market products to sufficiently hedge those risks. Commercial retail contracts for larger customers often include terms which permit WGL Energy Services to pass through regulatory approved changes in capacity and transmission costs, as well as some changes in ancillary costs. These terms reduce the price risk exposure related to these changes for WGL Energy Services.

To the extent WGL Energy Services has not sufficiently matched its customer requirements with its supply commitments, it could be exposed to electricity commodity price risk. WGL Energy Services manages this risk through the use of derivative instruments, including financial products.

WGL Energy Services' electric business is also exposed to fluctuations in weather and varying customer usage. Purchases generally are made under fixed-price, fixed-volume contracts that are based on certain weather assumptions. If there are significant deviations in weather or usage from these assumptions, WGL Energy Services may incur price and volume variances that could negatively impact expected gross margins (refer to the section entitled "Weather Risk" for further discussion of our management of weather risk).

The following two tables summarize the changes in the fair value of our net assets (liabilities) associated with the Retail Energy-Marketing segment's energy-related derivatives during the fiscal year ended September 30, 2015.

RETAIL ENERGY-MARKETING SEGMENT CHANGES IN FAIR VALUE OF ENERGY-RELATED DERIVATIVES

(In millions)	
Net assets (liabilities) at September 30, 2014	\$ (5.4)
Net fair value of contracts entered into during the period	(7.1)
Other changes in net fair value	(19.2)
Realized net settlement of derivatives	1.7
Net assets (liabilities) at September 30, 2015	\$ (30.0)

RETAIL ENERGY-MARKETING SEGMENT ROLL FORWARD OF ENERGY-RELATED DERIVATIVES

(In millions)	
Net assets (liabilities) at September 30, 2014	\$ (5.4)
Recorded to income	(22.5)
Recorded to accounts payable	(3.8)
Realized net settlement of derivatives	1.7
Net assets (liabilities) at September 30, 2015	\$ (30.0)

The maturity dates of our net assets (liabilities) associated with the retail energy-marketing segments' energy-related derivatives recorded at fair value at September 30, 2015 is summarized in the following table based on the level of the fair value calculation under ASC Topic 820:

RETAIL ENERGY-MARKETING SEGMENT MATURITY OF NET ASSETS (LIABILITIES) ASSOCIATED WITH OUR ENERGY-RELATED DERIVATIVES

(In millions)	20	2016		2017		2018		2019		2020	Thereafter		Total	
Level 1 — Quoted prices in active markets	\$	-	\$	-	\$	-	\$		-	\$	- \$	-	\$	-
Level 2 — Significant other observable inputs		(13.4)		(1.4)		(0.7)			-		-	-		(15.5)
Level 3 — Significant unobservable inputs		(2.8)		(10.8)		(0.9)			-		-	-		(14.5)
Total net assets (liabilities) associated with our energy-related derivatives	\$	(16.2)	\$	(12.2)	\$	(1.6)	\$		_	\$	- \$	_	\$	(30.0)

Refer to Note 14—Derivative and Weather-Related Instruments and Note 15—Fair Value Measurements of the Notes to Consolidated Financial Statements for a further discussion of our derivative activities and fair value measurements.

Commercial Energy Systems

WGL Energy Systems sells electricity and RECs from distributed generation assets. The sale of electricity is under long term power purchase agreements (PPAs) with a general duration of 20 years, while the sale of RECs are usually under shorter term or immediate delivery contracts. Weather patterns have an effect on WGL Energy Systems solar generation assets to the extent that output is reduced. WGL Energy Systems mitigates this risk by negotiating unit contingency and other measures to limit exposure in the PPAs. WGL Energy Systems may also be exposed to REC price risk. The REC market has limited visibility to forward market prices. WGL Energy Systems mitigates this price risk by entering into bundled energy and REC long-term purchase agreements and independent forward REC sale agreements, when possible.

WGL Energy Systems also earns revenues by providing energy efficiency and sustainability solutions to governmental agencies using various contractual vehicles, including the area wide contract and earning margins between the price the solutions are sold, and the cost to design and build them. Margins may be eroded by an

underestimation of costs. WGL Energy Systems also conducts business with government agencies and may face revenue risk when such government agencies do not receive appropriations funding or projects are unfunded by Congress.

WGSW holds project financing arrangements and a limited partnership interest associated with distributed generating solar assets acquired at a fair market value based on an independent appraisal. The project financing arrangements allow WGSW to lease back those solar assets to the counterparty with a fixed target rate of return over a period of 6-20 years. WGSW may also enter into limited partnership interests where solar assets are purchased by and leased to retail customers through the partnership. The purchased solar assets are expected to achieve a target rate of return from the lease payments being collected from the retail customers. WGSW manages this price risk through its investment agreements and evaluation of the asset purchase in conjunction with the inception of the lease.

Midstream Energy Services

WGL Midstream engages in wholesale commodity transactions to optimize its owned and managed natural gas assets. Price risk exists to the extent WGL Midstream does not closely match the volume of physical natural gas in storage with the related forward sales entered into as hedges. WGL Midstream mitigates this risk by actively managing and hedging these assets in accordance with corporate risk management policies and procedures. Depending upon the nature of its forward hedges, WGL Midstream may also be exposed to fluctuations in mark-to-market valuations based on changes in forward price curves. WGL Midstream pays fixed, fair market prices for its owned storage assets and is subject to variations in annual summer-winter price differentials associated with weather and other market factors. To the extent there are significant variations in weather, WGL Midstream may incur price variances that negatively impact expected gross margins (refer to the section entitled "Weather Risk" for further discussion of our management of weather risk). WGL Midstream manages this risk through the use of derivative instruments, including financial products.

The following two tables summarize the changes in the fair value of our net assets (liabilities) associated with the Midstream Energy Services segments' energy-related derivatives during the fiscal year ended September 30, 2015.

MIDSTREAM ENERGY SERVICES SEGMENT CHANGES IN FAIR VALUE OF ENERGY-RELATED DERIVATIVES

(In millions)	
Net assets (liabilities) at September 30, 2014	\$ (29.0)
Net fair value of contracts entered into during the period	46.1
Other changes in net fair value	4.0
Realized net settlement of derivatives	(42.9)
Net assets (liabilities) at September 30, 2015	\$ (21.8)

MIDSTREAM ENERGY SERVICES SEGMENT ROLL FORWARD OF ENERGY-RELATED DERIVATIVES

(In millions)	
Net assets (liabilities) at September 30, 2014	\$ (29.0)
Recorded to income	50.1
Realized net settlement of derivatives	(42.9)
Net assets (liabilities) at September 30, 2015	\$ (21.8)

The maturity dates of our net assets (liabilities) associated with the Midstream Energy Services segments' energy-related derivatives recorded at fair value at September 30, 2015 is summarized in the following table based on the level of the fair value calculation under ASC Topic 820:

MIDSTREAM ENERGY SERVICES SEGMENT MATURITY OF NET ASSETS (LIABILITIES) ASSOCIATED WITH OUR ENERGY-RELATED DERIVATIVES

(In millions)	2016		2	2017		2018		2019	2020	Thereafter		Total	
Level 1 — Quoted prices in active markets	\$	-	\$	-	\$	-	\$	- \$	-	\$	-	\$	-
Level 2 — Significant other observable inputs		8.0		0.2		0.1		-	-		-	6	8.3
Level 3 — Significant unobservable inputs		(5.9)		(6.3)		(6.1)		(3.3)	(1.4))	(7.1)	(30	80.1)
Total net assets associated with our energy-related													
derivatives	\$	2.1	\$	(6.1)	\$	(6.0)	\$	(3.3) \$	(1.4)	\$	(7.1)	\$ (2	21.8)

Refer to Note 14—Derivative and Weather-Related Instruments and Note 15—Fair Value Measurements of the Notes to Consolidated Financial Statements for a further discussion of our derivative activities and fair value measurements.

Value-at-Risk

WGL Energy Services measures the market risk of its energy commodity portfolio by determining its value-at-risk. Value-at-risk is an estimate of the maximum loss that can be expected at some level of probability if a portfolio is held for a given time period. The value-at-risk calculation for natural gas and electric portfolios include assumptions for normal weather, new customer additions and renewing customers for which supply commitments have been secured. Based on a 95% confidence interval for a one-day holding period, WGL Energy Services' value-at-risk at September 30, 2015

was approximately \$24,800 and \$22,800, related to its natural gas and electric portfolios, respectively. At September 30, 2014, WGL Energy Services' value-at-risk was approximately \$64,900 and \$144,300, related to its natural gas and electric portfolios, respectively. WGL Energy Services' value-at-risk for the natural gas and electric portfolios fluctuate relative to market prices and portfolio composition. The high, low and average value-at-risk for natural gas and electric portfolios between October 1, 2014 and September 30, 2015 and between October 1, 2013 and September 30, 2014, respectively, are noted in the table below.

WGL ENERGY SERVICES VALUE-AT-RISK AT SEPTEMBER 30, 2015

(In thousands)	High	Low	Average
Natural Gas Portfolio	\$ 105.8 \$	12.2	\$ 53.1
Electric Portfolio	95.6	9.1	29.3
Total	\$ 201.4 \$	21.3	\$ 82.4

WGL ENERGY SERVICES VALUE-AT-RISK AT SEPTEMBER 30, 2014

(In thousands)	High	Low	Average
Natural Gas Portfolio	\$ 397.0 \$	13.9 \$	95.8
Electric Portfolio	284.7	10.1	72.4
Total	\$ 681.7 \$	24.0 \$	168.2

Weather Risk

We are exposed to various forms of weather risk in both our regulated utility and non-utility business segments. Washington Gas' operations are seasonal, with a significant portion of its revenues derived from the delivery of natural gas to residential and commercial heating customers during the winter heating season. Weather conditions directly influence the volume of natural gas delivered by Washington Gas. Weather patterns tend to be more volatile during "shoulder" months within our fiscal year in which Washington Gas is going into or coming out of the primary portion of its winter heating season. During the shoulder months within quarters ending December 31 (particularly in October and November) and June 30 (particularly in April and May), customer heating usage may not highly correlate with historical levels or with the level of heating degree days (HDDs) that occur, particularly when weather patterns experienced are not consistently cold or warm.

To the extent Washington Gas does not have weather related instruments or billing adjustment mechanisms in place, its revenues are volume driven and its current rates are based upon

an assumption of normal weather. In the District of Columbia, without weather protection strategies, variations from normal weather will cause our earnings to increase or decrease depending on the weather pattern.

The financial results of our retail energy-marketing business, WGL Energy Services, are affected by variations from normal weather primarily in the winter relating to its natural gas sales, and throughout the fiscal year relating to its electricity sales. WGL Energy Services manages these weather risks with, among other things, weather related instruments.

Weather patterns have an effect on WGL Energy Systems solar generation assets to the extent that output is reduced. WGL Energy Systems mitigates weather risk by negotiating unit contingency and other measures to limit exposure in the PPAs.

Variations from normal weather may also affect the financial results of our wholesale energy business, WGL Midstream, primarily with regards to summer-winter price differentials between time periods and transportation delivery locations throughout the fiscal year. WGL Midstream manages these weather risks with, among other things, physical and financial hedging products.

Billing Adjustment Mechanisms

In Maryland, Washington Gas has a Revenue Normalization Adjustment (RNA) billing mechanism that is designed to stabilize the level of net revenues collected from Maryland customers by eliminating the effect of deviations in customer usage caused by variations in weather from normal levels and other factors such as conservation. In Virginia, Washington Gas has a Weather Normalization Adjustment (WNA) billing adjustment mechanism that is designed to eliminate the effect of variations in weather from normal levels on utility net revenues. Additionally, in Virginia, as part of the Conservation and Ratemaking Efficiency (CARE) plan, Washington Gas has a CARE Ratemaking Adjustment (CRA) mechanism that, in conjunction with the WNA, eliminates the effect of both weather and other factors such as conservation for residential, small commercial and industrial and group metered apartment customers.

For the RNA, WNA and CRA mechanisms, periods of colderthan-normal weather generally would cause Washington Gas to record a reduction to its revenues and establish a refund liability to customers, while the opposite would generally result during periods of warmer-than-normal weather. However, factors such as volatile weather patterns and customer conservation may cause the RNA and the CRA mechanisms to function conversely because they adjust billed revenues to provide a designed level of net revenue per meter.

Weather-Related Instruments

WGL Energy Services utilizes heating degree day (HDD) instruments from time to time to manage weather risks related to its natural gas and electricity sales. Additionally, to protect against the effects of warmer than normal weather in the District of Columbia, Washington Gas may also utilize HDD instruments. WGL Energy Services also utilizes cooling degree day (CDD) instruments and other instruments to manage weather and price risks related to its electricity sales during the summer cooling season. These instruments cover a portion of estimated revenue or energyrelated cost exposure to variations in HDDs or CDDs. Refer to Note 14—Derivative and Weather-Related Instruments of the Notes to Consolidated Financial Statements for further discussion of the accounting for these weather-related instruments.

Interest-Rate Risk

We are exposed to interest-rate risk associated with our short-term and long-term financing. WGL and Washington Gas utilize derivative instruments from time to time in order to minimize its exposure to the risk of interest-rate volatility.

Short-Term Debt

At September 30, 2015 and 2014, WGL and its subsidiaries had outstanding notes payable of \$332.0 million and \$453.5 million, respectively. The carrying amount of our short-term debt approximates fair value. In the current quarter, a change of 100 basis points in the underlying average interest rate for our shortterm debt would have caused a change in interest expense of approximately \$1.9 million.

Long-Term Debt

At September 30, 2015, WGL had outstanding fixed-rate MTNs and other long-term debt of \$944.2 million, excluding current maturities and unamortized discounts. While fixed-rate debt does not expose us to earnings risk when market interest rates change, such debt is subject to changes in fair value. Fair value is defined as the present value of the debt securities' future cash flows discounted at interest rates that reflect market conditions as of the measurement date. As of September 30, 2015, the fair value of WGL's fixed-rate debt was \$1,057.9 million. Our sensitivity analysis indicates that fair value would increase by approximately \$48.0 million or decrease by approximately \$44.2 million if interest rates were to decline or increase by 10%, respectively, from current market levels. At September 30, 2015, Washington Gas had outstanding fixed-rate MTNs and other long-term debt of \$695.9 million, excluding current maturities and unamortized discounts. As of September 30, 2015, the fair value of Washington Gas' fixed-rate debt was \$811.9 million. Our sensitivity analysis indicates that fair value would increase by approximately \$35.7 million or decrease by approximately \$33.0 million if interest rates were to decline or increase by 10%, respectively, from current market levels. In general, such an increase or decrease in fair value would impact earnings and cash flows only if WGL or Washington Gas were to reacquire some or all of these instruments in the open market prior to their maturity.

A total of \$802.5 million, or approximately 84.8%, of WGL's outstanding long-term debt, excluding current maturities, have make-whole call options which, if exercised, would require us to pay a premium over the face amount.

A total of \$552.5 million, or approximately 79.4%, of Washington Gas' outstanding long-term debt, excluding current maturities, have make-whole call options which, if exercised, would require us to pay a premium over the face amount

Derivative Instruments

During September 2014, WGL entered into interest rate swaps in anticipation of its \$150.0 million 30-year debt issuance completed in October and December of 2014. WGL elected cash flow hedge accounting for these interest rate derivative instruments. Therefore, the effective portion of the gains and losses on the hedge were recorded within other comprehensive income and is being amortized over the life of the underlying debt (through 2044). In connection with the issuance of \$125.0 million of debt on October 22, 2014, WGL settled a portion of the interest rate hedge for a loss of \$7.7 million. On December 15, 2014, WGL settled the remaining portion of the outstanding interest rate swap when it issued \$25.0 million of MTN's, for a loss of \$2.6 million. During the fiscal year ended September 30, 2015, a total of \$0.4 million was recorded to income as a result of the ineffective portion of the interest rate swaps.

In August 2015, WGL entered into two forward starting interest rate swap agreements, with a total notional amount of \$125.0 million associated with the expected issuance of 30-year debt in January 2018. Washington Gas, designated these agreements as cash flow hedges in accordance with ASC 815, with changes in fair value recorded through other comprehensive income. Refer to Note 14—Derivative and Weather-Related Instruments for further discussion of our interest-rate risk management activity.

Washington Gas Light Company

This section of Management's Discussion focuses on Washington Gas for the reported periods. In many cases, explanations and disclosures for both WGL and Washington Gas are substantially the same.

Results of Operations

The results of operations for the regulated utility segment and Washington Gas are substantially the same; therefore, this section primarily focuses on statistical information and other information that is not discussed in the results of operations for the regulated utility segment. Refer to the section entitled "Results of OperationsRegulated Utility" for a detailed discussion of the results of operations for the regulated utility segment.

Key gas delivery, weather and meter statistics are shown in the table below for the fiscal years ending September 30, 2015, 2014 and 2013.

GAS DELIVERIES, WEATHER AND METER STATISTICS

	Year	s Ended September 30	0,	Increase ((decrease)	
	2015	2014	2013	2015 vs. 2014	2014 vs. 2013	
Gas Sales and Deliveries (millions of therms)						
Firm						
Gas sold and delivered	932.3	939.1	841.4	(6.8)	97.7	
Gas delivered for others	558.1	535.5	488.2	22.6	47.3	
Total firm	1,490.4	1,474.6	1,329.6	15.8	145.0	
Interruptible						
Gas sold and delivered	2.1	2.2	2.9	(0.1)	(0.7)	
Gas delivered for others	260.3	267.7	270.9	(7.4)	(3.2)	
Total interruptible	262.4	269.9	273.8	(7.5)	(3.9)	
Electric generation—delivered for others	179.1	144.4	177.5	34.7	(33.1)	
Total deliveries	1,931.9	1,888.9	1,780.9	43.0	108.0	
Degree Days						
Actual	3,929	4,111	3,769	(182)	342	
Normal	3,758	3,751	3,775	7	(24)	
Percent colder (warmer) than normal	4.6%	9.6%	(0.2)%	n/a	n/a	
Average active customer meters	1,129,240	1,116,527	1,104,283	12,713	12,244	
New customer meters added	12,099	13,327	12,468	(1,228)	859	

Gas Service to Firm Customers

The volume of gas delivered to firm customers is highly sensitive to weather variability as a large portion of the natural gas delivered by Washington Gas is used for space heating. Washington Gas' rates are based on an assumption of normal weather. The tariffs in the Maryland and Virginia jurisdictions include provisions that consider the effects of the RNA and the WNA/CRA mechanisms, respectively, that are designed to, among other things, eliminate the effect on net revenues of variations in weather from normal levels (refer to the section entitled "Weather Risk" for a further discussion of these mechanisms and other weather-related instruments included in our weather protection strategy).

Fiscal Year 2015 vs. Fiscal Year 2014

During the fiscal year 2015, total firm gas deliveries increased by 15.8 million therms primarily due to the increase in average active customer meters of 12,713, as well as changes in natural gas consumption patterns, partially offset by warmer weather in the current period than in the same period of the prior year.

Weather, when measured by HDDs for fiscal year 2015 was 4.6% colder than normal, compared to 9.6% colder than normal for fiscal year 2014.

Many customers choose to buy the natural gas commodity from unregulated third party marketers, rather than purchase the natural gas commodity and delivery service from Washington Gas on a "bundled" basis. Natural gas delivered to firm customers but purchased from unregulated third party marketers represented 37.4% of total firm therms delivered during fiscal year 2015, compared to 36.3% of therms delivered during fiscal year 2014. On a per unit basis, Washington Gas earns the same net revenues from delivering gas for others as it earns from bundled gas sales in which customers purchase both the natural gas commodity and the associated delivery service from Washington Gas. Therefore, Washington Gas does not experience any loss in utility net revenues when customers choose to purchase the natural gas commodity from an unregulated third party marketer.

Fiscal Year 2014 vs. Fiscal Year 2013

During the fiscal year ended 2014, total gas deliveries to firm customers were 1,474.6 million therms, an increase of 145.0 million therms from 1,329.6 million therms in fiscal year 2013. This comparison in natural gas deliveries to firm customers primarily reflects colder weather during fiscal year 2014 compared to prior year and an increase in average active customer meters of 12,244.

Weather, when measured by HDDs for fiscal year 2014 was 9.6% colder than normal, compared to 0.2% warmer than normal for fiscal year 2013.

Natural gas delivered to firm customers but purchased from unregulated third party marketers represented 36.3% of total firm therms delivered during fiscal year 2014, compared to 36.7% of therms delivered during fiscal year 2013.

Gas Service to Interruptible Customers

Washington Gas must curtail or interrupt service to this class of customer when the demand by firm customers exceeds specified levels. Therm deliveries to interruptible customers decreased by 7.5 million therms in fiscal year 2015 compared to fiscal year 2014 primarily due to warmer weather during fiscal year 2015, as well as conversions of certain interruptible customers to firm service. Therm deliveries to interruptible customers decreased by 3.9 million therms in fiscal year 2014 compared to fiscal year 2013, reflecting interruptions to serve firm customers' increased demand due to colder weather.

In the District of Columbia, the effect on net income of any changes in delivered volumes and prices to interruptible customers is limited by margin-sharing arrangements that are included in Washington Gas' firm rate designs. Rates for interruptible customers in Maryland and Virginia are based on a traditional cost of service approach. In Virginia, Washington Gas retains a majority of the margins earned on interruptible gas and delivery sales. Washington Gas shares actual non-gas margins from interruptible sales service customers that are in excess of delivery service rates. In Maryland, Washington Gasretains a defined amount of revenues based on a set threshold.

Gas Service for Electric Generation

Washington Gas delivers natural gas for use at two electric generation facilities in Maryland that are each owned by companies independent of WGL. During fiscal year 2015, deliveries to these customers increased by 34.7 million therms from fiscal year 2014. During fiscal year 2014, deliveries to these customers decreased by 33.1 million therms from fiscal year 2013. Washington Gas shares with firm customers a significant majority of the margins earned from natural gas deliveries to these customers. Therefore, changes in the volume of interruptible gas deliveries to these customers do not materially affect either net revenues or net income.

Cost of Gas

Washington Gas' cost of natural gas purchased includes both fixed and variable components. Washington Gas pays fixed costs or "demand charges" to pipeline companies for system capacity needed to transport and store natural gas. Washington Gas pays variable costs, or the cost of the natural gas commodity itself, to natural gas producers and suppliers. Variations in the utility's cost of gas expense result from changes in gas sales volumes, the price of the gas purchased and the level of gas costs collected through the operation of firm gas cost recovery mechanisms. Under these regulated recovery mechanisms, Washington Gas records cost of gas expense equal to the cost of gas recovered from customers and included in revenues. The difference between the firm gas costs incurred and the gas costs recovered from customers is deferred on the balance sheet as an amount to be collected from or refunded to customers in future periods. Therefore, increases or decreases in the cost of gas associated with sales made to firm customers have no direct effect on Washington Gas' net revenues and net income. Changes in the cost of gas can cause significant variations in Washington Gas' cash provided by or used in operating activities. Washington Gas receives from or pays to its customers in the District of Columbia and Virginia, carrying costs associated with under-collected or over-collected gas costs recovered from its customers using short-term interest rates. Additionally, included in "Utility cost of gas" for Washington Gas are the net margins associated with our asset optimization program. To the extent these amounts are shared with customers, they are a reduction to the cost of gas invoiced to customers. Refer to the section entitled "Market Risk" for a further discussion of Washington Gas' optimization program.

The commodity cost of gas invoiced to Washington Gas (excluding the cost and related volumes applicable to asset optimization) were \$0.42, \$0.56, and \$0.38 per therm for fiscal years 2015, 2014 and 2013, respectively.

Interest Expense

The following table shows the components of Washington Gas' interest expense for the years ended September 30, 2015, 2014 and 2013. The increase in interest on long-term debt is primarily due to new issuances of unsecured MTNs and private placement notes.

COMPOSITION OF INTEREST EXPENSE

	Year	s En	ded Septemb	0,	Increase (Decrease)				
(In millions)	2015		2014		2013		2015 vs. 2014		4 vs. 2013
Interest on long-term debt	\$ 41.9	\$	36.9	\$	35.3	\$	5.0	\$	1.6
Other-net including allowance for funds used									
during construction	(0.1)		0.2		0.3		(0.3)		(0.1)
Total	\$ 41.8	\$	37.1	\$	35.6	\$	4.7	\$	1.5

Income Taxes

The following table shows Washington Gas' income tax expense and effective income tax rate for the years ended September 30, 2015, 2014 and 2013.

INCOME TAXES

		Years Ended September 30, Increase (Decr									
(In millions)	2015			2014		2013	2015 v	s. 2014	2014 vs. 2013		
Income before income taxes	\$	180.1	\$	145.9	\$	116.5	\$	34.2	\$	29.4	
Income tax expense		71.4		47.5		44.2		23.9		3.3	
Effective income tax rate		39.6%		32.6%)	37.9%		7.0%		(5.3)%	

The lower fiscal year 2014 effective income tax rate, when comparing to fiscal years 2015 and 2013, is a result of the tax benefit recorded during the first quarter of fiscal year 2014 for the reinstatement of regulatory assets related to the tax effect of Med D, causing the rate to be lower during that year. Refer to Note 9—Income Taxes of the Notes to the Consolidated Financial Statements for details.

Liquidity and Capital Resources

Liquidity and capital resources for Washington Gas are substantially the same as the liquidity and capital resources discussion included in the Management's Discussion of WGL (except for certain items and transactions that pertain to WGL Holdings and its unregulated subsidiaries). Those explanations are incorporated by reference into this discussion.

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.

SUMMARY OF MAJOR RATE INCREASE APPLICATIONS AND RESULTS

	Application	Effective	Test Year 12		Increase in Annual Revenues (Millions)					Allowed of Re	
Jurisdiction	Filed	Date	Months Ended	Requested			(Granted	Overall	Equity	
District of Columbia	2/29/2012	6/4/2013	9/30/2011	\$	29.0	14.00%	\$	8.4	4.03%	7.93%	9.25%
Maryland	4/26/2013	11/22/2013	3/31/2013	\$	28.3	5.80%	\$	8.9	1.80%	7.70%	9.50%
Virginia	1/31/2011	10/1/2011	9/30/2010	\$	28.5	5.75%	\$	20.0	4.04%	8.26%	9.75%

The following is a discussion of significant current regulatory matters. Refer to the section "Accelerated Pipe Replacement Programs" for a discussion of regulatory matters associated with those programs.

District of Columbia Jurisdiction

Investigation into Washington Gas' Cash Reimbursement to CSPs

On August 5, 2014, the Office of the People's Counsel's ("OPC") of DC filed a complaint with the PSC of DC requesting that the Commission open an investigation into Washington Gas' payments to CSPs to cash-out over-deliveries of natural gas supplies during the 2008-2009 winter heating season. OPC asserted that Washington Gas made excess payments in the amount of \$2.4 million to CSPs. On December 19, 2014, the PSC of DC granted the OPC of DC's request and opened a formal investigation. On October 27, 2015, the PSC of DC issued an order finding that the company, in performing the cash-out, had violated D.C. Code 34-1101's requirement that no service shall be provided without Commission approval. The PSC of DC directed Washington Gas to provide calculations showing what the impact would have been had Washington Gas made volumetric adjustments to CSP deliveries as of April 2009, which Washington Gas calculates would result in a refund of approximately \$2.4 million, which was recognized by WGL in fiscal year 2015. Washington Gas is considering its options with respect to the order.

Weather Normalization Adjustment

On November 8, 2013, Washington Gas filed an application for approval of a Weather Normalization Adjustment (WNA) before the PSC of DC. The proposal would authorize Washington Gas to implement a rate design mechanism that would eliminate the variability of weather from the calculation of revenues and offer customers more stability in their bills, during the colder than normal winter heating season. On April 10, 2015, the PSC of DC denied Washington Gas' application for approval of a WNA, indicating that Washington Gas may request a WNA in its next base rate case.

Virginia Jurisdiction

Affiliate Transactions

On June 5, 2013, Washington Gas submitted a petition for declaratory judgment with the State Corporations Commission of Virginia ("SCC of VA") related to a proposed transfer to WGL Midstream of the remainder of the term of two agreements for natural gas storage service at the Washington Storage Service (WSS) and Eminence Storage Service (ESS) storage fields. Specifically, Washington Gas sought a declaratory judgment that the SCC of VA did not have jurisdiction over the proposed transaction since the WSS and ESS agreements were no longer utilized to provide utility service and the SCC of VA was preempted by the federal authority over the transfers. On April 15, 2015, the SCC of VA approved the transfer of WSS and ESS but did not issue a ruling on the request for declaratory judgment.

Virginia Gas Reserves

In the 2014 Session, the General Assembly of the Commonwealth of Virginia amended Title 56 of the Virginia Code. The legislative provisions are intended to encourage regulated utilities to invest in natural gas reserves, upstream pipelines and facilities that are reasonably expected to benefit customers by lowering costs,

reducing volatility or lowering the utility's supply risk. A regulated utility company can obtain the recovery through its rates charged to customers for the entire incurred cost, including the return of and a return on the investment in reserves, as well as all operating costs.

Pursuant to the law, on May 6, 2015, Washington Gas entered into a 20-year agreement with Energy Corporation of America (ECA) to acquire natural gas reserves through non-operating working interests in 25 producing wells located in Pennsylvania's Appalachian Basin for \$126 million.

The purchase of the reserves is conditional upon approval by the SCC of VA. Washington Gas filed an application and supporting testimony with the SCC of VA on May 12, 2015, for approval of the gas reserves purchase agreement with ECA as part of a Natural Gas Supply Investment Plan. On November 6, 2015, the SCC of VA issued an order denying the application. Washington Gas is considering its options.

Other Matters

Labor Contracts

Washington Gas has four labor contracts with bargaining units represented by three labor unions. On April 30, 2015, Washington Gas entered into a five-year labor contract with the Teamsters Local Union No. 96 (Local 96), a union affiliated with the International Brotherhood of Teamsters. The contract covers approximately 520 employees and is effective from June 1, 2015 through May 31, 2020. Local 96 also represents union-eligible employees in the Shenandoah Gas division of Washington Gas and has a fiveyear labor contract with Washington Gas that became effective on August 1, 2015 and expires on July 31, 2020. This contract covers approximately 23 employees. On April 1, 2013, Washington Gas entered into a three-year labor contract with The Office and Professional Employees International Union Local No. 2 (A.F.L.-C.I.O.). The contract covers approximately 117 employees and is effective beginning April 1, 2013 through March 31, 2016. Additionally, on August 1, 2014, Washington Gas entered into a new three-year labor contract with the International Brotherhood of Electrical Workers Local 1900 that covers approximately 21 employees and will expire on July 31, 2017. Washington Gas is subject to the terms of its labor contracts with respect to operating practices and compensation matters dealing with employees represented by the various bargaining units described above.

Use of Business Process Outsourcing

Washington Gas outsources certain of its business processes related to human resources, information technology, consumer services, construction, integrated supplier and finance operations. While Washington Gas expects to continue agreements for the benefit of customers and shareholders, the continued management of service levels provided is critical to the success of these outsourcing arrangements.

Washington Gas has divided its BPO governance between functional areas within the organization, each containing a comprehensive set of processes to monitor and control the cost effectiveness and quality of services provided through the BPO.

Quantitative and Qualitative Disclosures about ITEM 7A **Market Risk**

The following issues related to our market risks are included under Item 7 of this report and are incorporated by reference into this discussion.

- Price Risk Related to the Regulated Utility Segment
- Price Risk Related to the Non-Utility Segments
- Value-At-Risk
- Weather Risk
- Interest-Rate Risk

Financial Statements and Supplementary Data WGL HOLDINGS, INC. CONSOLIDATED BALANCE SHEETS ITEM 8

		Septem	ber 30),
(In thousands)		2015		2014
ASSETS				
Property, Plant and Equipment	ф	5 002 010	ф	1.500.561
At original cost	\$	5,003,910	\$	4,582,764
Accumulated depreciation and amortization Net property, plant and equipment		(1,331,182) 3,672,728		(1,268,319) 3,314,445
Current Assets		3,072,720		3,314,443
Cash and cash equivalents		6,733		8,811
Receivables		0,7.00		0,011
Accounts receivable		276,358		222,253
Gas costs and other regulatory assets		5,797		3,752
Unbilled revenues		102,560		96,314
Allowance for doubtful accounts		(26,224)		(23,341)
Net receivables		358,491		298,978
Materials and supplies—principally at average cost		21,402		23,647
Storage gas		211,443		333,602
Deferred income taxes		32,842		26,664
Prepaid taxes		48,726		66,578
Other prepayments Derivatives		32,850		34,269
Assets held for sale		22,933 22,906		18,331
Other		23,057		24,635
Total current assets		781,383		835,515
Deferred Charges and Other Assets		701,000		033,313
Regulatory assets				
Gas costs		190,676		191,346
Pension and other post-retirement benefits		212,041		192,981
Other		80,018		71,638
Prepaid post-retirement benefits		138,629		96,385
Derivatives		32,132		18,739
Investments in direct financing leases, capital leases		35,234		18,159
Investments in unconsolidated affiliates		136,884		100,528
Other		14,476		16,763
Total deferred charges and other assets	ф	840,090	Ф	706,539
Total Assets CAPITALIZATION AND LIABILITIES	\$	5,294,201	\$	4,856,499
Capitalization				
Common shareholders' equity	\$	1,243,247	\$	1,246,576
Washington Gas Light Company preferred stock	Ψ	28,173	ψ	28,173
Long-term debt		944,201		679,228
Total capitalization		2,215,621		1,953,977
Current Liabilities				
Current maturities of long-term debt		25,000		20,000
Notes payable		332,000		453,500
Accounts payable and other accrued liabilities		325,146		313,221
Wages payable		21,091		19,995
Accrued interest		7,835		3,488
Dividends declared		23,377		22,449
Customer deposits and advance payments		88,897		68,318
				22,563
Gas costs and other regulatory liabilities		34,551		
Gas costs and other regulatory liabilities Accrued taxes		13,867		
Gas costs and other regulatory liabilities Accrued taxes Derivatives		13,867 63,504		14,133 48,555
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale		13,867 63,504 1,621		48,555
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other		13,867 63,504 1,621 46,025		48,555 - 34,063
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities		13,867 63,504 1,621		48,555 - 34,063
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other		13,867 63,504 1,621 46,025 982,914		48,555 - 34,063 1,020,285
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits		13,867 63,504 1,621 46,025 982,914		48,555 34,063 1,020,285 99,351
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits		13,867 63,504 1,621 46,025 982,914		48,555 34,063 1,020,285 99,351
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits Deferred income taxes		13,867 63,504 1,621 46,025 982,914 135,673 705,805		48,555 34,063 1,020,285 99,351 660,908 120,446
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits Deferred income taxes Accrued pensions and benefits		13,867 63,504 1,621 46,025 982,914 135,673 705,805 176,128		48,555 34,063 1,020,285 99,351 660,908 120,446
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits Deferred income taxes Accrued pensions and benefits Asset retirement obligations		13,867 63,504 1,621 46,025 982,914 135,673 705,805 176,128		48,555 34,063 1,020,285 99,351 660,908 120,446 175,203
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits Deferred income taxes Accrued pensions and benefits Asset retirement obligations Regulatory liabilities		13,867 63,504 1,621 46,025 982,914 135,673 705,805 176,128 200,732 325,496 104,382		48,555 34,063 1,020,285 99,351 660,908 120,446 175,203 327,388 86,428
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits Deferred income taxes Accrued pensions and benefits Asset retirement obligations Regulatory liabilities Accrued asset removal costs Other post-retirement benefits Other		13,867 63,504 1,621 46,025 982,914 135,673 705,805 176,128 200,732 325,496 104,382 17,067		48,555 34,063 1,020,285 99,351 660,908 120,446 175,203 327,388 86,428 17,588
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits Deferred income taxes Accrued pensions and benefits Asset retirement obligations Regulatory liabilities Accrued asset removal costs Other post-retirement benefits Other Derivatives		13,867 63,504 1,621 46,025 982,914 135,673 705,805 176,128 200,732 325,496 104,382 17,067 322,259		48,555 34,063 1,020,285 99,351 660,908 120,446 175,203 327,388 86,428 17,588 294,745
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Peferred Credits Unamortized investment tax credits Deferred income taxes Accrued pensions and benefits Asset retirement obligations Regulatory liabilities Accrued asset removal costs Other post-retirement benefits Other Derivatives Other		13,867 63,504 1,621 46,025 982,914 135,673 705,805 176,128 200,732 325,496 104,382 17,067 322,259 108,124		48,555 34,063 1,020,285 99,351 660,908 120,446 175,203 327,388 86,428 17,588 294,745 100,180
Gas costs and other regulatory liabilities Accrued taxes Derivatives Liabilities held for sale Other Total current liabilities Deferred Credits Unamortized investment tax credits Deferred income taxes Accrued pensions and benefits Asset retirement obligations Regulatory liabilities Accrued asset removal costs Other post-retirement benefits Other Derivatives		13,867 63,504 1,621 46,025 982,914 135,673 705,805 176,128 200,732 325,496 104,382 17,067 322,259		48,555 34,063 1,020,285 99,351 660,908 120,446 175,203 327,388

WGL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF INCOME

				Years Ended September 30,				
(In thousands, except per share data)		2015		2014	2013			
OPERATING REVENUES								
Utility	\$	1,303,044	\$	1,416,951 \$	1,174,724			
Non-utility		1,356,786		1,363,996	1,291,414			
Total Operating Revenues		2,659,830		2,780,947	2,466,138			
OPERATING EXPENSES								
Utility cost of gas		510,900		700,305	496,487			
Non-utility cost of energy-related sales		1,218,331		1,255,279	1,187,844			
Operation and maintenance		395,770		365,873	366,889			
Depreciation and amortization		121,892		110,772	103,284			
General taxes and other assessments		152,164		151,196	145,816			
Total Operating Expenses		2,399,057		2,583,425	2,300,320			
OPERATING INCOME		260,773		197,522	165,818			
Equity in earnings of unconsolidated affiliates		5,468		3,194	1,510			
Other income — net		653		1,536	2,548			
Interest expense		50,511		37,738	36,011			
INCOME BEFORE INCOME TAXES		216,383		164,514	133,865			
INCOME TAX EXPENSE		83,804		57,254	52,292			
NET INCOME	\$	132,579	\$	107,260 \$	81,573			
Dividends on Washington Gas Light Company preferred stock		1,320		1,320	1,320			
NET INCOME APPLICABLE TO COMMON STOCK	\$	131,259	\$	105,940 \$	80,253			
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING								
Basic		49,794		51,759	51,697			
Diluted		50,060		51,770	51,808			
EARNINGS PER AVERAGE COMMON SHARE								
Basic	\$	2.64	\$	2.05 \$	1.55			
Diluted	\$	2.62	\$	2.05 \$	1.55			
DIVIDENDS DECLARED PER COMMON SHARE	\$	1.8275	\$	1.7400 \$	1.6600			

PART II

ITEM 8 Financial Statements and Supplementary Data

WGL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended September 30,							
(In thousands)		2015	2014			2013		
NET INCOME	\$	132,579	\$	107,260	\$	81,573		
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE INCOME TAXES:								
Qualified cash flow hedging instruments		(11,309)		(1,548)		-		
Pension and other post-retirement benefit plans								
Change in prior service (cost) credit		696		6,095		(1,671)		
Change in actuarial net gain (loss)		(1,195)		1,594		3,399		
Change in transition obligation		-		-		238		
Total other comprehensive income (loss) before taxes	\$	(11,808)	\$	6,141	\$	1,966		
INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER								
COMPREHENSIVE INCOME (LOSS)		(5,533)		3,054		813		
OTHER COMPREHENSIVE INCOME (LOSS)	\$	(6,275)	\$	3,087	\$	1,153		
COMPREHENSIVE INCOME	\$	126,304	\$	110,347	\$	82,726		

WGL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF CASH FLOWS

		Yea	ars En	ded September	30,	
(In thousands)		2015		2014		2013
OPERATING ACTIVITIES						
Net income	\$	132,579	\$	107,260	\$	81,573
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED						
BY OPERATING ACTIVITIES						
Depreciation and amortization		121,892		110,772		103,284
Amortization of:						
Other regulatory assets and liabilities—net		1,305		610		574
Debt related costs		1,187		886		873
Deferred income taxes—net		104,405		25,795		1,431
Accrued/deferred pension and other post-retirement benefit cost		25,572		33,384		36,127
Compensation expense related to stock-based awards		16,478		4,105		3,050
Provision for doubtful accounts Impairment loss		18,197 5,625		14,252 2,639		9,258 2,600
1		(3,903)				2,536
Other non-cash charges (credits)—net CHANGES IN ASSETS AND LIABILITIES		(3,903)		(3,079)		2,330
Accounts receivable and unbilled revenues—net		(71,514)		(1,769)		12,105
Gas costs and other regulatory assets/liabilities—net		9,943		2,623		36,359
Storage gas		122,159		13,689		(64,283)
Prepaid Taxes		(38,630)		(42,128)		33,506
Accounts payable and other accrued liabilities		21,841		21,326		2,017
Customer deposits and advance payments		20,579		1,164		(22,166)
Accrued taxes		(266)		(1,923)		(6,980)
Unamortized investment tax credits		36,322		56,639		19,296
Other current assets		5,583		(16,130)		(2,513)
Other current liabilities		13,583		(1,062)		22,106
Deferred gas costs—net		670		(97,383)		(113,474)
Deferred assets—other		(10,153)		(7,525)		(133)
Deferred liabilities—other		(39,968)		(3,130)		45
Derivatives		24,468		178,104		163,571
Pension and other post-retirement benefits		(14,546)		(16,602)		(4,417)
Other—net		651		(350)		1,679
Net Cash Provided by Operating Activities		504,059		382,167		318,024
FINANCING ACTIVITIES						
Common stock issued		-		714		-
Long-term debt issued		298,227		175,253		4,157
Long-term debt retired		(20,000)		(67,000)		(2,295)
Debt issuance costs		(3,497)		(1,543)		105 100
Notes payable issued (retired)—net		(121,500)		80,400		125,400
Dividends on common stock and preferred stock		(91,316)		(85,901) (56,136)		(86,078)
Repurchase of common stock Other financing activities—net		(41,485) (1,457)		(560)		5,156
Net Cash Provided By Financing Activities		18,972		45,227		46,340
INVESTING ACTIVITIES		10,972		45,221		40,540
Capital expenditures (excluding AFUDC)		(464,291)		(394,762)		(312,345)
Investments in non-utility interests		(67,447)		(31,415)		(62,894)
Distributions and receipts from non-utility interests		10,780		4,116		4,090
Loans to external parties		(4,151)		-		-
Net Cash Used in Investing Activities		(525,109)		(422,061)		(371,149)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(2,078)		5,333		(6,785)
Cash and Cash Equivalents at Beginning of Year		8,811		3,478		10,263
Cash and Cash Equivalents at End of Year	\$	6,733	\$	8,811	\$	3,478
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION						
Income taxes paid (refunded)—net	\$	6,935	\$	20,110	\$	(10,741)
Interest paid	\$	45,654	\$	36,991	\$	35,471
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND						
FINANCING ACTIVITIES	<i>a</i>	(0.0=0)	Ф	2.7.	Φ.	
Project debt financing activities—net	\$	(8,350)	\$	253	\$	1,386
Capital expenditure accruals included in accounts payable and other accrued liabilities	¢	45 790	\$	55,164	\$	32,040
Dividends paid in common stock	\$	45,780				
Dividends paid in common stock	D	-	\$	5,312	Φ	6,863

WGL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF CAPITALIZATION

	September 30,					
(\$ In thousands, except shares)		2015		2014		
Common Shareholders' Equity						
Common stock, no par value, 120,000,000 shares authorized,						
49,728,662 and 50,656,553 shares issued, respectively	\$	485,456		\$ 525,932		
Paid-in capital		14,934		11,847		
Retained earnings		757,093		716,758		
Accumulated other comprehensive loss, net of taxes		(14,236)		(7,961)		
Total Common Shareholders' Equity		1,243,247	56.1%	1,246,576	63.8%	
Preferred Stock						
WGL Holdings, Inc., without par value, 3,000,000 shares						
authorized, none issued		-		-		
Washington Gas Light Company, without par value, 1,500,000 shares						
authorized—issued and outstanding:						
\$4.80 series, 150,000 shares		15,000		15,000		
\$4.25 series, 70,600 shares		7,173		7,173		
\$5.00 series, 60,000 shares		6,000		6,000		
Total Preferred Stock		28,173	1.3%	28,173	1.4%	
Long-Term Debt						
Due fiscal year 2015, 4.83%		-		20,000		
Due fiscal year 2016, 5.17%		25,000		25,000		
Due fiscal year 2019, 7.46%		50,000		50,000		
Due fiscal year 2020, 2.25 to 4.76%		150,000		50,000		
Due fiscal year 2023, 6.65%		20,000		20,000		
Due fiscal year 2025, 5.44%		40,500		40,500		
Due fiscal year 2027, 6.40% to 6.82%		125,000		125,000		
Due fiscal year 2028, 6.57% to 6.85%		52,000		52,000		
Due fiscal year 2030, 7.50%		8,500		8,500		
Due fiscal year 2036, 5.70% to 5.78%		50,000		50,000		
Due fiscal year 2041, 5.21%		75,000		75,000		
Due fiscal year 2044, 4.22% to 5.00%		175,000		175,000		
Due fiscal year 2045, 4.24% to 4.60%		200,000		-		
Total Long-Term Debt		971,000		691,000		
Other long-term debt		-		8,350		
Unamortized discount		(1,799)		(122)		
Less—current maturities		25,000		20,000		
Total Long-Term Debt		944,201	42.6%	679,228	34.8%	
Total Capitalization	\$	2,215,621	100.0%	\$ 1,953,977	100.0%	

WGL HOLDINGS, INC. CONSOLIDATED STATEMENTS OF COMMON SHAREHOLDERS' EQUITY

	Common	Stock	Paid-In	Retained	Accumulated Other Comprehensive	
(In thousands, except shares)	Shares	Amount	Capital	Earnings	Loss, Net of Taxes	Total
Balance, September 30, 2012	51,611,647 \$	567,598 \$	8,132	\$ 706,027	\$ (12,201)	\$ 1,269,556
Net income	-	-		81,573	-	81,573
Other comprehensive income	-	-	-	-	1,153	1,153
Dividend reinvestment	145,920	6,254	-	-	-	6,254
Stock-based compensation	16,637	609	2,578	-	-	3,187
Dividends declared:						
Common stock (\$1.6600 per share)	-	-	-	(85,858)	-	(85,858)
Preferred stock	-	-	-	(1,320)	-	(1,320)
Balance, September 30, 2013	51,774,204	574,461	10,710	700,422	(11,048)	1,274,545
Net income	-	-	-	107,260	-	107,260
Other comprehensive income	-	-	-	-	3,087	3,087
Dividend reinvestment	114,883	4,649	-	-	-	4,649
Repurchase of common stock	(1,304,504)	(56,136)	-	-	-	(56,136)
Stock-based compensation	71,970	2,958	1,137	-	-	4,095
Dividends declared:						
Common stock (\$1.7400 per share)	-	-	-	(89,604)	-	(89,604)
Preferred stock	-	-	-	(1,320)	-	(1,320)
Balance, September 30, 2014	50,656,553	525,932	11,847	716,758	(7,961)	1,246,576
Net income	-	-	-	132,579	-	132,579
Other comprehensive loss	-	-	-	-	(6,275)	(6,275)
Repurchase of common stock	(948,604)	(41,485)	-	-	-	(41,485)
Stock-based compensation	20,713	1,009	3,087	-	-	4,096
Dividends declared:						
Common stock (\$1.8275 per share)	-	-	-	(90,924)	-	(90,924)
Preferred stock	-	-	-	(1,320)	-	(1,320)
Balance, September 30, 2015	49,728,662 \$	485,456 \$	14,934	\$ 757,093	\$ (14,236)	\$ 1,243,247

WASHINGTON GAS LIGHT COMPANY **BALANCE SHEETS**

	Septen	nber 30,
(In thousands)	2015	2014
ASSETS		
Property, Plant and Equipment		
At original cost	\$ 4,521,535	\$ 4,250,19
Accumulated depreciation and amortization	(1,278,089)	(1,228,13
Net property, plant and equipment	3,243,446	3,022,06
Current Assets		1.00
Cash and cash equivalents	1	1,06
Receivables	107.257	101 41
Accounts receivable	126,356	121,41
Gas costs and other regulatory assets	5,797	3,75
Unbilled revenues	21,027	20,88
Allowance for doubtful accounts	(19,254)	(19,20
Net receivables	133,926	126,84
Materials and supplies—principally at average cost	21,356	23,60
Storage gas	94,489	156,08
Deferred income taxes	24,700	22,91
Prepaid taxes	30,365	16,13
Other prepayments	11,899	14,27
Receivables from associated companies	3,176	4,82
Derivatives	4,588	3,88
Assets held for sale	22,906	260.61
Total current assets Deferred Charges and Other Assets	347,406	369,61
Regulatory assets Gas costs	100 676	101.24
Pension and other post-retirement benefits	190,676 210,811	191,34 191,89
-	,	
Other Page 3 de not estimate est han 6 to	79,946	71,58
Prepaid post-retirement benefits Derivatives	137,754 13,155	95,66 9,45
Other Total defermed absence and other secrets	5,638	13,45
Total deferred charges and other assets Total Assets	\$ 4,228,832	\$ 3,965,07
CAPITALIZATION AND LIABILITIES	φ +,220,032	\$ 3,903,07
Capitalization		
Common shareholder's equity	\$ 1,081,292	\$ 1,050,16
Washington Gas Light Company preferred stock	28,173	28,17
Long-term debt	695,885	679,22
Total capitalization	1,805,350	1,757,56
Current Liabilities	1,005,550	1,737,30
Current maturities of long-term debt	25,000	20,00
Notes payable	89,000	89,00
Accounts payable and other accrued liabilities	159,280	176,46
Wages payable	19,456	18,29
Accrued interest	4,023	3,48
Dividends declared	20,269	19,72
Customer deposits and advance payments	88,450	68,31
Gas costs and other regulatory liabilities	34,551	22,56
Accrued taxes	11,659	24,61
Payables to associated companies	68,623	54,68
Derivatives	33,856	33,85
Liabilities held for sale	1,621	33,03
Other	7,013	7,19
Total current liabilities	562,801	538,20
Deferred Credits	202,001	330,20
Unamortized investment tax credits	5,646	6,47
Deferred income taxes	693,464	619,94
Accrued pensions and benefits	174,318	118,95
Asset retirement obligations	198,938	173,77
Regulatory liabilities	120,700	175,77
Accrued asset removal costs	325,496	327,38
Other post-retirement benefits	103,683	85,81
Other	17,067	17,58
Derivatives	269,661	260,78
Other	72,408	58,57
Total deferred credits	1,860,681	1,669,31
	1,000,001	1,009,31
Commitments and Contingencies (Note 13)		

WASHINGTON GAS LIGHT COMPANY STATEMENTS OF INCOME

	Years Ended September 30,				
(In thousands)	2015		2014	2013	
OPERATING REVENUES	\$ 1,328,191	\$	1,443,800 \$	1,200,357	
OPERATING EXPENSES					
Utility cost of gas	536,027		726,879	521,508	
Operation and maintenance	323,967		294,613	295,664	
Depreciation and amortization	108,902		102,713	99,188	
General taxes and other assessments	136,911		137,472	133,391	
Total Operating Expenses	1,105,807		1,261,677	1,049,751	
OPERATING INCOME	222,384		182,123	150,606	
Other income (expense)—net	(487)		862	1,544	
Interest expense	41,828		37,127	35,631	
INCOME BEFORE INCOME TAXES	180,069		145,858	116,519	
INCOME TAX EXPENSE	71,391		47,534	44,197	
NET INCOME	\$ 108,678	\$	98,324 \$	72,322	
Dividends on Washington Gas preferred stock	1,320		1,320	1,320	
NET INCOME APPLICABLE TO COMMON STOCK	\$ 107,358	\$	97,004 \$	71,002	

ITEM 8 Financial Statements and Supplementary Data

WASHINGTON GAS LIGHT COMPANY CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)		2015	2014		2013
NET INCOME	\$	108,678	\$ 98,324	\$	72,322
OTHER COMPREHENSIVE INCOME (LOSS), BEFORE INCOME TAXES:					
Pension and other post-retirement benefit plans					
Change in prior service (cost) credit		696	6,095		(1,671)
Change in actuarial net gain (loss)		(1,195)	1,594		3,399
Change in transition obligation		-	-		238
Total pension and other post-retirement benefit plans	\$	(499)	\$ 7,689	\$	1,966
INCOME TAX EXPENSE (BENEFIT) RELATED TO OTHER					
COMPREHENSIVE INCOME (LOSS)		(200)	3,054		813
OTHER COMPREHENSIVE INCOME (LOSS)	\$	(299)	\$ 4,635	\$	1,153
COMPREHENSIVE INCOME	\$	108,379	\$ 102,959	\$	73,475

WASHINGTON GAS LIGHT COMPANY STATEMENTS OF CASH FLOWS

		Year			
(In thousands)		2015	2014		2013
OPERATING ACTIVITIES	'				
Net income	\$	108,678	\$ 98,324	\$	72,322
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED					
BY OPERATING ACTIVITIES					
Depreciation and amortization		108,902	102,713		99,188
Amortization of:					
Other regulatory assets and liabilities—net		1,305	610		911
Debt related costs		1,275	886		527
Deferred income taxes—net		76,621	7,050		(2,915)
Accrued/deferred pension and other post-retirement benefit cost		24,757	33,670		35,707
Compensation expense related to stock-based awards		14,958	3,185		2,292
Provision for doubtful accounts		12,734	11,839		7,183
Impairment loss		-	2,639		2,600
Other non-cash charges (credits)—net		1,679	8,838		7,615
CHANGES IN ASSETS AND LIABILITIES					
Accounts receivable, unbilled revenues and receivables from associated companies—net		(16,127)	(39,253)		(464)
Gas costs and other regulatory assets/liabilities—net		9,943	2,623		36,359
Storage gas		61,594	(23,857)		(17,400)
Prepaid Taxes		(14,228)	(1,269)		31,937
Accounts payable and other accrued liabilities, including payables to associated companies		(1,007)	49,429		(24,949)
Customer deposits and advance payments		20,132	1,164		(22,166)
Accrued taxes		(12,951)	(770)		6,272
Other current assets		4,958	(5,089)		5,843
Other current liabilities		1,435	(526)		19,253
Deferred gas costs—net		670	(97,383)		(113,474)
Deferred assets—other		(10,036)	(10,073)		(757)
Deferred liabilities—other		(13,912)	(3,007)		(966)
Derivatives		4,466	170,744		137,559
Pension and other post-retirement benefits		(13,750)	(16,973)		(4,261)
Other—net		258	(359)		(4,167)
Net Cash Provided by Operating Activities		372,354	295,155		274,049
FINANCING ACTIVITIES					
Long-term debt issued		50,000	175,253		4,157
Long-term debt retired		(20,000)	(67,000)		(2,295)
Debt issuance costs		(741)	(1,543)		-
Notes payable issued (retired)—net		-	(35,500)		25,700
Dividends on common stock and preferred stock		(79,763)	(79,665)		(76,522)
Other financing activities—net		-	(1,749)		336
Net Cash Used in Financing Activities		(50,504)	(10,204)		(48,624)
INVESTING ACTIVITIES					
Capital expenditures (excluding AFUDC)		(322,909)	(283,891)		(225,426)
Net Cash Used in Investing Activities		(322,909)	 (283,891)		(225,426)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(1,059)	1,060		(1)
Cash and Cash Equivalents at Beginning of Year		1,060	-		11
Cash and Cash Equivalents at End of Year	\$	11	\$ 1,060	\$	
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION					
Income taxes paid (refunded)—net	\$	8,902	\$ 19,007	\$	(15,799)
Interest paid	\$	36,971	\$ 36,380	\$	35,091
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES					
Project debt financing activities—net	\$	(8,350)	\$ 253	\$	1,386
Capital expenditure accruals included in accounts payable and other accrued liabilities	\$	40,926	\$ 46,331	\$	16,429

WASHINGTON GAS LIGHT COMPANY STATEMENTS OF CAPITALIZATION

	September 30,					
(\$ In thousands, except shares)	2015			2014		
Common Shareholder's Equity						
Common stock, \$1 par value, 80,000,000 shares authorized,						
46,479,536 shares issued	\$ 46,479		\$	46,479		
Paid-in capital	483,677			480,620		
Retained earnings	557,848			529,480		
Accumulated other comprehensive loss, net of taxes	(6,712)			(6,413)		
Total Common Shareholder's Equity	1,081,292	59.9%		1,050,166	59.8%	
Preferred Stock						
Washington Gas Light Company, without par value, 1,500,000 shares authorized—issued and outstanding:						
\$4.80 series, 150,000 shares	15,000			15,000		
\$4.25 series, 70,600 shares	7,173			7,173		
\$5.00 series, 60,000 shares	6,000			6,000		
Total Preferred Stock	28,173	1.6%		28,173	1.6%	
Long-Term Debt						
Due fiscal year 2015, 4.83%	-			20,000		
Due fiscal year 2016, 5.17%	25,000			25,000		
Due fiscal year 2019, 7.46%	50,000			50,000		
Due fiscal year 2020, 4.76%	50,000			50,000		
Due fiscal year 2023, 6.65%	20,000			20,000		
Due fiscal year 2025, 5.44%	40,500			40,500		
Due fiscal year 2027, 6.40% to 6.82%	125,000			125,000		
Due fiscal year 2028, 6.57% to 6.85%	52,000			52,000		
Due fiscal year 2030, 7.50%	8,500			8,500		
Due fiscal year 2036, 5.70% to 5.78%	50,000			50,000		
Due fiscal year 2041, 5.21%	75,000			75,000		
Due fiscal year 2044, 4.22% to 5.00%	175,000			175,000		
Due fiscal year 2045, 4.24%	50,000			-		
Total Long-Term Debt	721,000			691,000		
Other long-term debt	-			8,350		
Unamortized discount	(115)			(122)		
Less—current maturities	25,000			20,000		
Total Long-Term Debt	695,885	38.5%		679,228	38.6%	
Total Capitalization	\$ 1,805,350	100.0%	\$	1,757,567	100.0%	

WASHINGTON GAS LIGHT COMPANY STATEMENTS OF COMMON SHAREHOLDER'S EQUITY

	Common	Stock	Paid-In	Retained	Accumulated Other Comprehensive	
(In thousands, except shares)	Shares	Amount	Capital	Earnings	Loss, Net of Taxes	Total
Balance, September 30, 2012	46,479,536 \$	46,479 \$	475,634	\$ 515,831	\$ (12,201)	\$ 1,025,743
Net income	-	-	-	72,322	-	72,322
Other comprehensive income	-	-	-	-	1,153	1,153
Stock-based compensation(a)	-	-	2,334	-	-	2,334
Dividends declared:						
Common stock	-	-	-	(75,649)	-	(75,649)
Preferred stock	-	-	-	(1,320)	-	(1,320)
Balance, September 30, 2013	46,479,536	46,479	477,968	511,184	(11,048)	1,024,583
Net income	-	-	-	98,324	-	98,324
Other comprehensive income	-	-	-	-	4,635	4,635
Stock-based compensation(a)	-	-	2,652	-	-	2,652
Dividends declared:						
Common stock	-	-	-	(78,708)	-	(78,708)
Preferred stock	-	-	-	(1,320)	-	(1,320)
Balance, September 30, 2014	46,479,536	46,479	480,620	529,480	(6,413)	1,050,166
Net income	-	-	-	108,678	-	108,678
Other comprehensive loss	-	-	-	-	(299)	(299)
Stock-based compensation(a)	-	-	3,057	-	-	3,057
Dividends declared:						
Common stock	-	-	-	(78,990)	-	(78,990)
Preferred stock	-	-	-	(1,320)	-	(1,320)
Balance, September 30, 2015	46,479,536 \$	46,479 \$	483,677	\$ 557,848	\$ (6,712)	\$ 1,081,292

Stock-based compensation is based on the stock awards of WGL that are allocated to Washington Gas Light Company for its pro-rata share. ${\it The\ accompanying\ notes\ are\ an\ integral\ part\ of\ these\ statements}.$

NOTE 1 **Accounting Policies**

General

WGL Holdings, Inc. (WGL) is a holding company that owns all of the shares of common stock of Washington Gas Light Company (Washington Gas), a regulated natural gas utility, and all of the shares of common stock of Washington Gas Resources Corporation (Washington Gas Resources), Hampshire Gas Company (Hampshire) and Crab Run Gas Company (Crab Run). Washington Gas Resources owns all of the shares of common stock of four non-utility subsidiaries that include WGL Energy Services, Inc. (WGL Energy Services), WGL Energy Systems, Inc. (WGL Energy Systems), WGL Midstream, Inc. (WGL Midstream) and WGSW, Inc. (WGSW). Except where the content clearly indicates otherwise, "WGL," "we," "us" or "our" refers to the holding company or the consolidated entity of WGL Holdings, Inc. and all of its subsidiaries. Unless otherwise noted, these notes apply equally to WGL and Washington Gas.

Nature of Operations

Washington Gas and Hampshire comprise our regulated utility segment. Washington Gas is a public utility that sells and delivers natural gas to more than one million customers primarily in the District of Columbia, and the surrounding metropolitan areas in Maryland and Virginia. Deliveries to firm residential and commercial customers accounted for 77.2% of the total therms delivered to customers by Washington Gas in the fiscal year ended September 30, 2015. Deliveries to interruptible customers accounted for 13.6% and deliveries to customers who use natural gas to generate electricity accounted for 9.2%. These amounts do not include deliveries related to Washington Gas' asset optimization program discussed below. Hampshire operates an underground natural gas storage facility that provides services exclusively to Washington Gas. Hampshire is regulated under a cost of service tariff by the Federal Energy Regulatory Commission (FERC).

The retail energy-marketing segment consists of WGL Energy Services which competes with regulated utilities and other unregulated third party marketers to sell natural gas and electricity directly to residential, commercial, industrial and governmental customers with the objective of earning a profit through competitive pricing. The commodities that WGL Energy Services sells are delivered to retail customers through assets owned by regulated utilities. Washington Gas delivers the majority of natural gas sold by WGL Energy Services, and unaffiliated electric utilities deliver all of the electricity sold. WGL Energy Services owned multiple solar PV distributed generation assets at September 30, 2015, though the results from these activities are presented in the commercial energy systems segment. Other than these facilities, WGL Energy Services does not own or operate any other natural gas or electric generation, production, transmission or distribution assets. At September 30, 2015, WGL Energy Services served approximately 143,800 natural gas customers and approximately 138,000 electricity customers located in Maryland, Virginia, Delaware, Pennsylvania and the District of Columbia.

The commercial energy systems segment consists of WGL Energy Systems, WGSW and the results of operations of affiliate-owned commercial distributed energy projects. This segment focuses on clean and energy efficient solutions for its customers, driving earnings through (i) upgrading the mechanical, electrical, water and energy-related infrastructure of large governmental and commercial facilities by implementing both traditional and alternative energy technologies; (ii) owning and operating distributed generation assets such as solar PV systems, combined heat and power plants, and natural gas fuel cells and (iii) passive investments in residential and commercial retail solar PV companies. In addition to our primary markets, this segment provides customized energy solutions across a much wider footprint, with business activities across the United States.

The midstream energy services segment, which consists of the operations of WGL Midstream, engages in investing in and optimizing natural gas pipeline and storage facilities in the Midwest and Eastern United States. WGL Midstream enters into both physical and financial transactions in a manner intended to utilize energy risk management products to mitigate risks while seeking to maximize potential profits from the optimization of the transportation and storage assets it has under contract. Refer to Note 16—Operating Segment Reporting for further discussion of our segments.

Consolidation of Financial Statements

The consolidated financial statements include the accounts of WGL and its subsidiaries during the fiscal years reported. Certain prior period amounts have been recast to conform to current period presentation. Inter-company transactions have been eliminated. Refer to Note 18—Related Party Transactions for a discussion of inter-company transactions. WGL has a variable interest in four investments that qualify as variable interest entities (VIEs). At September 30, 2015, WGL and its subsidiaries are not the primary beneficiary for any of the VIEs, therefore we have not consolidated any of the VIE entities. Our other investment projects are recorded using the cost method, equity method and as direct financing leases. Refer to Note 17—Other Investments for a discussion of VIEs and other investments.

Use of estimates in the Preparation of Financial Statements

In accordance with generally accepted accounting principles in the United States of America (GAAP), we make certain estimates and assumptions regarding: (i) reported assets and liabilities; (ii) disclosed contingent assets and liabilities at the date of the financial statements and (iii) reported revenues, revenues subject to refund, and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment

Property, plant and equipment (comprised principally of utility plant) are stated at original cost, including labor, materials, taxes and overhead costs incurred during the construction period. The cost of utility plant of Washington Gas includes an allowance for funds used during construction (AFUDC) that is calculated under a formula prescribed by our regulators in Maryland and the District of Columbia. Washington Gas capitalizes AFUDC as a component of construction overhead. The before-tax rates for AFUDC for fiscal years September 30, 2015, 2014 and 2013 were 4.12%, 3.36% and 5.43%, respectively.

Washington Gas charges maintenance and repairs directly to operating expenses. Washington Gas capitalizes betterments and renewal costs, and calculates depreciation applicable to its utility gas plant in service primarily using a straight-line method over the estimated remaining life of the plant. The composite depreciation and amortization rate of the regulated utility segment was 2.73%, 2.77% and 2.86% during fiscal years 2015, 2014 and 2013, respectively. In accordance with regulatory requirements, such rates include a component related to asset removal costs for Washington Gas. These asset removal costs are accrued through depreciation expense with a corresponding credit to "Regulatory liabilities—Accrued asset removal costs." When Washington Gas retires depreciable utility plant and equipment, it charges the associated original costs to "Accumulated depreciation and amortization" and any related removal costs incurred are charged to "Regulatory liabilities—Accrued asset removal costs." Washington Gas periodically reviews the adequacy of its depreciation rates by considering estimated remaining lives and other factors. For information about Asset Retirement Obligations (ARO's), refer to the section entitled "Asset Retirement Obligations".

At September 30, 2015 and 2014, 91.2% and 93.6%, respectively, of WGL's consolidated original cost of property, plant and equipment was related to the regulated utility segment as shown below.

PROPERTY, PLANT AND EQUIPMENT AT ORIGINAL COST
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	September 30,					
(\$ In millions)	2015		2014			
Regulated utility segment						
Distribution, transmission and storage	\$ 3,927.2	78.5 % \$	3,635.3	79.3%		
General, miscellaneous and intangibles	424.8	8.5	448.3	9.8		
Construction work in progress (CWIP)	210.4	4.2	203.9	4.5		
Total regulated utility segment	4,562.4	91.2	4,287.5	93.6		
Unregulated segments	441.5	8.8	295.3	6.4		
Total	\$ 5,003.9	100.0% \$	4,582.8	100.0%		

Assets held for sale

During fiscal year 2015, the Springfield Operations Center met the criteria to be reported as held for sale. Those criteria specify that (i) the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and (ii) the sale of the asset must be probable, and its transfer expected to qualify for recognition as a completed sale, within one year, with certain exceptions. At September 30, 2015, the assets and liabilities associated with the Springfield Operations Center are reported at their expected selling price, less selling expenses, as "Assets held for sale" and "Liabilities held for sale" on WGL's and Washington Gas' balance sheets. Washington Gas recorded approximately \$0.5 million in transaction fees in "Operations and maintenance expense" in the accompanying statements of income related to selling the facility.

Impairment of Long-Lived Assets

Management regularly reviews property and equipment and other long-lived assets, including certain definite-lived intangible assets and our equity method investments for possible impairment. For our equity and cost method investments, an impairment is recorded when the investment has experienced decline in value that is other-than-temporary. Additionally, if the projects in which we hold an investment recognize an impairment loss, we

would record our proportionate share of that impairment loss and evaluate the investment for decline in value that is other-thantemporary. This review occurs quarterly, or more frequently if events or changes in circumstances indicate the carrying amount of the asset may not be recoverable.

During the fiscal year ended September 30, 2015, Washington Gas Resources recorded an impairment charge of its investment in ASDHI to its fair value using the income approach. The amount of the impairment was equivalent to the amount of the carrying value of \$5.6 million and was due to management's updated estimates of the expected return from the investment.

There were no other events or transactions resulting in the impairment of long-lived assets during the year ended September 30, 2015. During the year ended September 30, 2014 and 2013, Washington Gas recorded impairment charges of \$0.8 million and \$2.6 million, respectively, in operation and maintenance expense related to its Springfield Operations Center asset (refer to "Assets Held for Sale" above). At September 30, 2014 and 2013, Washington Gas recorded an impairment loss of \$1.9 million and \$0.5 million, respectively, for the unrecoverable portion of the costs incurred associated with an abandoned LNG storage project. There were no events or circumstances related to the Springfield Operations Center or LNG storage project during the fiscal year ended September 30, 2015 that resulted in an impairment charge.

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Notes to Consolidated Financial Statements

Operating Leases

We have classified the lease of our corporate headquarters as an operating lease. We amortize as rent expense the total of all scheduled lease payments (including lease payment escalations) and tenant allowances on a straight-line basis over the term of the lease. For this purpose, the lease term began on the date when the lessor commenced constructing the leasehold improvements which allowed us to occupy our corporate headquarters. Leasehold improvement costs are classified as "Property, Plant and Equipment" on the Balance Sheets, and are being amortized to depreciation and amortization expense on a straight-line basis over the 15-year non-cancelable period of the lease. Refer to Note 13—Commitments and Contingencies for financial data for all of our operating leases.

Cash and Cash Equivalents

We consider all investments with original maturities of three months or less to be cash equivalents. We did not have any restrictions on our cash balances that would impact the payment of dividends by WGL or our subsidiaries as of September 30, 2015 and 2014.

Revenue and Cost Recognition

Regulated Utility Operations

Revenues

For regulated deliveries of natural gas, Washington Gas reads meters and bills customers on a 21-day monthly cycle basis. The billing cycles for customers do not coincide with the accounting periods used for financial reporting purposes; therefore, Washington Gas accrues unbilled revenues for gas delivered, but not yet billed, at the end of each accounting period.

Cost of Gas

Washington Gas' jurisdictional tariffs contain mechanisms that provide for the recovery of the cost of gas incurred on behalf of firm customers, including related pipeline transportation and storage capacity charges. Under these mechanisms, Washington Gas periodically adjusts its firm customers' rates to reflect increases and decreases in these costs. Under or over-collections of gas costs in the current cycle are charged or credited to deferred charges or credits on the balance sheet as non-current regulatory assets or liabilities. Amounts deferred at the end of the cycle, August 31 of each year, are fully reconciled and transferred to current assets or liabilities under the balance sheet captions "Gas costs and other regulatory assets" and "Gas costs and other regulatory liabilities." These balances are recovered or refunded to customers over the subsequent 12 month period.

Revenue Taxes

Revenue taxes such as gross receipts taxes, Public Service Commission (PSC) fees, franchise fees and energy taxes are reported gross in operating revenues. Refer to Note 16—Operating Segment Reporting for amounts recorded related to revenue taxes.

Transportation Gas Imbalance

Interruptible shippers and third party marketer shippers transport gas to Washington Gas' distribution system as part of the unbundled services offered. The delivered volumes of gas from third party shippers into Washington Gas' distribution system rarely equal the volumes billed to third party marketer customers, resulting in transportation gas imbalances. These imbalances are usually short-term in duration, and Washington Gas monitors the activity and regularly notifies the shippers when their accounts have an imbalance. In accordance with regulatory treatment, Washington Gas does not record a receivable from or liability to third party marketers associated with gas volumes related to these transportation imbalances but, rather, reflects the financial impact as a regulatory asset or liability related to its gas cost adjustment mechanism, thereby eliminating any profit or loss that would occur as a result of the imbalance. The regulatory treatment combines the imbalance for all marketers, including WGL Energy Services, into a single "net" adjustment to the regulatory asset or liability. Refer to Note 18—Related Party Transactions for further discussion of the accounting for these imbalance transactions.

Asset Optimization Program

Washington Gas optimizes the value of its long-term natural gas transportation and storage capacity resources by entering into physical and financial transactions in the form of forwards, futures and option contracts for periods when these resources are not being used to physically serve utility customers. Refer to "Derivative Activities" below for further discussion of the accounting for derivative transactions entered into under this program. Regulatory sharing mechanisms in all three jurisdictions allow the profit from these transactions to be shared between Washington Gas' customers and shareholders.

All unrealized fair value gains and losses, and margins generated from the physical and financial settlement of these asset optimization contracts are recorded in utility cost of gas or, in the case of amounts to be shared with rate payers, regulatory assets/liabilities.

Non-Utility Operations

Retail Energy-Marketing Segment

WGL Energy Services sells natural gas and electricity on an unregulated basis to residential, commercial and industrial customers both inside and outside the Washington Gas service territory.

WGL Energy Services enters into indexed or fixed-rate contracts with residential, commercial and industrial customers for sales of natural gas and electricity. Customer contracts, which typically have terms less than 24 months, but may extend up to five years, allow WGL Energy Services to bill customers based upon metered gas and electricity usage. Usage is measured either on a cycle basis at customer premises or based on quantities delivered to the local utility, both of which may vary by month. The billing cycles for customers do not coincide with the accounting periods used for financial reporting purposes; therefore, WGL Energy Services accrues unbilled revenues for gas and electricity delivered, but not yet billed, at the end of each accounting period. Revenues are reflected in "Operating Revenues-Non utility."

WGL Energy Services procures natural gas and electricity supply under contract structures in which it assembles the various components of supply from multiple suppliers to match its customer requirements. The cost of natural gas and electricity for these purchases is recorded using the contracted volumes and prices in "Non-Utility cost of energy-related sales."

Commercial Energy Systems Segment

WGL Energy Systems recognizes income and expenses for all design-build construction contracts using the percentageof-completion method in "Operating Revenues-Non-utility" and "Non-Utility cost of energy-related sales." WGL Energy Systems also recognizes income from its distributed energy assets based on the terms of the related power purchase agreements. Renewable Energy Certificates (RECs) are recorded as inventory by WGL Energy Systems after every 1,000 Kilowatt-hours (kWh) of electricity are produced by an eligible solar facility. WGL Energy Systems recognizes income on the sale of RECs based on the contractual terms and conditions of the sale. Refer to Note 17—Other Investments for discussion of our sale leaseback arrangements and equity method investments.

Midstream Energy Services Segment

WGL Midstream nets its revenues and costs related to its trading activities in "Operating Revenues--Non-utility".

Other Activities

Washington Gas Resources recognizes income on its investment using the cost approach of investment accounting.

Storage Gas Valuation Methods

For Washington Gas and WGL Energy Services, storage gas inventories are stated at the lower-of-cost or market as determined using the first-in, first-out method. For WGL Midstream, storage gas inventory is stated at the lower-of-cost or market using the weighted average cost method. The following table shows the lower-of-cost or market adjustments recorded to net income for the years ended September 30, 2015, 2014 and 2013.

LOWER-OF-COST OR MARKET ADJUSTMENTS PRE-TAX INCREASE (DECREASE) TO NET INCOME

	September 30,						
(In millions)	2015 2014						
$\mathbf{WGL}^{(a)}$							
Operating revenues - non-utility	\$ (21.5)	\$ (3.0)	\$ (10.1)				
Washington Gas							
Utility cost of gas	\$ (1.3)	(0.2)	\$ -				
Total consolidated	\$ (22.8)	\$ (3.2)	\$ (10.1)				

WGL includes WGL Holdings and all subsidiaries other than Washington Gas.

Weather-Related Instruments

Periodically, we purchase certain weather-related instruments, such as HDD derivatives and CDD derivatives. We account for these weather related instruments in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) Subtopic 815-45, Derivatives and Hedging—Weather *Derivatives.* For weather insurance policies and HDD derivatives, benefits or costs are ultimately recognized to the extent actual HDDs fall above or below the contractual HDDs for each instrument. Benefits or costs are recognized for CDD derivatives when the average temperature exceeds or is below a contractually stated level during the contract period. Premiums for weather-related instruments are amortized based on the pattern of normal temperature days over the coverage period. Weather-related instruments for which we collect a premium are carried at fair value. Washington Gas' weather related instrument premium expense or benefit is not considered in establishing retail rates. Washington Gas does not purchase such instruments for jurisdictions in which it has received rate mechanisms that compensate it on a normal weather basis. Refer to Note 14—Derivative and Weather-Related Instruments for further discussion of our weather-related instruments.

Derivative Activities

Regulated Utility

Washington Gas enters into both physical and financial derivative contracts for the purchase and sale of natural gas that are subject to mark-to-market accounting. Changes in the fair value of derivative instruments recoverable or refundable to customers and therefore subject to ASC Topic 980, Regulated Operations, are recorded as regulatory assets or liabilities while changes in the fair value of derivative instruments not affected by rate regulation are reflected in earnings.

As part of its asset optimization program, Washington Gas enters into derivative contracts related to the sale and purchase of natural gas at a future price with the primary objective of locking in operating margins that Washington Gas expects to ultimately realize. The derivatives used under this program may cause significant periodto-period volatility in earnings for the portion of net profits retained for shareholders; however, this volatility will not change the margins that Washington Gas expects to realize from these transactions. In accordance with ASC Topic 815, all financially and physically settled contracts under our asset optimization program are reported on a net basis in the statements of income in "Utility cost of gas".

From time to time, Washington Gas also utilizes derivative instruments that are designed to minimize the risk of interest-rate volatility associated with planned issuances of long-term debt. Gains or losses associated with these derivative transactions are deferred as regulatory assets or liabilities and amortized to interest expense in accordance with regulatory accounting requirements. Refer to Note 14—Derivative and Weather-Related Instruments for further discussion of our derivative activities.

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Notes to Consolidated Financial Statements

Non-Utility Operations

WGL Energy Services enters into both physical and financial contracts for the purchase and sale of natural gas and electricity. WGL Energy Services designates a portion of these physical contracts related to the purchase of natural gas and electricity to serve our customers as "normal purchases and normal sales;" therefore, they are not subject to the mark-to-market accounting requirements of ASC Topic 815. WGL Energy Services records these derivatives as revenues or expenses depending on the nature of the economically hedged item. WGL Midstream enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. The financial contracts and the portion of the physical contracts that qualify as derivative instruments are subject to the mark-to-market accounting requirements and are recorded on the balance sheet at fair value and are reflected in earnings. WGL Midstream nets financial and physical contracts in "Operating Revenues-Nonutility". WGL may, from time to time, designate interest rate swaps used to manage the interest rate risk associated with future debt issuances, as cash flow hedges. Any gains or losses arising from the effective portion of cash flow hedges are recorded in other comprehensive income and are amortized using the effective interest rate method into earnings over the same period as the hedged interest payments are made. Gains or losses arising from the ineffective portion of cash flow hedges are recognized in earnings immediately.

Income Taxes

We recognize deferred income tax assets and liabilities for all temporary differences between the financial statement basis and the tax basis of assets and liabilities, including those that are currently excluded for ratemaking purposes of Washington Gas. Regulatory assets or liabilities, corresponding to such additional deferred income tax assets or liabilities, may be recorded to the extent recoverable from or payable to customers through the ratemaking process in future periods. Refer to Note 2—Regulated Operations for Washington Gas' regulatory assets and liabilities associated with income taxes due from and to customers at September 30, 2015 and 2014. Amounts applicable to income taxes due from and due to customers primarily represent differences between the book and tax basis of net utility plant in service. We amortize investment tax credits as reductions to income tax expense over

the estimated service lives of the related properties. Refer to Note 9—Income Taxes which provides detailed financial information related to our income taxes.

Stock-Based Compensation

We account for stock-based compensation expense in accordance with ASC Topic 718, Compensation—Stock Compensation, which requires us to measure and recognize stock-based compensation expense in our financial statements based on the fair value at the date of grant for our equity-classified share-based awards, which include performance shares granted to certain employees and shares issued to directors. For liability-classified sharebased awards, which include performance units, we recognize stock-based compensation expense based on their fair value at the end of each reporting period. For both equity-classified and liability-classified share-based awards, we estimate forfeitures over the requisite service period when recognizing compensation expense; these estimates are periodically adjusted to the extent to which actual forfeitures differ from such estimates. Refer to Note 11—Stock-Based Compensation for further discussion of the accounting for our stock-based compensation plans.

Asset Retirement Obligations

Washington Gas accounts for its AROs in accordance with ASC Subtopic 410-20, Asset Retirement and Environmental Obligations—Asset Retirement Obligations. Our asset retirement obligations include the costs to cut, purge and cap Washington Gas' distribution and transmission system and plug storage wells upon their retirement. We also have asset retirement obligations associated with our distributed generation assets. These standards require recording the estimated retirement cost over the life of the related asset by depreciating the present value of the retirement obligation, measured at the time of the asset's acquisition, and accreting the liability until it is settled. There are timing differences between the ARO-related accretion and depreciation amounts being recorded pursuant to GAAP and the recognition of depreciation expense for legal asset removal costs that we are currently recovering in rates. These timing differences are recorded as a reduction to "Regulatory liabilities-Accrued asset removal costs" in accordance with ASC Topic 980. We do not have any assets that are legally restricted related to the settlement of asset retirement obligations.

WGL HOLDINGS, INC. CHANGES IN ASSET RETIREMENT OBLIGATIONS

	Septe	September 30,					
(In millions)	2015		2014				
Asset retirement obligations at beginning of year	\$ 181.2	\$	104.0				
Liabilities incurred in the period	8.4		4.9				
Liabilities settled in the period ^(a)	(14.6)	(5.2)				
Accretion expense	7.8		4.4				
Revisions in estimated cash flows ^(b)	24.9		73.1				
Asset retirement obligations at the end of the year ^(c)	\$ 207.7	\$	181.2				

WASHINGTON GAS LIGHT COMPANY CHANGES IN ASSET RETIREMENT OBLIGATIONS

	September 30,		
(In millions)	2015		2014
Asset retirement obligations at beginning of year	\$ 179.	8 \$	102.7
Liabilities incurred in the period	8.	1	4.9
Liabilities settled in the period ^(a)	(14.	6)	(5.2)
Accretion expense	7.	7	4.3
Revisions in estimated cash flows ^(b)	24.	9	73.1
Asset retirement obligations at the end of the year ^(c)	\$ 205.	9 \$	179.8

Includes asset retirement obligations of \$1.6 million related to the Springfield Operations Center that were reclassified to "Current Liabilities - Liabilities held for sale".

ACCOUNTING STANDARDS ADOPTED IN FISCAL YEAR 2015

Standard ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists	Description The standard requires an unrecognized tax benefit, or a portion of an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar loss, or a tax credit carryforward.	Effect on the financial statements or other significant matters As a result of the implementation of this standard, we reduced our deferred tax assets by a portion of our unrecognized tax benefits.
(Topic 740) ASU 2015-13, Derivatives and Hedging (Topic 815)-Application of the Normal Purchases and Normal Sales Scope Exception to Certain Electricity Contracts within Nodal Energy Markets (a consensus of the FASB Emerging Issues Task Force)	The standard requires that a forward purchase or sale of electricity in which electricity must be physically delivered through a nodal energy market operated by an independent system operator, and in which an entity incurs transmission costs on the basis of locational marginal pricing charges, would meet the physical delivery requirement under the NPNS scope exception.	The adoption of this standard did not have a material effect on our financial statements.

WGL revised its assumptions regarding the timing and amounts related to its obligation to cut, cap and purge pipeline. The revision is primarily driven by our accelerated pipeline replacement programs.

Includes short-term asset retirement obligations of \$7.0 million and \$6.0 million for fiscal year 2015 and 2014, respectively.

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OTHER NEWLY ISSUED ACCOUNTING STANDARDS

Standard	Description	Date of adoption	Effect on the financial statements or other significant matters
ASU 2015-03, Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Cost	The standard requires an entity to present debt issuance costs in the balance sheet as a direct deduction of the debt liability in a manner consistent with its accounting treatment of debt discounts. The standard permits prospective or retrospective application. WGL will apply the standard retrospectively.	October 1, 2016	We are in the process of evaluating the impact the adoption of this standard will have on our financial statements.
ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis	The standard changes the analysis to be performed in determining whether certain types of legal entities should be consolidated, specifically the analysis of limited partnerships and similar entities, fee arrangements and related party relationships. The standard permits prospective or retrospective application for different parts.		We are in the process of evaluating the impact the adoption of this standard will have on our financial statements.
ASU 2014-09, Revenue from Contracts with Customers (Topic 606)	The standard establishes a comprehensive revenue recognition model clarifying the method used to determine the timing and requirements for revenue recognition from contracts with customers. The disclosure requirements under the new standard will enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard permits retrospective application.	October 1, 2019	We are in the process of evaluating the impact the adoption of this standard will have on our financial statements.

Regulated Operations NOTE 2

Washington Gas accounts for its regulated operations in accordance with ASC Topic 980. This standard includes accounting principles for companies whose rates are determined by independent third party regulators. When setting rates, regulators may require us to record expense in different periods than may be appropriate for unregulated enterprises. When this occurs, Washington Gas defers the associated costs as assets (regulatory assets) on its balance sheet and records them as expenses on its income statement as it collects the revenues designed to recover these costs through customers' rates. Further, regulators can also impose liabilities upon a company for amounts previously collected from customers and for future outflows that are expected to be incurred in the future (regulatory liabilities).

When Washington Gas files a request with certain regulatory commissions to modify customers' rates, it is permitted to charge customers new rates, subject to refund, until the regulatory commission renders a final decision on the amount of the authorized change in rates. During this interim period, Washington Gas records a provision for a rate refund regulatory liability based on the difference between the amount it collects in rates and the amount it expects to recover from a final regulatory decision. Similarly, Washington Gas periodically records provisions for rate refunds related to other transactions. Actual results for these regulatory contingencies are often difficult to predict and could differ significantly from the estimates reflected in the financial statements. Refer to Note 13—Commitments and Contingencies for further discussion of regulatory matters and related contingencies.

At September 30, 2015 and 2014, we recorded the following regulatory assets and liabilities on our balance sheets. These assets and liabilities will be recognized as revenues or expenses in future periods as they are reflected in customers' rates.

REGULATORY ASSETS AND LIABILITIES

(In millions)		Regulato	Regulatory Assets			Regulatory Liabilities		
September 30,		2015	2014		2015		2014	
Current:								
Gas costs due from/to customers ^(a)	\$	1.7	\$ -	\$	22.6	\$	16.2	
Interruptible sharing ^(a)		3.3	3.4		2.6		-	
Revenue normalization mechanisms for Maryland and Virginia ^(a)		-	-		8.4		5.5	
Plant recovery mechanisms		0.8	0.4		1.0		0.9	
Total current	\$	5.8	\$ 3.8	\$	34.6	\$	22.6	
Deferred:								
Accrued asset removal costs	\$	-	\$ -	\$	325.5	\$	327.4	
Deferred gas costs ^(a)		190.7	191.3		-		-	
Pension and other post—retirement benefits								
Other post-retirement benefit costs-trackers ^(b)		0.1	-		-		-	
Deferred pension costs—trackers ^(b)		38.0	45.1		-		-	
ASC Topic 715 unrecognized costs/income ^{(a)(c)}								
Pensions		173.9	147.9		-		-	
Other post-retirement benefits		-	-		104.4		86.4	
Total pension and other post-retirement benefits		212.0	193.0		104.4		86.4	
Other								
Income tax-related amounts due from/to customers ^(d)		31.7	30.4		4.2		4.8	
Losses/gains on issuance and extinguishments of debt and interest-rate derivative instruments $^{(a)(e)}$		11.1	12.0		1.6		1.7	
Deferred gain on sale of assets ^(a)		-	-		1.4		1.4	
Rights-of-way fees ^(a)		1.6	1.5		-		-	
Business process outsourcing and related costs ^(a)		2.7	1.0		-		-	
Nonretirement postemployment benefits ^{(a)(f)}		18.9	16.3		-		-	
Deferred integrity management expenditures ^{(a)(g)}		5.1	2.7		-		-	
Recoverable portion of abandoned LNG facility ^(a)		5.0	5.6		-		-	
Environmental response costs ^{(a)(h)}		1.8	0.6		-		-	
Other regulatory expenses ^(a)		2.1	1.5		9.9		9.7	
Total other	\$	80.0	\$ 71.6	\$	17.1	\$	17.6	
Total deferred	\$	482.7	\$ 455.9	\$	447.0	\$	431.4	
Total	\$	488.5	\$ 459.7	\$	481.6	\$	454.0	

Washington Gas does not earn its overall rate of return on these assets. Washington Gas is allowed to recover and required to pay, using short-term interest rates, the carrying costs related to billed gas costs due from and to its customers in the District of Columbia and Virginia jurisdictions.

As required by ASC Topic 980, Washington Gas monitors its regulatory and competitive environment to determine whether the recovery of its regulatory assets remains probable. If Washington Gas were to determine that recovery of these assets is no longer probable, it would write off the assets against earnings. We have determined that ASC Topic 980 continues to apply to our regulated operations, and the recovery of our regulatory assets at September 30, 2015 is probable.

Relates to the District of Columbia jurisdiction.

Refer to Note 10-Pension and Other Post-Retirement Benefit Plans for a further discussion of these amounts.

This balance represents amounts due from customers for deferred tax liabilities related to tax benefits on deduction flowed directly to customers prior to the adoption of income tax normalization for ratemaking purposes.

The losses or gains on the issuance and extinguishment of debt and interest-rate derivative instruments include unamortized balances from transactions executed in prior fiscal years. These transactions create gains and losses that are amortized over the remaining life of the debt as prescribed by regulatory accounting requirements.

Represents the timing difference between the recognition of workers compensation and short-term disability costs in accordance with generally accepted accounting principles and the way these costs are recovered through rates.

This balance represents amounts for deferred expenditures associated with Washington Gas' Distribution Integrity Management Program (DIMP) in Virginia.

This balance represents allowed remediation expenditures at Washington Gas sites to be recovered through rates for Maryland and the District of Columbia. The recovery period is over several years.

NOTE 3 **Accounts Payable and Other Accrued Liabilities**

The tables below provide details for the amounts included in "Accounts payable and other accrued liabilities" on the balance sheets for both WGL and Washington Gas.

WGL HOLDINGS, INC.

	September 30,			
(In millions)		2015		2014
Accounts payable—trade	\$	277.3	\$	278.8
Employee benefits and payroll accruals		31.4		19.8
Other accrued liabilities		16.4		14.6
Total	\$	325.1	\$	313.2

WASHINGTON GAS LIGHT COMPANY

	September 30				
(In millions)	2015	2014			
Accounts payable—trade	\$ 122.2	\$ 146.4			
Employee benefits and payroll accruals	29.5	18.2			
Other accrued liabilities	7.6	11.9			
Total	\$ 159.3	\$ 176.5			

NOTE 4 **Short-Term Debt**

WGL and Washington Gas satisfy their short-term financing requirements through the sale of commercial paper or through bank borrowings. Due to the seasonal nature of the regulated utility and retail energy-marketing segments, 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 each WGL and Washington Gas is to maintain bank credit facilities in amounts equal to or greater than the expected maximum commercial paper position. The following is a summary of committed credit available at September 30, 2015 and 2014.

COMMITTED CREDIT AVAILABLE (IN MILLIONS)

September 30, 2015		$\mathrm{WGL}^{(b)}$	Wash	nington Gas	Total Consolidated
Committed credit agreements					
Unsecured revolving credit facility, expires December 19, 2019 ^(a)	\$	450.0	\$	350.0	\$ 800.0
Less: Commercial Paper		(243.0)		(89.0)	(332.0)
Net committed credit available	\$	207.0	\$	261.0	\$ 468.0
Weighted average interest rate		0.30%		0.16%	0.26%
September 30, 2014					
Committed credit agreements					
Unsecured revolving credit facility, expires April 3, 2017 ^(a)	\$	450.0	\$	350.0	\$ 800.0
Less: Commercial Paper		(364.5)		(89.0)	(453.5)
Net committed credit available	\$	85.5	\$	261.0	\$ 346.5
Weighted average interest rate		0.20%		0.13%	0.19%

Both WGL and Washington Gas have the right to request extensions with the banks' approval. WGL's revolving credit facility permits it to borrow an additional \$100 million, with the banks' approval, for a total of \$550 million. Washington Gas' revolving credit facility permits it to borrow an additional \$100 million, with the banks' approval, for a total of \$450 million.

In December 2014, both WGL and Washington Gas entered into a first amendment to their respective credit agreements, each dated April 3, 2012. The amendments extend the maturity date of the credit facilities from April 3, 2017 to December 19, 2019, provided that all necessary governmental approvals have been renewed by September 30, 2017. Under the credit

agreements, as amended, WGL and Washington Gas each have the right to request two one-year-extensions, with the banks' approval. At September 30, 2015 and 2014, there were no outstanding bank loans from WGL's or Washington Gas' revolving credit facilities.

WGL includes all subsidiaries other than Washington Gas.

Under the terms of the credit agreements, the ratio of consolidated financial indebtedness to consolidated total capitalization may not exceed 0.65 to 1.0 (65%). At September 30, 2015, WGL's and Washington Gas' ratios of consolidated financial indebtedness to consolidated total capitalization were 51% and 42%, respectively. In addition, WGL and Washington Gas are required to inform lenders of changes in corporate existence, financial conditions, litigation and environmental warranties that might have a material adverse effect. Failure to inform the lenders' agent of these material changes might constitute default under the agreements. Another potential default may be deemed to exist if WGL or Washington Gas were to fail to pay principal or interest when due on any other indebtedness. Such defaults, if not remedied, could lead to suspension of further loans and/or acceleration in which obligations become immediately due and payable. At September 30, 2015, WGL and Washington Gas were in compliance with all of the covenants under their revolving credit facilities.

NOTE 5 **Long-Term Debt**

First Mortgage Bonds

The Mortgage of Washington Gas dated January 1, 1933 (Mortgage), as supplemented and amended, securing any First Mortgage Bonds (FMBs) it issues, constitutes a direct lien on substantially all property and franchises owned by Washington Gas, other than a small amount of property that is expressly excluded. At September 30, 2015 and 2014, Washington Gas had no debt outstanding under the Mortgage. Any FMBs that may be issued in the future will represent indebtedness of Washington Gas.

Shelf Registration

At September 30, 2015 and 2014, WGL had the capacity under a shelf registration to issue an unspecified amount of long-term debt securities. On September 10, 2015, a shelf registration statement of Washington Gas became effective; Washington Gas has the capacity to issue up to \$600.0 million of additional MTNs.

Unsecured Notes

Washington Gas issues unsecured MTNs and private placement notes with individual terms regarding interest rates, maturities and call or put options. These notes can have maturity dates of one or more years from the date of issuance. The following tables show the outstanding notes as of September 30, 2015 and 2014.

SENIOR NOTES, MTNS AND PRIVATE PLACEMENT NOTES OUTSTANDING

(\$ In millions)	$\mathrm{WGL}^{(a)}$	Wa	shington Gas	Total Consolidated
September 30, 2015				
Long-term notes ^(b)	\$ 250.0	\$	721.0	\$ 971.0
Weighted average interest rate	3.66%		5.58%	5.08
September 30, 2014				
Long-term notes ^(b)	\$ -	\$	691.0	\$ 691.0
Weighted average interest rate	n/a		5.65%	5.65%

WGL includes WGL Holdings and all subsidiaries other than Washington Gas.

The indenture for the unsecured MTNs and the note purchase agreement for the private placement notes provide that Washington Gas will not issue any FMBs under its Mortgage without securing all MTNs and the subject private placement notes with the Mortgage.

Certain of Washington Gas' outstanding MTNs and private placement notes have a make-whole call feature that pays the holder a premium based on a spread over the yield to maturity of a U.S. Treasury security having a comparable maturity, when that particular note is called by Washington Gas before its stated maturity date. With the exception of this makewhole call feature, Washington Gas is not required to pay call premiums for calling debt prior to the stated maturity date.

Includes Senior Notes for WGL and both MTNs and private placement notes for Washington Gas. Represents face value including current maturities.

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The following tables show senior notes, MTN and private placement issuances and retirements for the years ended September 30, 2015 and 2014.

SENIOR NOTES, MTNS AND PRIVATE PLACEMENT ISSUANCES AND RETIREMENTS

(\$ In millions)	Principal ^(b)	Interest Rate	Effective Cost ^(c)	Nominal Maturity Date
Year Ended September 30, 2015				
$\mathrm{WGL}^{(a)}$				
Issuances:				
10/24/2014	\$ 100.0	2.25%	2.42%	11/1/2019
10/24/2014	125.0	4.60%	5.11%	11/1/2044
12/16/2014	25.0	4.60%	5.53&	11/1/2044
Total	\$ 250.0			
Washington Gas				
Issuances:				
12/15/2014	\$ 50.0	4.24%	4.41%	12/15/2044
Total	50.0			
Total consolidated issuances	\$ 300.0			
Washington Gas				
Retirements:				
8/9/2015	\$ 20.0	4.83%		8/9/2015
Total	\$ 20.0			
Year Ended September 30, 2014	 			
Washington Gas				
Issuances:				
12/5/2013	\$ 75.0	5.00%	4.95%	12/15/2043
9/12/2014	 100.0	4.22%	4.27%	9/15/2044
Total	\$ 175.0			
Retirements:				
11/7/2013	\$ 37.0	4.88%		11/7/2013
9/10/2014	30.0	5.17%		9/10/2014
Total	\$ 67.0			

 $^{^{(}a)}$ WGL includes WGL Holdings and all subsidiaries other than Washington Gas.

Long-Term Debt Maturities

Maturities of long-term debt for each of the next five fiscal years and thereafter as of September 30, 2015 are summarized in the following table.

LONG-TERM DEBT MATURITIES(a)

(In millions)	$\mathbf{WGL}^{(b)}$	Washington Gas	Total
2016	\$ - \$	25.0	\$ 25.0
2017	-	-	-
2018	-	-	-
2019	-	50.0	50.0
2020	100.0	50.0	150.0
Thereafter	150.0	596.0	746.0
Total	\$ 250.0 \$	721.0	\$ 971.0
Less: current maturities	-	25.0	25.0
Total non-current	\$ 250.0 \$	696.0	\$ 946.0

⁽a) Excludes unamortized discounts of \$1.7 million and \$0.1 million at September 30, 2015, for WGL and Washington Gas, respectively.

⁽b) Represents face amount.

⁽c) The estimated effective cost of the issued notes, including consideration of issuance fees and hedge costs.

WGL includes WGL Holdings and all subsidiaries other than Washington Gas.

Common Stock — WGL NOTE 6

Common Stock Outstanding

Shares of common stock outstanding were 49,728,662 and 50,656,553 at September 30, 2015 and 2014, respectively.

Common Stock Reserves

At September 30, 2015, there were 4,561,588 authorized, but unissued, shares of common stock reserved under the following plans:

COMMON STOCK RESERVES

Reserve for:	Number of Shares
Omnibus incentive compensation plan ^(a)	993,825
Dividend reinvestment and common stock purchase plan	2,849,012
Employee savings plans	637,196
Directors' stock compensation plan	81,555
Total common stock reserves	4,561,588

In March 2007, WGL adopted a shareholder-approved Omnibus Incentive Compensation Plan to replace on a prospective basis the 1999 Incentive Compensation Plan. Included are shares that may be issued upon the vesting of 304,089 performance shares that have been granted but not yet vested. Upon vesting, a number of shares equal to up to 200% of the number of performance shares granted may be issued, which would reduce the number of shares available for issuance under the Omnibus Incentive Compensation Plan. Refer to Note 11—Stock-Based Compensation for a discussion regarding our stock-based compensation plans.

Preferred Stock NOTE 7

Washington Gas has three series of cumulative preferred stock outstanding, and each series is subject to redemption by Washington Gas. All three series have a dividend preference that prohibits Washington Gas from declaring and paying dividends on shares of its common stock unless dividends on all outstanding shares of the preferred stock have been fully paid for all past quarterly

dividend periods. In addition, all outstanding shares of preferred stock have a preference as to the amounts that would be distributed in the event of a liquidation or dissolution of Washington Gas. The following table presents this information, as well as call prices for each preferred stock series outstanding.

PREFERRED STOCK

	Shares	Call Price		
Preferred Series Outstanding	Outstanding	Involuntary	Voluntary	Per Share
\$4.80	150,000	\$100	\$101	\$101
\$4.25	70,600	\$100	\$105	\$105
\$5.00	60,000	\$100	\$102	\$102

Earnings per Share NOTE 8

Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the reported period. Diluted EPS assumes the issuance of common shares pursuant to stock-based compensation plans at the beginning of the applicable period unless the effect of such issuance would be anti-dilutive (refer to Note 11—Stock-Based Compensation).

As of September 30, 2015, there were no outstanding stock options. There were no anti-dilutive shares for any of the periods presented. The following table reflects the computation of our basic and diluted EPS for the fiscal years ended September 30, 2015, 2014 and 2013.

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BASIC AND DILUTED EPS

	Year	s Ended Septembe	r 30,
(In thousands, except per share data)	2015	2014	2013
Basic earnings per average common share:			
Net income applicable to common stock	\$ 131,259	\$ 105,940	\$ 80,253
Average common shares outstanding—basic	49,794	51,759	51,697
Basic earnings per average common share	\$ 2.64	\$ 2.05	\$ 1.55
Diluted earnings per average common share:			
Net income applicable to common stock	\$ 131,259	\$ 105,940	\$ 80,253
Average common shares outstanding—basic	49,794	51,759	51,697
Stock-based compensation plans	266	11	111
Total average common shares outstanding—diluted	50,060	51,770	51,808
Diluted earnings per average common share	\$ 2.62	\$ 2.05	\$ 1.55

NOTE 9 Income Taxes

WGL files a consolidated federal tax return and various other state returns. We are no longer subject to income tax examinations by the Internal Revenue Service (IRS) for years ended prior to September 30, 2012. Substantially all state income tax years in major jurisdictions are closed for years ended prior to September 30, 2011.

WGL and each of its subsidiaries also participate in a tax sharing agreement that establishes the method for allocating tax benefits from losses that are utilized on the consolidated income tax return. The consolidated tax is apportioned among the subsidiaries on the separate return method and losses of the parent, WGL, are allocated to the subsidiaries that have taxable income. In fiscal year 2015, Washington Gas shared \$0.5 million of tax benefits from the tax sharing agreement that was reflected as a tax decrease on Washington Gas' statements of income. During fiscal years 2014 and 2013, Washington Gas realized \$2.9 million and \$1.3 million of tax savings as a result of this tax sharing agreement. The effect of this allocation of benefits to Washington Gas has no effect on our consolidated financial statements. State income tax returns are filed on a separate company basis in most states where we have operations and/or a requirement to file.

Washington Gas charged the Maryland portion of the Med D regulatory asset to tax expense during the fiscal year ended September 30, 2012, based on positions taken by the PSC of

MD in Washington Gas' rate case during the fiscal year that did not permit recovery. Washington Gas received an order in the first quarter of fiscal year end September 30, 2014 in its rate case from the PSC of MD that allowed recovery of the Med D regulatory asset over a 5-year amortization period. Therefore, the tax benefit was recognized to reinstate the regulatory asset.

On September 13, 2013, the U.S. Treasury Department issued final income tax regulations to address the costs incurred in acquiring, producing, or improving tangible property. The regulations are effective for WGL and Washington Gas for the tax year beginning October 1, 2014. WGL and Washington Gas will file Forms 3115 along with its income tax return for the year ended September 30, 2015. The financial impact of these regulations did not have a material impact on the financial statements. Any changes in method of accounting for income tax purposes required to conform to the final regulations will be made for the taxable year ending September 30, 2015.

The tables below provide the following for WGL and Washington Gas: (i) the components of income tax expense; (ii) a reconciliation between the statutory federal income tax rate and the effective income tax rate and (iii) the components of accumulated deferred income tax assets and liabilities at September 30, 2015 and 2014.

WGL HOLDINGS, INC. COMPONENTS OF INCOME TAX EXPENSE

	Years Ended September 30,								
(In thousands)		2015	2014	2013					
Income tax expense									
Current:									
Federal	\$	(18,639)	\$ 29,976	\$ 41,425					
State		2,977	5,149	11,258					
Total current		(15,662)	35,125	52,683					
Deferred:									
Federal									
Accelerated depreciation		71,529	35,747	33,394					
Other		17,726	(18,014)	(31,173)					
State									
Accelerated depreciation		13,739	9,822	6,795					
Other		1,411	(1,760)	(7,585)					
Total deferred		104,405	25,795	1,431					
Amortization of investment tax credits		(4,939)	(3,666)	(1,822)					
Total income tax expense	\$	83,804	\$ 57,254	\$ 52,292					

WGL HOLDINGS, INC. RECONCILIATION BETWEEN THE STATUTORY FEDERAL INCOME TAX RATE AND EFFECTIVE TAX RATE

			Ye	ars Ended Sep	tember 30,			
(\$ In thousands)	2015		2014			2013		
Income taxes at statutory federal income tax rate	\$ 75,760	35.00%	\$	57,580	35.00%	\$	46,853	35.00%
Increase (decrease) in income taxes resulting from:								
Accelerated depreciation less amount deferred	1,187	0.55		1,875	1.14		2,106	1.57
Amortization of investment tax credits	(4,939)	(2.28)		(3,666)	(2.23)		(1,822)	(1.36)
Cost of removal	(2,721)	(1.26)		(4,902)	(2.98)		(2,356)	(1.76)
State income taxes-net of federal benefit	11,109	5.13		8,734	5.31		7,448	5.56
Medicare Part D adjustment	-	-		(3,621)	(2.20)		-	-
ASDHI impairment	1,969	0.91		-	-		-	-
Other items-net	1,439	0.66		1,254	0.76		63	0.05
Total income tax expense and effective tax rate	\$ 83,804	38.71%	\$	57,254	34.80%	\$	52,292	39.06%

WGL HOLDINGS, INC. COMPONENTS OF DEFERRED INCOME TAX ASSETS (LIABILITIES)

			Septem	ber 30,		
(In thousands)	20)15		2		
Accumulated deferred income taxes	Current		Non-current	Current		Non-current
Deferred income tax assets:						
Pensions	\$ -	\$	44,468	\$ -	\$	24,349
Uncollectible accounts	10,389		-	9,268		-
Inventory overheads	5,873		-	6,591		-
Employee compensation and benefits	4,733		52,497	6,306		37,873
Derivatives	8,580		35,311	6,503		31,555
Deferred gas costs	2,406		-	-		4,218
Solar grant/investment tax credit	-		53,067	-		39,184
Tax credit carry forward	-		55,040	-		_
Other	861		4,779	814		1,422
Total assets	32,842		245,162	29,482		138,601
Deferred income tax liabilities:						
Other post-retirement benefits	-		54,860	-		38,299
Accelerated depreciation and other plant related items	-		794,099	-		669,040
Losses/gains on reacquired debt	-		1,292	-		1,426
Income taxes recoverable through future rates	-		68,245	_		65,374
Deferred gas costs	-		815	2,818		-
Partnership basis differences	-		29,468	-		25,370
Valuation allowances	-		2,188	-		-
Total liabilities			950,967	2,818		799,509
Net accumulated deferred income tax assets (liabilities)	\$ 32,842	\$	(705,805)	\$ 26,664	\$	(660,908)

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WASHINGTON GAS LIGHT COMPANY COMPONENTS OF INCOME TAX EXPENSE

	Yea	nrs Ended September	30,
(In thousands)	2015	2014	2013
Income tax expense			
Current:			
Federal	\$ (5,305)	\$ 37,098	\$ 40,492
State	907	4,262	7,515
Total current	(4,398)	41,360	48,007
Deferred:			
Federal			
Accelerated depreciation	71,046	34,833	34,518
Other	(6,619)	(30,523)	(35,982)
State			
Accelerated depreciation	13,701	9,540	6,770
Other	(1,507)	(6,800)	(8,221)
Total deferred	76,621	7,050	(2,915)
Amortization of investment tax credits	(832)	(876)	(895)
Total income tax expense	\$ 71,391	\$ 47,534	\$ 44,197

WASHINGTON GAS LIGHT COMPANY RECONCILIATION BETWEEN THE STATUTORY FEDERAL INCOME TAX RATE AND EFFECTIVE TAX RATE

				Ye	ars Ended Se	eptember 30,			
(\$ In thousands)	2015				2014		2013		
Income taxes at statutory federal income tax rate	\$	63,024	35.00%	\$	51,050	35.00%	\$ 40,782	35.00%	
Increase (decrease) in income taxes resulting from:									
Accelerated depreciation less amount deferred		2,108	1.17		1,875	1.29	2,106	1.81	
Amortization of investment tax credits		(832)	(0.46)		(876)	(0.60)	(895)	(0.77)	
Cost of removal		(2,721)	(1.51)		(4,902)	(3.36)	(2,356)	(2.02)	
State income taxes-net of federal benefit		8,986	4.99		6,711	4.60	5,487	4.71	
Consolidated tax sharing allocation		(533)	(0.30)		(2,862)	(1.96)	(1,290)	(1.11)	
Medicare Part D adjustment		-	-		(3,621)	(2.48)	-	-	
Other items-net		1,359	0.76		159	0.09	363	0.31	
Total income tax expense and effective tax rate	\$	71,391	39.65%	\$	47,534	32.58%	\$ 44,197	37.93%	

WASHINGTON GAS LIGHT COMPANY COMPONENTS OF DEFERRED INCOME TAX ASSETS (LIABILITIES)

		Years Ended	September 30,				
(In thousands)	2015	Tours Estate	2014				
Accumulated deferred income taxes	Current	Non-current	Current	Non-current			
Deferred income tax assets:							
Pensions	\$ - \$	43,748	\$ -	\$ 23,738			
Uncollectible accounts	7,637	-	7,618	-			
Inventory overheads	5,873	-	6,591	-			
Employee compensation and benefits	4,346	34,511	5,902	27,961			
Derivatives	3,576	35,311	4,809	31,555			
Deferred gas costs	2,406	-	-	4,218			
Investment tax credit	-	-	-	312			
Other	862	-	814	197			
Total assets	24,700	113,570	25,734	87,981			
Deferred income tax liabilities:							
Other post-retirement benefits	-	54,566	-	38,065			
Accelerated depreciation and other plant related items	-	681,108	-	602,376			
Losses/gains on reacquired debt	-	1,292	-	1,426			
Income taxes recoverable through future rates	-	67,953	-	65,128			
Deferred gas costs	-	815	2,818	-			
Other	-	1,300	-	932			
Total liabilities	-	807,034	2,818	707,927			
Net accumulated deferred income tax assets (liabilities)	\$ 24,700 \$	(693,464)	\$ 22,916	\$ (619,946)			

In June 2015, we filed our tax return for the year ended September 30, 2014.

The following table summarizes the change in unrecognized tax benefits during fiscal year 2015, 2014, 2013 and our total unrecognized tax benefits at September 30, under the provisions of ASC Topic 740, Income Taxes:

UNRECOGNIZED TAX BENEFITS

(In thousands)	2015	2014	2013
Total unrecognized tax benefits, October 1,	\$ 32,613	\$ 25,051	\$ 22,082
Increases in tax positions relating to current year	12,848	10,512	5,251
Decreases in tax positions relating to prior year	(6,834)	(2,950)	(2,282)
Total unrecognized tax benefits, September 30,	\$ 38,627	\$ 32,613	\$ 25,051

During the year, the unrecognized tax benefits for WGL and Washington Gas increased by approximately \$6.0 million relating to uncertain tax positions, primarily due to the change in tax accounting for repairs. If the amounts of unrecognized tax benefits are eventually realized, it would not materially impact the effective tax rate. It is reasonably possible that the amount of the unrecognized tax benefit with respect to some of WGL's and Washington Gas' uncertain tax positions will significantly increase or decrease in the next 12 months. The IRS completed its audit of the tax years related to the change in accounting method for repairs without proposing any changes, however, they could re-examine this issue in the future.

WGL and Washington Gas recognize any accrued interest associated with uncertain tax positions in interest expense and recognizes any accrued penalties associated with uncertain tax positions in other expenses in the statements of income. During the fiscal years ended September 30, 2015, 2014 and 2013, interest expense on uncertain tax positions was minimal.

NOTE 10 Pension and Other Post-Retirement Benefit Plans

Washington Gas maintains a qualified, trusteed, non-contributory defined benefit pension plan (qualified pension plan) covering most active and vested former employees of Washington Gas. The non-contributory defined benefit pension plan is closed to all employees hired on or after January 1, 2010. Washington Gas accounts for the qualified pension plan and other post-retirement benefit plans under the provisions of ASC 715, Compensation-Retirement Benefits.

Several executive officers of Washington Gas also participate in a non-funded defined benefit supplemental executive retirement plan (DB SERP), a non-qualified pension plan. A rabbi trust has been established for the potential future funding of the DB SERP liability. The DB SERP was closed to new entrants beginning January 1, 2010 and instead, executive officers are eligible to participate in a non-funded defined contribution SERP (DC SERP). In addition, effective January 1, 2010, Washington Gas established a non-funded defined benefit restoration plan (DB restoration) for the purpose of providing supplemental pension and pension-related benefits to a select group of management employees.

WGL subsidiaries offer defined-contribution savings plans to all eligible employees. These plans allow participants to defer on a pre-tax or after-tax basis, a portion of their salaries for investment in various alternatives. We make matching contributions to the amounts contributed by employees in accordance with the specific plan provisions. Total matching contributions to our savings plans were \$4.6 million, \$4.2 million and \$4.3 million during fiscal years 2015, 2014 and 2013, respectively. All employees not participating in the qualified pension plan receive an employer provided supplemental contribution ranging from 4% to 6% depending on years of service. Total supplemental contributions to the plan were \$2.1 million, \$1.6 million and \$0.8 million during fiscal years ended September 30, 2015, 2014 and 2013, respectively.

Washington Gas provides certain healthcare and life insurance benefits for retired employees. Substantially all employees of Washington Gas may become eligible for such benefits if they attain retirement status while working for Washington Gas. Washington Gas accounts for these benefits under the provisions of ASC 715, Compensation-Retirement Benefits. Washington Gas elected to amortize the accumulated post-retirement benefit obligation of \$190.6 million existing at the October 1, 1993 adoption date of this standard, known as the transition obligation, over a twenty-year period, which ended in 2013.

On September 25, 2015, the Washington Gas Light Company Retiree Medical Plan was amended to limit the aggregate cost of applicable employer-sponsored coverage, thereby avoiding the 40% excise tax enacted by the Patient Protection and Affordable Care Act of 2010. The resolution, which is effective September 30, 2015 and applies to plan years beginning on or after January 1, 2018, includes a limit of \$11,850 per participant, with a maximum limit of \$30,950 for family coverage. This amendment resulted in a prior service credit of \$26.1 million.

On April 24, 2014, Washington Gas replaced the existing retiree medical benefit plan and dental plan options for Medicareeligible retirees age 65 and older with a special tax-free Health Reimbursement Account (HRA) plan effective January 1, 2015. With the introduction of the new plan, effective January 1, 2015, participating retirees and dependents will receive a subsidy each year through the HRA account to help purchase supplemental medical and dental coverage in the marketplace. As part of the new HRA plan, participants who enroll in a Medicare Part D prescription drug plan and meet the threshold for Medicare catastrophic prescription drug coverage will be eligible for an additional reimbursement of their out-of-pocket prescription drug costs in excess of the threshold. Retirees and dependents under age 65 will still be covered under the existing Washington Gas Retiree Medical Plan until they become eligible for Medicare

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at age 65 and can obtain coverage through the new HRA plan. Due to the impact of the amendment, we remeasured the funded status of the plan in April 2014. The funded status of the plan changed by approximately \$127.5 million from an underfunded liability to an overfunded asset as a result of the plan amendment. The offsetting amount for this remeasurement was recorded as a decrease to regulatory assets and accumulated other comprehensive income/loss.

Almost all costs associated with Washington Gas' defined benefit post-retirement plans have historically been, and will continue to be, recovered through Washington Gas' rates. Therefore, in accordance with ASC Topic 980 and ASC Topic 715, Washington Gas established a regulatory asset/liability for the substantial majority of the unrecognized costs/income associated with its defined benefit post-retirement plans. To the extent these amounts will not be recovered through Washington Gas' rates, they are recorded directly to "Accumulated other comprehensive loss, net of taxes."

Obligations and Assets

Washington Gas uses a measurement date of September 30 for its pension, and retiree healthcare and life insurance benefit plans. The following table provides certain information about Washington Gas' post-retirement benefits:

POST-RETIREMENT BENEFITS

(In millions)	Pension I	3ene	efits ^(a)	Health and	Life I	Benefits
Year Ended September 30,	2015		2014	2015		2014
Change in projected benefit obligation(b)						
Benefit obligation at beginning of year	\$ 917.1	\$	837.4	\$ 343.2	\$	429.8
Service cost	15.5		14.0	7.1		7.6
Interest cost	39.1		40.4	14.7		18.7
Change in plan benefits	0.6		-	(26.1)		(136.5)
Actuarial loss (gain)	19.2		68.6	(23.7)		38.2
Retiree contributions	-		-	2.0		4.4
Employer group waiver plan rebates	-		-	2.4		0.5
Benefits paid	(44.0)		(43.3)	(19.7)		(19.5)
Projected benefit obligation at end of year ^(b)	\$ 947.5	\$	917.1	\$ 299.9	\$	343.2
Change in plan assets						
Fair value of plan assets at beginning of year	\$ 804.7	\$	745.2	\$ 439.6	\$	380.9
Actual return on plan assets	19.9		103.3	(0.3)		57.8
Company contributions	1.8		1.7	16.0		16.0
Retiree contributions and employer group waiver plan rebates	-		-	3.6		4.4
Expenses	(2.2)		(2.2)	(0.7)		-
Benefits paid	(44.0)		(43.3)	(19.7)		(19.5)
Fair value of plan assets at end of year	\$ 780.2	\$	804.7	\$ 438.5	\$	439.6
Funded status at end of year	\$ (167.3)	\$	(112.4)	\$ 138.6	\$	96.4
Total amounts recognized on balance sheet				·		
Non-current asset	\$ -	\$	-	\$ 138.6	\$	96.4
Current liability	(4.8)		(4.2)	-		-
Non-current liability	(162.5)		(108.2)	-		
Total recognized	\$ (167.3)	\$	(112.4)	\$ 138.6	\$	96.4

The DB SERP and DB Restoration, included in pension benefits in the table above, have no assets.

The following table provides the projected benefit obligation (PBO) and accumulated benefit (ABO) for the qualified pension plan, DB SERP and DB Restoration at September 30, 2015 and 2014.

PROJECTED AND ACCUMULATED BENEFIT OBLIGATION

(In millions)	(Qualified Pension Plan				DB S	ERP		DB Restoration					
September 30,	2	015	20	014	20	2015		2014		2015		2015 2		14
Projected benefit obligation	\$	892.2	\$	865.2	\$	53.0	\$	50.7	\$	2.3	\$	1.2		
Accumulated benefit obligation	\$	822.8	\$	801.9	\$	48.7	\$	46.2	\$	1.2	\$	0.7		

For the Health and Life Benefits, the change in projected benefit obligation represents the accumulated benefit obligation.

Amounts Recognized in Regulatory Assets/Liabilities and Accumulated Other Comprehensive Income

The following table provides amounts recorded to regulatory assets, regulatory liabilities and accumulated other comprehensive loss/ (income) at September 30, 2015 and 2014:

UNRECOGNIZED COSTS/INCOME RECORDED ON THE BALANCE SHEET

(In millions)	Pension	Ben	nefits	Health and Life Benefits				
September 30,	2015		2014	2015		2014		
Actuarial net loss	\$ 190.1	\$	162.6	\$ 43.8	\$	50.1		
Prior service cost (credit)	1.5		1.2	(160.2)		(149.3)		
Total	\$ 191.6	\$	163.8	\$ (116.4)	\$	(99.2)		
Regulatory asset (liability) ^(a)	\$ 173.9	\$	147.9	\$ (110.5)	\$	(94.6)		
Pre-tax accumulated other comprehensive loss (gain) ^(b)	17.7		15.9	(5.9)		(4.6)		
Total	\$ 191.6	\$	163.8	\$ (116.4)	\$	(99.2)		

The regulatory liability recorded on our balance sheets at September 30, 2015 and 2014 is net of a deferred income tax benefit of \$6.1 million and \$8.2 million,

The following table provides amounts that are included in regulatory assets/liabilities and accumulated other comprehensive loss associated with our unrecognized pension and other post-retirement benefit costs that were recognized as components of net periodic benefit cost during fiscal year 2015.

AMOUNTS RECOGNIZED DURING FISCAL YEAR 2015

	Regulatory assets/liabilities						other e loss
(In millions)	Pension Benefits		Health and Life Benefits		Pension Benefits		Health and Life Benefits
Actuarial net loss (income)	\$ 16.9	\$	4.2	\$	1.8	\$	0.2
Prior service cost (credit)	0.3		(14.6)		-		(0.7)
Total	\$ 17.2	\$	(10.4)	\$	1.8	\$	(0.5)

The following table provides amounts that are included in regulatory assets/liabilities and accumulated other comprehensive loss associated with our unrecognized pension and other post-retirement benefit costs that are expected to be recognized as components of net periodic benefit cost during fiscal year 2016.

AMOUNTS TO BE RECOGNIZED DURING FISCAL YEAR 2016

	R	egulatory as	set	s/liabilities	Accumulated comprehensi	
(In millions)		Pension Benefits		Health and Life Benefits	Pension Benefits	Health and Life Benefits
Actuarial net loss (income)	\$	15.3	\$	1.2	\$ 1.5 \$	0.1
Prior service cost (credit)		0.2		(16.8)	0.1	(0.9)
Total	\$	15.5	\$	(15.6)	\$ 1.6 \$	(0.8)

Realized and unrealized gains and losses for assets under Washington Gas' post-retirement benefit plans are spread over a period of five years. Each year, 20% of the prior five years' asset gains and losses are recognized. The market-related value

of assets is equal to the market value of assets less the following percentages of prior years' realized and unrealized gains and losses on equities: 80% of the prior year, 60% of the second prior year, 40% of the third prior year and 20% of the fourth prior year.

The total amount of accumulated other comprehensive loss recorded on our balance sheets at September 30, 2015 and 2014 is net of an income tax benefit of \$5.1 million and \$4.9 million, respectively.

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Notes to Consolidated Financial Statements

Net Periodic Benefit Cost

The components of the net periodic benefit costs (income) for fiscal years ended September 30, 2015, 2014 and 2013 related to pension and other postretirement benefits were as follows:

COMPONENTS OF NET PERIODIC BENEFIT COSTS (INCOME)

(In millions)	Pension Benefits					He	alth	and Life Bene	fits	
Year Ended September 30,	2015		2014		2013	2015		2014		2013
Service cost	\$ 15.5	\$	14.0	\$	17.0	\$ 7.1	\$	7.6	\$	9.6
Interest cost	39.1		40.4		36.6	14.7		18.7		18.8
Expected return on plan assets	(44.6)		(41.0)		(41.9)	(20.8)		(19.3)		(18.3)
Recognized prior service cost (credit)	0.3		0.3		1.0	(15.3)		(9.6)		(3.9)
Recognized actuarial loss	18.7		16.8		28.7	4.4		5.0		9.2
Amortization of transition obligation	-		-		-	-		-		1.1
Net periodic benefit cost	29.0		30.5		41.4	(9.9)		2.4		16.5
Amount allocated to construction										
projects	(4.6)		(4.3)		(5.7)	1.9		(0.4)		(2.8)
Amount deferred as regulatory asset										
(liability)-net	7.1		7.0		(3.7)	(0.2)		(2.3)		2.4
Amount charged (credited) to expense	\$ 31.5	\$	33.2	\$	32.0	\$ (8.2)	\$	(0.3)	\$	16.1

Amounts included in the line item "Amount deferred as regulatory asset/liability-net," as shown in the table above, represent the amortization of previously unrecovered costs of the applicable pension benefits or the health and life benefits as approved in the District of Columbia. These balances are being amortized over a five year period.

Assumptions

The weighted average assumptions used to determine net periodic benefit obligations and net periodic benefit costs were as follows:

BENEFIT OBLIGATIONS ASSUMPTIONS

	Pension I	Benefits	Health and Life Benefits			
September 30,	2015	2014	2015	2014		
Discount rate ^(a)	4.10%-4.50%	4.00%-4.40%	4.50%	4.40%		
Rate of compensation increase	3.50%-4.10%	3.50%-4.10%	4.10%	4.10%		

⁽a) The increase in the discount rate in fiscal year 2015 compared to prior years primarily reflects the increase in long-term interest rates.

NET PERIODIC BENEFIT COST ASSUMPTIONS

		Pension Benefits		Hea	alth and Life Benefi	its
Years Ended September 30,	2015	2014	2013	2015	2014	2013
Discount rate ^(a)	4.00%-4.40%	4.50%-5.00%	4.00%	4.40%	4.60%-5.10%	4.00%
Expected long-term return on plan assets(b)	6.75%	6.50%	6.75%	6.25%	6.25%	6.75%
Rate of compensation increase ^(c)	3.50%-4.10%	3.85%-5.15%	3.85%-5.15%	4.10%	3.85%	3.85%

⁽a) The changes in the discount rates over the last three fiscal years primarily reflect the changes in long-term interest rates.

Expected long-term return on plan assets

Washington Gas determines the expected long-term rate of return on plan assets by averaging the expected earnings for the target asset portfolio. In developing the expected rate of return assumption, Washington Gas evaluates an analysis of historical actual performance and long-term return projections, which gives consideration to our asset mix and anticipated length of obligation of our plan.

Mortality Assumptions

For purposes of the September 30, 2015 measurement date, Washington Gas adopted new mortality assumptions for its pension and other post-retirement benefit obligations, which reflect increased life expectancies in the U.S. The adoption of new mortality assumptions increased the projected benefit obligations for Washington Gas' pension and other post-retirement benefit plans by approximately \$46.8 million and \$15.3 million, respectively.

Healthcare cost trend

Washington Gas assumed the healthcare cost trend rates related to the accumulated post-retirement benefit obligation for non-Medicare eligible retirees to be 6.7% for fiscal year 2016. Washington Gas expects the rate to decrease to 6.3% in fiscal 2017, 3.2% in fiscal 2018 and to 2.2% in fiscal 2019, and remain at that level thereafter. The significant decrease in the expected trend rate between fiscal 2017 and 2018 is driven by the amendment

⁽b) For health and life benefits, the expected returns for certain funds may be lower due to certain portions of income that are subject to an assumed income tax rate of 45.6%.

⁽c) The changes in the rate of compensation reflects the best estimates of actual future compensation levels including consideration of general price levels, productivity, seniority, promotion, and other factors such as inflation rates.

to the Washington Gas Light Company Retiree Medical Plan discussed above. The healthcare cost trend rate used to measure the accumulated post-retirement benefit obligation for non-Medicare eligible retirees as of September 30, 2014 was 7.0% for fiscal year 2015. This rate was expected to decrease gradually to 5.0% in 2021 and remain at that level thereafter.

For Medicare eligible retirees age 65 and older that will receive a subsidy each year through an HRA account, Washington Gas assumed no increase to the annual subsidy in fiscal year 2016 and a 3.0% increase thereafter in order to approximate possible future increases to the stipend. While the plan terms do not guarantee increases to the stipend, Washington Gas intends to review the stipend annually.

HEALTHCARE TRENDS

(In millions)	(One Percentage- Point Increase	rcentage- Decrease
Increase (decrease) total service and interest cost components	\$	1.3	\$ (1.1)
Increase (decrease) post-retirement benefit obligation	\$	5.7	\$ (5.1)

Investment Policies and Strategies

The investment objective of the qualified pension, healthcare, and life insurance benefit plans ("Plan" or "Plans") is to allocate each Plan's assets to appropriate investment asset classes (asset categories) so that the benefit obligations of each Plan are adequately funded, consistent with appropriate risk tolerance guidelines for the Plans' and Washington Gas' tolerance for risk. Washington Gas' portion of retired employee healthcare and life insurance benefits obligation is funded through two trusts: (i) the Washington Gas Light Company Postretirement Benefit Master Trust for Retired Previously Union-Eligible Employees ("union-eligible truest") and (ii) the Washington Gas Light Company Postretirement Benefit Master Trust for Retired Management Employees ("management trust").

In order to best achieve the investment objectives for each Plan, strategic allocation targets and ranges are established that control exposure to selected investment asset classes. Target qualified pension plan trust asset allocations are 32.5% U.S. Large-Cap Equities, 4.5% U.S. Small/Mid-Cap Equities, 8% International Equities, 5% Real Estate and 50% Fixed Income. Target asset allocations are 50% U.S. Large-Cap Equities and 50% Fixed Income for the union-eligible trust. Target asset allocations are 60% U.S. Large-Cap Equities and 40% Fixed Income for the management trust. Actual asset balances are reviewed monthly and are allowed to range within plus or minus 5% or less of the target allocations. Assets are generally rebalanced to target allocations before actual amounts fall below or rise above the allowable ranges.

Asset/liability modeling (ALM) is used to test the benefits and risks of several potential strategic asset allocation mixes. Simulated investment performance results based on assumptions about expected return, volatility, and correlation characteristics of the selected asset classes are tested for their effects on contributions, pension expense, PBO funded status, and downside Value at Risk metrics over a ten-year planning time horizon. Important outcomes from past ALM studies include decisions to increase fixed income exposure, lengthen the duration of those fixed income assets and implement a dynamic asset allocation strategy that allows for the de-risking of the portfolio over time. Under this strategy, the target fixed income allocation percentage will increase by 5% for each 5% improvement in the plan's funded ratio, as measured by an investment consultant. This strategy resulted in portfolio de-risking during October 2012 including increased fixed income exposure and reduced U.S. large-cap equity exposure.

The most recent pension plan ALM study was completed during November 2014. The study did not result in any changes to investment strategy.

For the qualified pension plan, Washington Gas' funding policy is to contribute an amount sufficient to satisfy the minimum annual funding requirements under the Pension Protection Act. Any contributions above the minimum annual funding requirements would be limited to amounts that are deductible under appropriate tax law. For the healthcare and life insurance benefit plans, Washington Gas' funding policy is to contribute amounts that are collected from ratepayers.

Significant amounts of the various Plans' assets are managed by the same financial institution. In addition, the Plans have a high exposure to U.S. based investments. There are no other significant risk concentrations related to investments in any entity, industry, country, commodity, or investment fund.

Investment vehicles used to manage qualified pension plan trust and management trust assets include commingled funds and pooled separate accounts. A private placement mutual fund is also employed to manage a portion of qualified pension plan trust assets. Commingled funds are used in the management of union-eligible trust assets.

U.S. and international equity assets are diversified across sectors, industries, and investment styles. Fixed income assets are primarily diversified across U.S. government and investment grade corporate debt instruments, with some exposure to foreign sovereign debt and minor exposure to non-investment-grade securities. Real estate is diversified geographically across the U.S. by property type.

The qualified pension plan's investment policy allows the use of futures, options, and other derivatives for purposes of reducing portfolio risk and as a low-cost option for gaining market exposure, but derivatives may not be used for leverage. The qualified pension plan's investment policy prohibits investments in Washington Gas securities. The prohibition applies to separately managed portfolios but does not apply to any commingled fund investments.

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Notes to Consolidated Financial Statements

The following tables present the fair value of the pension plan assets and health and life insurance plan assets by asset category as of September 30, 2015 and 2014:

PENSION PLAN ASSETS

(\$ In millions)		Level 1		Level 2		Level 3	Total	% of Total
At September 30, 2015								
Cash and cash equivalents	\$	0.8	\$	-	\$	-	\$ 0.8	0.1%
Equity securities								
U.S. Small Cap		28.7		-		_	28.7	3.7
Preferred Securities				0.1			0.1	_
Fixed income securities				***			VV2	
U.S. Treasuries				101.3		_	101.3	13.0
				204.6			204.6	26.2
U.S. Corporate Debt		•				-		
U.S. Agency Obligations and Government Sponsored Entities		-		23.9		-	23.9	3.1
Asset-Backed Securities and Collateralized Mortgage Obligations		-		1.7		-	1.7	0.2
Municipalities		-		14.0		-	14.0	1.8
Non-U.S. Corporate Debt		-		37.1		-	37.1	4.8
Repurchase Agreements ^(a)		-		5.3		-	5.3	0.7
$Other^{(b)}$		-		4.7		-	4.7	0.6
Mutual Funds ^(c)		-		29.3		-	29.3	3.7
Commingled Funds and Pooled Separate Accounts ^(d)		_		274.8		27.7	302.5	38.7
Private Equity/Limited Partnerships ^(e)		_		28.0			28.0	3.6
Derivatives ^(f)		_		(0.1)		_	(0.1)	-
Total fair value of plan investments	\$	29.5	<u>¢</u>	724.7	\$	27.7		100.2%
Receivable (payable) ^(g)	φ	29.3	Ψ	127.1	Ψ	21.1	(1.7)	(0.2)
Total plan assets at fair value							\$ 780.2	100.0%
At September 30, 2014							φ /00.2	100.0 /6
Cash and cash equivalents	\$	0.6	Ф		\$	_	\$ 0.6	0.1%
Equity securities	Ψ	0.0	Ψ	-	Ψ	-	φ 0.0	0.1 /6
U.S. Small Cap		32.3					32.3	4.0
Preferred Securities		34.3		0.1		_	0.1	4.0
Fixed income securities				0.1			0.1	
U.S. Treasuries		_		110.6		_	110.6	13.8
U.S. Corporate Debt				108.4		_	108.4	13.5
U.S. Agency Obligations and Government Sponsored Entities				24.6		_	24.6	3.0
Asset-Backed Securities and Collateralized Mortgage Obligations		_		1.8		_	1.8	0.2
Municipalities Municipalities		_		9.2		_	9.2	1.1
Non-U.S. Corporate Debt		_		23.8		_	23.8	3.0
Repurchase Agreements ^(a)		_		2.5		_	2.5	0.3
Other ^(b)		_		7.0		-	7.0	0.8
Mutual Funds ^(c)		-		112.4		-	112.4	14.0
Commingled Funds and Pooled Separate Accounts ^(d)		_		316.2		23.8	340.0	42.3
Private Equity/Limited Partnerships ^(e)		-		30.5		-	30.5	3.8
Derivatives ^(f)		-		(0.1)		-	(0.1)	-
Total fair value of plan investments	\$	32.9	\$	747.0	\$	23.8		99.9%
Receivable (payable)(g)							1.0	0.1
Total plan assets at fair value							\$ 804.7	100.0%

This category includes Treasury Bills with a pre-commitment from the counterparty to repurchase the same securities on the next business day at an agreed-upon price.

This category primarily includes Yankee bonds and non-U.S. government bonds.

At September 30, 2015, investments in mutual funds consisted primarily of common stock of non-U.S. companies. At September 30, 2014, investments in mutual funds consisted primarily of corporate fixed income instruments.

At September 30, 2015, investments in commingled funds and pooled separate accounts consisted primarily of 80% common stock of large-cap U.S. companies; 18% income producing properties located in the United States; and 2% short-term money market investments. At September 30, 2014, investments in commingled funds and pooled separate accounts consisted primarily of 75% common stock of large-cap U.S. companies; 14% income producing properties located in the United States; 9% equity securities of non-U.S. companies; and 2% short-term money market investments.

At September 30, 2015 and 2014, investments in private equity/limited partnership consisted of common stock of international companies.

At September 30, 2015, this category included long-term U.S. Treasury interest rate futures contracts, interest rate put options and credit default swap indexes. At September 30, 2014, this category included long-term U.S. Treasury interest rate futures contracts and interest rate put options.

At September 30, 2015, this payable represents a pending trade for investment purchases. At September 30, 2014, this receivable represents a pending trade for investment sales.

HEALTHCARE AND LIFE INSURANCE PLAN ASSETS

(\$ In millions)	Level 1	Level 2	Level 3	Total	% of Total
At September 30, 2015					
Cash and Cash Equivalents	\$ -	\$ - \$	- \$	-	-%
Mutual Funds ^(a)	1.9	-	-	1.9	0.4
Fixed Income Securities					
U.S Agency Obligations	-	1.8	-	1.8	0.4
U.S. Treasuries	-	27.7	-	27.7	6.3
U.S. Corporate Debt	-	33.5	-	33.5	7.7
Municipalities	-	4.0	-	4.0	0.9
Non-U.S. Corporate Debt	-	4.9	-	4.9	1.1
Others ^(b)	-	4.3	-	4.3	1.0
Commingled Funds ^(c)		359.7	-	359.7	82.0
Total fair value of plan investments	\$ 1.9	\$ 435.9 \$	- \$	437.8	99.8%
Receivable (payable)				0.7	0.2
Total plan assets at fair value			\$	438.5	100.0%
At September 30, 2014					
Cash and Cash Equivalents	\$ 0.8	\$ - \$	- \$	0.8	0.2%
Mutual Funds ^(a)	-	1.9	-	1.9	0.4
Fixed Income Securities					
U.S Agency Obligations	-	2.0	-	2.0	0.5
U.S. Treasuries	-	25.6	-	25.6	5.8
U.S. Corporate Debt	-	34.0	-	34.0	7.7
Municipalities	-	4.8	-	4.8	1.1
Non-U.S. Corporate Debt	-	5.7	-	5.7	1.3
Others ^(b)	-	5.3	-	5.3	1.2
Commingled Funds ^(c)	-	359.7	-	359.7	81.8
Total fair value of plan investments	\$ 0.8	\$ 439.0 \$	- \$	439.8	100.0%
Receivable (payable)				(0.2)	-
Total plan assets at fair value	 		\$	439.6	100.0%

At September 30, 2015, investments in mutual funds consisted of a short-term money market fund valued at \$1.00 per share. At September 30, 2014, investments in mutual funds consisted primarily of 63% short-term obligations consisting of certificates of deposit and time deposits, 23% high-quality commercial paper, 6% repurchase agreements, 4% corporate notes of U.S. and foreign corporations and 4% U.S. governmental and U.S. agency securities.

Valuation Methods

Equity securities are traded on a securities exchange and are valued at the closing quoted market price as of the balance sheet date.

Mutual funds are valued at the quoted net asset value (NAV) per share, which is computed as of the close of business on the balance sheet date. Mutual funds with a publicly quoted NAV per share are classified as Level 1; mutual funds with a NAV per share that is not made publicly available are classified as Level 2. Real Estate Investment Funds which have redemption restrictions are classified as Level 3.

Commingled funds and pooled separate accounts are valued at the quoted NAV per unit, computed as of the close of business on the balance sheet date.

Private Equity/Limited Partnership funds are valued at the quoted NAV, which is computed monthly and allocated based on ownership interest in partners' capital.

Fixed income securities are valued using pricing models that consider various observable inputs such as benchmark yields, reported trades, broker quotes and issuer spreads to determine fair value.

The Plans may engage in repurchase transactions. Generally, in accordance with the terms of a repurchase agreement, the Plans take possession of Treasury Bills in exchange for cash and the counterparty is obligated to repurchase, and the Plan to resell, the same securities at an agreed-upon price and time. The repurchase agreements have a one-day maturity and a fair value equal to the Plan's cash outlay at the time the agreement is executed.

The following table summarizes the changes in the fair value of the Level 3 assets for the fiscal years ended 2015 and 2014:

	Years Ended September 30,					
(In millions)		2015		2014		
Balance, beginning of year	\$	23.8	\$	21.1		
Actual return on plan assets:						
Assets still held at year end		3.9		2.7		
Balance, end of year	\$	27.7	\$	23.8		

Benefit Contribution

During fiscal year 2015, Washington Gas did not contribute to its qualified pension but did contribute \$1.8 million to its non-funded DB SERP plan. During fiscal year 2016, Washington Gas does not expect to make a contribution to its qualified pension plan and expects to make a payment of \$4.8 million to its non-funded DB SERP. During fiscal year 2015, Washington Gas contributed \$16.0 million to its health and life insurance benefit plans. Washington Gas expects to make a contribution of \$16.0 million to its health and life insurance benefit plans during fiscal year 2016.

At September 30, 2015 and 2014, this category consisted primarily of 76% non-U.S. government bonds and 24% Yankee bonds.

At September 30, 2015, investments in commingled funds consisted primarily of 68% common stock of large-cap U.S. companies, 16% governmental fixed income securities and 16% corporate bonds. At September 30, 2014, investments in commingled funds consisted primarily of 66% common stock of largecap U.S. companies, 17% U.S. agency obligations and government sponsored entities and 17% corporate bonds.

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Expected Benefit Payments

Expected benefit payments, including benefits attributable to estimated future employee service, which are expected to be paid over the next ten years are as follows:

EXPECTED BENEFIT PAYMENTS

(In millions)	Pension Benefits	Health and Life Benefits
2016	\$ 49.1	\$ 17.2
2017	50.5	17.6
2018	51.5	17.2
2019	53.2	17.4
2020	54.3	17.4
2021—2025	 284.1	86.9

Medicare Subsidy Receipts / Employer Group Waiver Plan

Prior to 2013 Washington Gas sponsored a post-65 retiree prescription drug plan that was at least actuarially equivalent to Medicare (Medicare Part D), and as a result was eligible to receive a federal subsidy under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Effective January 1, 2013 Washington Gas implemented an Employer Group Waiver Plan with a wraparound supplemental plan ("EGWP/ wrap"). Accordingly, the Washington Gas retiree medical plan began receiving direct reimbursements and discounts from Medicare and the large pharmaceutical companies. During the years ended September 30, 2015 and 2014, Washington Gas received \$0.8 million and \$0.5 million in reimbursements related to the EGWP/wrap, respectively. Effective January 1, 2015, Washington Gas ceased to participate in the EGWP/wrap because participants age 65 and older will be transitioning into the new WGL Retiree HRA Plan, where such participants will receive an annual stipend that could be used to purchase health and prescription drug insurance.

Regulatory Matters

A significant portion of the estimated pension and post-retirement medical and life insurance benefits apply to our regulated activities. Each regulatory commission having jurisdiction over Washington Gas requires it to fund amounts reflected in rates for post-retirement medical and life insurance benefits into irrevocable trusts.

District of Columbia Jurisdiction

The PSC of DC has approved a level of rates sufficient to recover annual costs associated with the qualified pension and other post-retirement benefits. Expenses of the SERP allocable to the District of Columbia are not recovered through rates. The PSC of DC granted the recovery of post-retirement medical and life insurance benefit costs determined in accordance with GAAP through a five-year phase-in plan that ended September 30, 1998. Washington Gas deferred the difference generated during the phase-in period as a regulatory asset. Effective October 1, 1998, the PSC of DC granted Washington Gas full recovery of costs determined under GAAP, plus a fifteen-year amortization of the regulatory asset established during the phase-in period that ended in fiscal year 2014. On May 15, 2013, the PSC of DC issued an order providing for recovery of unrecovered costs for pension and other post-retirement benefits as of November 30, 2012. The order allowed a five-year amortization period.

Maryland Jurisdiction

In Washington Gas' most recent rate case, the PSC of MD approved 50% of the expenses of the SERP for recovery through rates. The PSC of MD has approved a level of rates sufficient to recover pension and other post-retirement benefit costs as determined under GAAP.

Virginia Jurisdiction

On September 28, 1995, the SCC of VA issued a generic order that allowed Washington Gas to recover most costs determined under GAAP for post-retirement medical and life insurance benefits in rates over twenty years. The SCC of VA, however, set a forty-year recovery period of the transition obligation. As prescribed by GAAP, Washington Gas amortizes these costs over a twenty-year period. With the exception of the transition obligation, the SCC of VA has approved a level of rates sufficient to recover annual costs for all pension and other post-retirement medical and life insurance benefit costs determined under GAAP.

NOTE 11 Stock-Based Compensation

Stock-Based Compensation for Key Employees

We have stock-based awards outstanding in the form of performance shares and performance units. In March 2007, WGL adopted a shareholder-approved Omnibus Incentive Compensation Plan (Omnibus Plan) to replace, on a prospective basis, the 1999 Plan. Stock options, stock appreciation rights, restricted stock, deferred stock and stock as a bonus in lieu of other awards, dividend equivalents, other stock-based awards and cash awards may be granted under the Omnibus Plan. The Omnibus Plan allows WGL to issue up to 1,700,000 shares of common stock, subject

to adjustment as provided by the plan, to persons including officers and key employees, designated by the Human Resources Committee of the Board of Directors. Refer to Note 6—*Common Stock—WGL* for amounts remaining to be issued under these plans.

During the fiscal year ended September 30, 2015, we granted performance shares and performance units under the Omnibus Plan. We have not issued stock options under either plan since October 2006.

For both performance shares and performance units issued through September 30, 2015, the actual award that may be earned varies based on the total shareholder return of WGL relative to a selected peer group of companies. These performance awards generally vest three years from the date of grant. Performance shares earned are paid in shares of common stock of WGL. Performance units are earned pursuant to terms of the grant, are paid in cash and are valued at \$1.00 per performance unit. Performance units and performance shares provide for accelerated vesting upon a change in control of WGL under certain circumstances. We generally issue new shares of common stock to provide for redemption of performance shares; however, we may, from time to time, repurchase shares of our common stock on the open market in order to meet these requirements. Performance shares

are accounted for as equity awards, and performance units are accounted for as liability awards as they are settled in cash.

For the fiscal years ended September 30, 2015, 2014 and 2013, we recognized stock-based compensation expense of \$15.5 million, \$3.4 million and \$6.5 million, net of related income tax benefits of \$6.2 million, \$1.3 million and \$2.6 million, respectively.

As of September 30, 2015, total unrecognized compensation expense related to stock-based awards granted was \$11.4 million. Performance shares and performance units comprised \$4.4 million and \$7.0 million of total unrecognized compensation expense, respectively. The total unrecognized compensation expense is expected to be recognized over a weighted average cost period of 1.7 years for performance shares and performance units.

Performance Shares

The following table summarizes information regarding performance share activity during the fiscal year ended September 30, 2015.

PERFORMANCE SHARE ACTIVITY

	Year Ended	September 30, 2015
	Number of Shares ^(a)	Weighted Average Grant-Date Fair Value
Non-vested and outstanding, beginning of year	301,378	\$ 40.57
Granted	113,626	44.44
Vested	-	-
Cancelled/forfeited	(110,915)	39.71
Non-vested and outstanding, end of year	304,089	\$ 44.49

The number of common shares issued related to performance shares may range from zero to 200 percent of the number of shares shown in the table above based on our achievement of performance goals for total shareholder return relative to a selected peer group of companies.

The total fair value of the performance shares outstanding at September 30, 2015 for the shares expected to vest in the future was \$12.9 million. There were no performance shares vested during the years ended September 30, 2015 and 2013. The total intrinsic value of performance shares vested during the year ended September 30, 2014 was \$2.2 million.

We measure compensation expense related to performance shares based on the fair value of these awards at their date of grant. Compensation expense for performance shares is recognized for awards that ultimately vest and is not adjusted based on the actual achievement of performance goals. We estimated the fair value of performance shares on the date of grant using a Monte Carlo simulation model and the following assumptions:

FAIR VALUE ASSUMPTIONS

Years Ended September 30,	2015		2014	2013
Expected stock-price volatility	18.3	0%	19.10%	19.40%
Dividend yield	4.1	8%	3.93%	3.98%
Weighted average grant-date fair value	\$ 44.4	4 \$	42.88	\$ 39.73

Expected stock-price volatility is based on the daily historical volatility of our common shares for the past three fiscal years. The dividend yield represents our annualized dividend yield on the closing market price of our common stock at the date of the grant.

Performance Units

Our performance units are liability awards as they settle in cash; therefore, we measure and record compensation expense for these awards based on their fair value at the end of each period until their vesting date. Consequently, fluctuations in earnings may result that do not occur under the accounting requirements for our performance shares.

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The following table summarizes information regarding performance unit activity during the fiscal year ended September 30, 2015.

PERFORMANCE UNIT ACTIVITY

	Year Ended September 30, 2015
	Number of Units
Non-vested and outstanding, beginning of	
year	12,268,921
Granted	4,785,921
Vested	-
Cancelled/forfeited	(4,369,209)
Non-vested and outstanding, end of year	12,685,633

The total fair value of performance units outstanding at September 30, 2015 for the units expected to vest in the future was \$20.3 million. As of September 30, 2015, 2014 and 2013, we recorded a current and deferred liability of \$13.3 million, \$2.4 million and \$4.9 million, respectively, related to our performance units. The current liability was recorded in "Accounts payable and other accrued liabilities—other" in the amounts of \$6.4 million and \$2.0 million at September 30, 2015 and 2013, respectively. There was no current liability recorded in "Accounts payable and other accrued liabilities—other" at September 30, 2014. The deferred liability was recorded in "Deferred Credits-other" in the amounts of \$6.9 million, \$2.4 million, and \$2.9 million at September 30, 2015, 2014 and 2013, respectively. During the fiscal years ended September 30, 2015 and 2013, we did not make any cash payments to settle performance unit awards. During the fiscal year ended September 30, 2014, we paid \$2.0 million in cash to settle performance unit awards.

We estimated the fair value of performance units using a Monte Carlo simulation model. The following table provides the year-end assumptions used to value our performance units:

FAIR VALUE ASSUMPTIONS

	September 30, 2015		
	10/1/2014 Grant	10/1/2013 Grant	
Expected stock-price			
volatility	20.20%	20.80%	

Expected stock-price volatility is based on the daily historical volatility of our common shares for a period equal to the remaining term of the performance units.

Stock Options

All remaining 5,318 stock options were exercised during fiscal year 2015; therefore, no remaining stock options were outstanding at September 30, 2015. We received \$0.2 million and \$0.7 million from the exercise of stock options during the years ended September 30, 2015 and 2014. There were no stock options exercised during the year ended September 30, 2013 and no related tax benefits realized. The related tax benefits realized for the fiscal years ended September 30, 2015 and 2014 were minimal and \$0.1 million, respectively.

Stock Grants to Directors

Non-employee directors receive a portion of their annual retainer fee in the form of common stock through the Directors' Stock Compensation Plan. Up to 270,000 shares of common stock may be awarded under the plan. Shares granted to directors were approximately 15,100, 17,000 and 16,600 for the fiscal years ended September 30, 2015, 2014 and 2013, respectively. For those years, the weighted average fair value of the stock on the grant dates was \$54.05, \$40.06, and \$40.46, respectively. Shares awarded to the participants; (i) vest immediately and cannot be forfeited; (ii) may be sold or transferred and (iii) have voting and dividend rights. For the year ended September 30, 2015, WGL recognized stock-based compensation expense related to stock grants of \$0.8 million, net of related income tax benefits of \$0.3 million. For each of the years ended September 30, 2014 and 2013, WGL recognized stock-based compensation expense related to stock grants of \$0.7 million, net of related income tax benefits of \$0.3 million.

NOTE 12 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 MGPs. 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 environmentallycontaminated 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. Based on the information available to us, we have concluded that none of the sites are likely to present an unacceptable risk to human health or the environment, and either the appropriate remediation is being undertaken or Washington Gas believes no remediation is necessary.

At September 30, 2015 and 2014, Washington Gas reported a liability of \$6.6 million and \$8.5 million, respectively, on an undiscounted basis related to future environmental response costs, which included the estimated costs for four MGP sites. These estimates principally include the minimum liabilities associated with a range of environmental response costs expected to be incurred at the sites identified. At September 30, 2015 and 2014, Washington Gas estimated the maximum liability associated with all of its sites to be approximately \$17.2 million and \$19.3 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 years that will be required to perform environmental

response processes at each site 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 2025. Rate orders issued by the PSC of DC allow Washington Gas a three-year recovery of prudently incurred environmental response costs, and allow Washington Gas to defer additional costs incurred between rate cases. Regulatory orders from the SCC of VA have generally allowed the recovery of prudent environmental remediation costs to the extent they were included in the underlying financial data supporting an application for rate change.

At September 30, 2015 and 2014, Washington Gas reported a regulatory asset of \$1.8 million and \$0.6 million, respectively, for the portion of environmental response costs that are expected to be recoverable in future rates.

We do not expect that the ultimate impact of these matters will have a material effect on our financial position, cash flows, capital expenditures, earnings or competitive position.

NOTE 13 Commitments and Contingencies

Operating Leases

Minimum future rental payments under operating leases over the next five years and thereafter are as follows:

MINIMUM PAYMENTS UNDER OPERATING LEASES

(In millions)	
2016	\$ 6.4
2017	5.8
2018	5.9
2019	2.7
2020	2.8
Thereafter	23.1
Total	\$ 46.7

Rent expense totaled \$6.0 million, \$5.5 million and \$5.6 million in fiscal years ended September 30, 2015, 2014 and 2013, respectively.

Regulated Utility Operations

Natural Gas Contracts—Minimum Commitments

At September 30, 2015, Washington Gas had service agreements with four pipeline companies that provide direct service for firm transportation and/or storage services. These agreements, which have expiration dates ranging from fiscal years 2016 to 2034, require Washington Gas to pay fixed charges each month. Additionally, Washington Gas had agreements for other pipeline and peaking services with expiration dates ranging from 2016 to 2028. These agreements were entered into based on current estimates of growth of the Washington Gas system, together with other factors, such as current expectations of the timing and extent of unbundling initiatives in the Washington Gas service territory.

The following table summarizes the minimum contractual payments that Washington Gas will make under its pipeline transportation, storage and peaking contracts, as well as minimum contractual payments to purchase natural gas at prices based on market conditions during the next five fiscal years and thereafter.

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WASHINGTON GAS CONTRACT MINIMUMS

(In millions)	Pipeli	ne Contracts ^(a)	Gas Purchase Commitments ^(b)	
2016	\$	208.8	\$	340.6
2017		200.8		413.8
2018		199.1		403.4
2019		211.1		396.6
2020		199.7		413.6
Thereafter		1,191.7		4,819.0
Total	\$	2,211.2	\$	6,787.0

Represents minimum payments for natural gas transportation, storage and peaking contracts that have expiration dates through fiscal year

When a customer selects a third party marketer to provide supply, Washington Gas generally assigns pipeline and storage capacity to unregulated third party marketers to deliver gas to Washington Gas' city gate. In order to provide the gas commodity to customers who do not select an unregulated third party marketer, Washington Gas has a commodity acquisition plan to acquire the natural gas supply to serve the customers.

To the extent these commitments are to serve its customers, Washington Gas has rate provisions in each of its jurisdictions that would allow it to continue to recover these commitments in rates. Washington Gas also actively manages its supply portfolio to ensure its sales and supply obligations remain balanced. This reduces the likelihood that the contracted supply commitments would exceed supply obligations. However, to the extent Washington Gas were to determine that changes in regulation would cause it to discontinue recovery of these costs in rates, Washington Gas would be required to charge these costs to expense without any corresponding revenue recovery. If this occurred, depending upon the timing of the occurrence, the related impact on our financial position, results of operations and cash flows would likely be significant.

Regulatory Contingencies

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

Non-Utility Operations

WGEServices enters into contracts to purchase natural gas and electricity designed to match the duration of its sales commitments, and to effectively lock in a margin on estimated sales over the terms of existing sales contracts. WGL Midstream enters into contracts to acquire, invest in, manage and optimize natural gas storage and transportation assets. Gas purchase commitments increased during fiscal year 2015 due to purchase commitments related to investment pipeline infrastructure and long-term sales agreements.

The following table summarizes the minimum commitments and contractual obligations of WGL Energy Services and WGL Midstream for the next five fiscal years and thereafter.

CONTRACT MINIMUMS

	WGL Energy Services			WGL Midstream			
(In millions)	_	as Purchase mmitments ^(a)	Pipeline Contracts ^(b)	Electric Purchase Commitments ^(c)	Gas Purchase Commitments ^(d)	Pipeline Contracts ^(b)	Total
2016	\$	156.4	\$ 3.2	\$ 477.4	\$ 252.9	\$ 20.4	\$ 910.3
2017		67.8	2.0	215.8	348.6	18.4	652.6
2018		9.7	1.4	56.3	1,082.6	15.9	1,165.9
2019		0.5	0.8	6.2	1,650.9	60.9	1,719.3
2020		-	0.5	1.1	1,866.4	65.0	1,933.0
Thereafter		-	1.2	-	32,117.1	1,031.7	33,150.0
Total	\$	234.4	\$ 9.1	\$ 756.8	\$ 37,318.5	\$ 1,212.3	\$ 39,531.1

Represents fixed price commitments with city gate equivalent deliveries.

Includes known and reasonably likely commitments to purchase natural gas. Cost estimates are based on forward market prices at September 30, 2015.

Represents minimum payments for natural gas transportation and storage contracts that have expiration dates through fiscal year 2044.

Represents electric purchase commitments that are based on existing fixed price and fixed volume contracts. Includes \$15.7 million of commitments related to renewable energy credits.

Includes known and reasonably likely commitments to purchase natural gas. Cost estimates are based on forward market prices as of September 30, 2015. Certain of our gas purchase agreements have optionality, which may cause increases in these commitments.

Financial Guarantees

WGL has guaranteed payments primarily for certain commitments on behalf of Washington Gas, WGL Energy Services, WGL Energy Systems and WGL Midstream. At September 30, 2015, these guarantees totaled \$30.7 million, \$230.1 million, \$8.5 million and \$318.3 million for Washington Gas, WGL Energy Services, WGL Energy Systems and WGL Midstream, respectively. At September 30, 2015, WGL also had guarantees on behalf of other subsidiaries totaling \$2.0 million. The amount of such

guarantees is periodically adjusted to reflect changes in the level of WGL's financial exposure related to these commitments. For all of our financial guarantees, WGL may cancel any or all future obligations upon written notice to the counterparty, but WGL would continue to be responsible for the obligations created under the guarantees prior to the effective date of the cancellation. WGL has also guaranteed payments for certain of our external partners. At September 30, 2015, these guarantees totaled \$8.1 million and the fair value of these guarantees was insignificant.

NOTE 14 Derivative and Weather-Related Instruments

Derivative Instruments

Regulated Utility Operations

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

Asset Optimization

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

Regulatory sharing mechanisms allow the profit from these transactions to be shared between Washington Gas' shareholders and customers; therefore, any changes in fair value are recorded through earnings, or as regulatory assets or liabilities to the extent that gains and losses associated with these derivative instruments will be included in the rates charged to customers when they are realized. Valuation changes for the portion of net profits to be retained for shareholders may cause significant period-toperiod volatility in earnings from unrealized gains and losses. This volatility does not change the locked-in operating margins that Washington Gas expects to ultimately realize from these transactions through the use of its storage and transportation capacity resources.

All physically and financially settled contracts under our asset optimization program are reported on a net basis in the statements of income in "Utility cost of gas." Total net margins recorded to "Utility cost of gas" after sharing and management fees associated with all asset optimization transactions for the fiscal year ended September 30, 2015 was a net gain of \$27.9 million including an unrealized loss of \$6.3 million. During the fiscal year ended September 30, 2014 we recorded a net loss of \$35.4 million including an unrealized loss of \$66.2 million. During the fiscal year ended September 30, 2013 we recorded a net loss of \$33.2 million including an unrealized loss of \$45.4 million.

Managing Price Risk

To manage price risk associated with acquiring natural gas supply for utility customers, Washington Gas enters into forward contracts, option contracts, financial contracts and other contracts, as authorized by its regulators. These instruments are accounted for as derivative instruments. 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.

Managing Interest-Rate Risk

Washington Gas utilizes derivative instruments that are designed to minimize the risk of interest-rate volatility associated with planned issuances of debt securities. Any gains and losses associated with these types of derivatives are recorded as regulatory liabilities or assets, respectively, and amortized in accordance with regulatory requirements, typically over the life of the newly issued debt.

Non-Utility Operations

Asset Optimization

WGL Midstream enters into derivative contracts for the purpose of optimizing its storage and transportation capacity as well as managing the transportation and storage assets on behalf of third parties. WGL Midstream does not designate these derivatives as hedges under ASC Topic 815; therefore, changes in the fair value of these derivative instruments are reflected in the earnings of our non-utility operations and may cause significant period-to-period volatility in earnings. The storage and transportation capacities utilized by WGL Midstream are not considered to be derivative instruments, and thus they are not recorded at fair value on our consolidated balance sheets.

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Managing Price Risk

WGL Energy Services enters into certain derivative contracts as part of managing the price risk associated with the sale and purchase of natural gas and electricity. WGL Energy Services designates a portion of these physical contracts related to the purchase of natural gas and electricity to serve our customers as "normal purchases and normal sales" and therefore, they are not subject to the fair value accounting requirements of ASC Topic 815. Derivative instruments not designated as "normal purchases and normal sales" are recorded at fair value on our consolidated balance sheets, and changes in the fair value of these derivative instruments are reflected in the earnings of our nonutility operations, which may cause significant period-to-period volatility in earnings. WGL Energy Services does not designate derivatives as hedges under ASC Topic 815.

Managing Interest-Rate Risk

WGL utilizes derivative instruments that are designed to minimize the risk of interest-rate volatility associated with future debt issuances. WGL elected cash flow hedge accounting for its interest rate derivative instruments, which settled with the issuance of the related debt issuance in the first quarter of 2015. The effective portion of the gains and losses on the hedge were recorded within other comprehensive income and are being amortized over the life of the debt (through 2044). The amortization is minimal for fiscal 2015.

In August 2015, WGL entered into two forward starting interest rate swap agreements, with a total notional amount of \$125.0 million, and designated them as cash flow hedges in accordance with ASC 815. These derivatives hedge the variability in future interest payments due to changes in interest rates prior to WGL's expected issuance of 30-year debt in January 2018. The effective portion of changes in the fair value of qualified derivatives designated as cash flow hedges is recorded in accumulated other comprehensive income (loss) and subsequently reclassified into earnings in the period that the hedged forecasted transactions affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings with interest expense.

Consolidated Operations

Reflected in the tables below is information for WGL as well as Washington Gas. The information for WGL includes derivative instruments for both utility and non-utility operations.

At September 30, 2015 and 2014, respectively, the absolute notional amounts of our derivatives are as follows:

ABSOLUTE NOTIONAL AMOUNTS OF OPEN POSITIONS ON DERIVATIVE INSTRUMENTS

Derivative transactions	Notional A	Amounts	
September 30, 2015	WGL Holdings	Washington Gas	
Natural Gas (In millions of therms)			
Asset Optimization	20,829.2	13,316.7	
Retail sales	52.2	-	
Other risk-management activities	1,811.7	1,381.8	
Electricity (In millions of kWhs)			
Retail sales	4,292.7	-	
Other risk-management activities	19,965.7	-	
Interest Rate Swaps (In millions of dollars)	\$ 125.0	\$ -	
September 30, 2014			
Natural Gas (In millions of therms)			
Asset Optimization	20,593.3	13,740.9	
Retail sales	44.7	-	
Other risk-management activities	1,641.3	1,398.2	
Electricity (In millions of kWhs)			
Retail sales	3,831.4	-	
Other risk-management activities	16,734.1	-	
Warrants (In millions of shares)	4.6	-	
Interest Rate Swaps (In millions of dollars)	\$ 150.0	\$ -	

The following tables present the balance sheet classification for all derivative instruments as of September 30, 2015 and 2014.

WGL HOLDINGS, INC. BALANCE SHEET CLASSIFICATION OF DERIVATIVE INSTRUMENTS

(In millions)	Derivative Instruments Not Designated as Hedging Instruments		Derivative Instruments Designated as Hedging Instruments						
As of September 30, 2015		Gross Derivative Assets	Gross Derivative Liabilities	Gross Derivative Assets		Gross Derivative Liabilities		Netting of Collateral	Total ^(a)
Current Assets—Derivatives	\$	29.7	\$ (6.8)	\$ -	\$	-	\$	-	\$ 22.9
Deferred Charges and Other Assets—Derivatives		32.3	(0.2)	-		-		-	32.1
Current Liabilities—Derivatives		9.8	(76.2)	-		-		2.9	(63.5)
Deferred Credits—Derivatives		2.7	(328.9)	-		(3.4)		7.3	(322.3)
Total	\$	74.5	\$ (412.1)	\$ -	\$	(3.4)	\$	10.2	\$ (330.8)
As of September 30, 2014									
Current Assets—Derivatives	\$	20.8	\$ (2.5)	\$ -	\$	-	\$	-	\$ 18.3
Deferred Charges and Other Assets—Derivatives		18.7	-	-		-		-	18.7
Current Liabilities—Derivatives		15.4	(70.3)	-		(1.7)		8.0	(48.6)
Deferred Credits—Derivatives		17.7	(316.4)	-		-		4.0	(294.7)
Total	\$	72.6	\$ (389.2)	\$ -	\$	(1.7)	\$	12.0	\$ (306.3)

WASHINGTON GAS LIGHT COMPANY BALANCE SHEET CLASSIFICATION OF DERIVATIVE INSTRUMENTS(b)

(In millions) As of September 30, 2015	Gross Derivative Assets	Gross Derivative Liabilities	Netting of Collateral	Total ^(a)
Current Assets—Derivatives	\$ 5.2	\$ (0.6)	\$ -	\$ 4.6
Deferred Charges and Other Assets—Derivatives	13.3	(0.1)	-	13.2
Current Liabilities—Derivatives	1.9	(35.8)	-	(33.9)
Deferred Credits—Derivatives	-	(269.7)	-	(269.7)
Total	\$ 20.4	\$ (306.2)	\$ -	\$ (285.8)
As of September 30, 2014				
Current Assets—Derivatives	\$ 3.9	\$ -	\$ -	\$ 3.9
Deferred Charges and Other Assets—Derivatives	9.5	-	-	9.5
Current Liabilities—Derivatives	8.6	(43.2)	0.7	(33.9)
Deferred Credits—Derivatives	4.2	(265.2)	0.2	(260.8)
Total	\$ 26.2	\$ (308.4)	\$ 0.9	\$ (281.3)

WGL 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 815. All recognized derivative contracts and associated financial collateral subject to a master netting arrangement or similar that is eligible for offset under ASC 815 have been presented net in the balance sheet.

The following tables present all gains and losses associated with derivative instruments for the years ended September 30, 2015, 2014 and 2013.

GAINS AND LOSSES ON DERIVATIVE INSTRUMENTS

(In millions)	V	VGI	Holdings, Inc	c.			Wa	shington Gas	s		
Fiscal Year Ended September 30,	2015		2014		2013	2015	2014			2013	
Recorded to income											
Operating revenues—non-utility	\$ 71.3	\$	(47.9)	\$	(9.9)	\$ -	\$	-	\$	-	
Utility cost of gas	(14.5)		(87.3)		(45.9)	(14.5)		(87.3)		(45.9)	
Non-utility cost of energy-related sales	(43.7)		36.2		(2.4)	-		-		-	
Other income-net	-		(1.1)		0.2	-		-		-	
Interest expense ^(a)	(0.6)		(0.2)		-	-		-		-	
Recorded to regulatory assets											
Gas costs	(18.4)		(143.3)		(115.1)	(18.4)		(143.3)		(115.1)	
Other	-		0.2		-	-		0.2		-	
Recorded to other comprehensive income ^(b)	(11.3)		(1.5)		-	-		-		-	
Total	\$ (17.2)	\$	(244.9)	\$	(173.1)	\$ (32.9)	\$	(230.4)	\$	(161.0)	

Fiscal year 2015 represents \$(0.4) million of net ineffectiveness for our cash flow hedges and \$(0.2) million of amortization of amounts previously recorded to Accumulated Other Comprehensive Income. Fiscal year 2014 amounts represent hedge ineffectiveness.

Washington Gas did not have any derivative instruments outstanding that were designated as hedging instruments at September 30, 2015 or 2014.

Fiscal year 2015 represents the effective portion of our cash flow hedges of \$(11.5) million less \$(0.2) million of amortization that was reclassified to interest expense. Fiscal year 2014 amounts represent hedge effectiveness.

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Collateral

WGL 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 parental 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 WGL's 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 sheet. At September 30, 2015, Washington Gas, WGL Energy Services and WGL Midstream posted \$3.5 million, \$12.4 million and \$3.5 million, respectively, of collateral deposits with counterparties that were not offset against open and settled derivative contracts. At September 30, 2014, Washington Gas, WGL Energy Services and WGL Midstream posted \$8.2 million, \$5.7 million and \$11.4 million, respectively, of collateral deposits with counterparties that were not offset against open and settled derivative contracts. At September 30, 2015, Washington Gas and WGL Midstream held \$3.8 million and \$0.4 million, respectively of cash collateral representing an obligation to counterparties that was not offset against open and settled derivative contracts. At September 30, 2014, Washington Gas held \$2.5 million of cash collateral representing an obligation to counterparties that was not offset against open and settled derivative contracts. Any collateral posted that is not offset against open and settled derivative contracts is included in "Other prepayments" in the accompanying balance sheets. Collateral received and not offset against open and settled derivative contracts is included in "Customer deposits and advance payments" in the accompanying balance sheets.

Certain derivative instruments of Washington Gas, WGL Energy Services and WGL Midstream contain contract provisions that require collateral to be posted if the credit rating of Washington Gas or WGL falls below certain levels or if counterparty exposure to WGL Energy Services or WGL Midstream exceeds a certain level. Due to counterparty exposure levels, at September 30, 2015, WGL Energy Services posted \$10.3 million of collateral related to its derivative liabilities that contained credit-related contingent features. At September 30, 2014, WGL Energy Services posted \$5.3 million of collateral related to these aforementioned derivative liabilities. Washington Gas and WGL Midstream were not required to post any collateral related to their respective derivative liabilities that contained credit-related contingent features at September 30, 2015 or 2014. The following table shows the aggregate fair value of all derivative instruments with credit-related contingent features that are in a liability position, as well as the maximum amount of collateral that would be required if the most intrusive credit-risk-related contingent features underlying these agreements were triggered on September 30, 2015 and 2014, respectively.

POTENTIAL COLLATERAL REQUIREMENTS FOR DERIVATIVE LIABILITIES WITH CREDIT-RISK-CONTINGENT FEATURES

(In millions)	WGL H	oldings, Inc.	Washington Gas
September 30, 2015			
Derivative liabilities with credit-risk-contingent features	\$	61.7 \$	18.9
Maximum potential collateral requirements		54.6	18.8
September 30, 2014			
Derivative liabilities with credit-risk-contingent features	\$	28.8 \$	20.6
Maximum potential collateral requirements		16.5	16.1

Washington Gas, WGL Energy Services and WGL Midstream do not enter into derivative contracts for speculative purposes.

Concentration of Credit Risk

We are exposed to credit risk from derivative instruments with wholesale counterparties, which is represented by the fair value of these instruments at the reporting date. We actively monitor and work to minimize counterparty concentration risk through various practices. At September 30, 2015, one counterparty represented over 10% of Washington Gas' credit exposure to wholesale derivative counterparties for a total credit risk of \$17.5 million; one counterparty represented over 10% of WGL Energy Services' credit exposure to wholesale derivative counterparties for a total credit risk of \$0.7 million; and two counterparties each represented over 10% of WGL Midstream's credit exposure to wholesale counterparties for a total credit risk of \$17.4 million.

Weather-Related Instruments

Washington Gas did not use any weather-related instruments during the years ended September 30, 2015 and 2014. During the fiscal year ended September 30, 2013, Washington Gas used HDD weather-related instruments to manage its financial exposure to variations from normal weather in the District of Columbia. Under these contracts, Washington Gas purchased protection against net revenue shortfalls due to warmer-than-normal weather and sold to its counterparty the right to receive the benefit when weather is colder than normal. Washington Gas elected to value all weather-related instruments at fair value.

Gains and losses associated with Washington Gas' weatherrelated instruments are recorded to "Operation and maintenance" expense. During the year ended September 30, 2013, Washington Gas recorded a pre-tax net gain of \$0.8 million related to weather derivatives.

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WGL Energy Services utilizes weather-related instruments for managing the financial effects of weather risks. These instruments cover a portion of WGL Energy Services' estimated revenue or energy-related cost exposure to variations in heating or cooling degree days. These contracts provide for payment to WGL Energy Services of a fixed-dollar amount for every degree day over or under specific levels during the calculation period depending upon the type of contract executed. During the years ended September 30, 2015, 2014 and 2013, WGL Energy Services recorded pre-tax gains of \$0.6 million and \$3.4 million and a pre-tax loss of \$0.8 million, respectively, related to these instruments.

NOTE 15 Fair Value Measurements

Recurring Basis

We measure the fair value of our financial assets and liabilities using a combination of the income and market approach in accordance with ASC Topic 820. These financial assets and liabilities primarily consist of derivatives recorded on our balance sheet 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-thecounter (OTC) wholesale and retail markets. These markets are the principal markets for the respective wholesale and retail contracts. Our relevant market participants are our existing counterparties and others who have participated in energy transactions at our delivery points. These participants have access to the same market data as WGL. We value our derivative contracts based on an "inexchange" premise, and 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. WGL did not have any Level 1 derivatives at September 30, 2015 and 2014.

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 industrystandard 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. At September 30, 2015 and 2014, Level 2 financial assets and liabilities included energy-related derivatives such as financial contracts, options and physical forward contracts for deliveries at active market locations, as well as our interest rate hedges.

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, annualized volatilities of natural gas prices, and electricity congestion 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.

Our Risk Analysis and Mitigation (RA&M) Group determines the valuation policies and procedures. The RA&M Group reports to WGL's Chief Financial Officer. In accordance with WGL's valuation policy, we may utilize a variety of valuation methodologies to determine the fair value of Level 3 derivative contracts, including internally developed valuation inputs and pricing models. The prices used in our valuations are corroborated using multiple pricing sources, and we periodically conduct assessments to determine whether each valuation model is appropriate for its intended purpose. The RA&M Group also evaluates changes in fair value measurements on a daily basis.

At September 30, 2015 and 2014, Level 3 derivative assets and liabilities included: (i) physical contracts valued at illiquid market locations with no observable market data; (ii) long-dated positions where observable pricing is not available over the life of the contract; (iii) contracts valued using historical spot price volatility assumptions and (iv) valuations using indicative broker quotes for inactive market locations.

The following tables set forth financial instruments recorded at fair value as of September 30, 2015 and 2014, respectively. 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.

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WGL HOLDINGS, INC. FAIR VALUE MEASUREMENTS UNDER THE FAIR VALUE HIERARCHY

(In millions)	Level 1	Level 2	Level 3	Total
At September 30, 2015			-	
Assets				
Natural gas related derivatives	\$ - \$	22.7 \$	28.5	\$ 51.2
Electricity related derivatives	-	2.0	21.3	23.3
Total Assets	\$ - \$	24.7 \$	49.8	\$ 74.5
Liabilities				
Natural gas related derivatives	\$ - \$	(33.9) \$	(338.2)	\$ (372.1)
Electricity related derivatives	-	(2.7)	(37.3)	(40.0)
Interest rate derivatives	-	(3.4)	-	(3.4)
Total Liabilities	\$ - \$	(40.0) \$	(375.5)	\$ (415.5)
At September 30, 2014				
Assets				
Natural gas related derivatives	\$ - \$	22.7 \$	33.7	\$ 56.4
Electricity related derivatives	-	0.3	15.9	16.2
Total Assets	\$ - \$	23.0 \$	49.6	\$ 72.6
Liabilities				
Natural gas related derivatives	\$ - \$	(39.8) \$	(328.4)	\$ (368.2)
Electricity related derivatives	-	(0.1)	(20.9)	(21.0)
Interest rate derivatives	-	(1.7)	-	(1.7)
Total Liabilities	\$ - \$	(41.6) \$	(349.3)	\$ (390.9)

WASHINGTON GAS LIGHT COMPANY FAIR VALUE MEASUREMENTS UNDER THE FAIR VALUE HIERARCHY

(In millions)	'	Level 1	Level 2	Level 3	Total
At September 30, 2015					
Assets					
Natural gas related derivatives	\$	- \$	6.9	\$ 13.5	\$ 20.4
Total Assets	\$	- \$	6.9	\$ 13.5	\$ 20.4
Liabilities					
Natural gas related derivatives	\$	- \$	(11.6)	\$ (294.6)	\$ (306.2)
Total Liabilities	\$	- \$	(11.6)	\$ (294.6)	\$ (306.2)
At September 30, 2014					
Assets					
Natural gas related derivatives	\$	- \$	13.5	\$ 12.7	\$ 26.2
Total Assets	\$	- \$	13.5	\$ 12.7	\$ 26.2
Liabilities					
Natural gas related derivatives	\$	- \$	(25.1)	\$ (283.3)	\$ (308.4)
Total Liabilities	\$	- \$	(25.1)	\$ (283.3)	\$ (308.4)

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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, by contract type, as of September 30, 2015 and 2014.

QUANTITATIVE INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

(In millions)	Net Fair Value September 30, 2015	Valuation Techniques	Unobservable Inputs	Range
WGL Holdings, Inc.				
Natural gas related derivatives	\$ (309.7)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	\$ (1.441) - \$ 3.580
		Ontion Model	Natural Gas Basis Price (per dekatherm)	\$ (1.283) - \$ 2.950
	Option Model		Annualized Volatility of Spot Market Natural Gas	22.5% - 867.0%
Electricity related derivatives	\$ (16.0)	Discounted Cash Flow	Electricity Congestion Price (per megawatt hour)	\$ (5.75) - \$ 73.35
Washington Gas Light Company				
Natural gas related derivatives	\$ (281.1)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	\$ (1.441) - \$ 3.500
	Net Fair Value September 30, 2014			
WGL Holdings, Inc.				
Natural gas related derivatives	\$ (294.7)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	\$ (2.101) - \$ 6.154
		Ontion Model	Natural Gas Basis Price (per dekatherm)	\$ (1.675) - \$ 6.154
		Option Model	Annualized Volatility of Spot Market Natural Gas	30.9% - 589.6%
Electricity related derivatives	\$ (5.0)	Discounted Cash Flow	Electricity Congestion Price (per megawatt hour)	\$ (2.85) - \$ 90.95
Washington Gas Light Company	·	·		
Natural gas related derivatives	\$ (270.6)	Discounted Cash Flow	Natural Gas Basis Price (per dekatherm)	\$ (2.101) - \$ 6.154

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Notes to Consolidated Financial Statements

The following tables are a summary of the changes in the fair value of our derivative instruments that are measured at net fair value on a recurring basis in accordance with ASC Topic 820 using significant Level 3 inputs during the years ended September 30, 2015 and 2014, respectively.

WGL HOLDINGS, INC. RECONCILIATION OF FAIR VALUE MEASUREMENTS USING SIGNIFICANT LEVEL 3 INPUTS

		Natural Gas Related		Electricity Related			
(In millions)	Derivatives			Derivatives	Warrants	Total	
Fiscal Year Ended September 30, 2015							
Balance at October 1, 2014	\$	(294.7)	\$	(5.0)	\$ - \$	(299.7)	
Realized and unrealized gains (losses)							
Recorded to income		(30.7)		(32.3)	-	(63.0)	
Recorded to regulatory assets—gas costs		(30.9)		-	-	(30.9)	
Transfers into Level 3		5.4		-	-	5.4	
Transfers out of Level 3		3.6		-	-	3.6	
Purchases		-		10.5	-	10.5	
Settlements		37.6		10.8	-	48.4	
Balance at September 30, 2015	\$	(309.7)	\$	(16.0)	\$ - \$	(325.7)	
Fiscal Year Ended September 30, 2014							
Balance at October 1, 2013	\$	(155.2)	\$	2.4	\$ 1.1 \$	(151.7)	
Realized and unrealized gains (losses)							
Recorded to income		(72.6)		(5.7)	(1.1)	(79.4)	
Recorded to regulatory assets - gas costs		(113.6)		-	-	(113.6)	
Transfers out of Level 3		1.7		-	-	1.7	
Purchases		-		5.2	-	5.2	
Settlements		45.0		(6.9)	-	38.1	
Balance at September 30, 2014	\$	(294.7)	\$	(5.0)	\$ - \$	(299.7)	

WASHINGTON GAS LIGHT COMPANY RECONCILIATION OF FAIR VALUE MEASUREMENTS USING SIGNIFICANT LEVEL 3 INPUTS

(In millions)	Natural Gas Related Derivatives
Fiscal Year Ended September 30, 2015	
Balance at October 1, 2014	\$ (270.6)
Realized and unrealized gains (losses)	
Recorded to income	(25.0)
Recorded to regulatory assets—gas costs	(30.9)
Transfers into Level 3	5.4
Transfers out of Level 3	2.5
Settlements	37.5
Balance at September 30, 2015	\$ (281.1)
Fiscal Year Ended September 30, 2014	
Balance at October 1, 2013	\$ (133.6)
Realized and unrealized gains (losses)	
Recorded to income	(69.4)
Recorded to regulatory assets—gas costs	(113.6)
Transfers out of Level 3	1.7
Settlements	44.3
Balance at September 30, 2014	\$ (270.6)

Notes to Consolidated Financial Statements

Transfers between different levels of the fair value hierarchy may occur based on the level of observable inputs used to value the instruments from period to period. It is our policy to show both transfers into and out of the different levels of the fair value hierarchy at the fair value as of the beginning of the reporting period. Transfers out of Level 3 during the fiscal year ended September 30, 2015 and 2014 were due to an increase in valuations using observable market inputs. Transfers into Level 3 during the fiscal year ended September 30, 2015 were due to an increase in unobservable market inputs used in valuations.

The table below sets forth the line items on the statements of income to which amounts are recorded for the fiscal years ended September 30, 2015, 2014 and 2013, related to fair value measurements using significant level 3 inputs.

WGL HOLDINGS, INC. REALIZED AND UNREALIZED GAINS (LOSSES) RECORDED TO INCOME FOR LEVEL 3 MEASUREMENTS

	N	atural Gas Related	Electricity Related	Weather Related		
(In millions)	D	erivatives	Derivatives	 Instruments	Warrants	Total
Fiscal Year Ended September 30, 2015						
Operating revenues—non-utility	\$	(5.7) \$	19.9	\$ -	\$ -	\$ 14.2
Utility cost of gas		(25.0)	-	-	-	(25.0)
Non-utility cost of energy-related sales		-	(52.2)	-	-	(52.2)
Total	\$	(30.7) \$	(32.3)	\$ -	\$ -	\$ (63.0)
Fiscal Year Ended September 30, 2014						
Operating revenues—non-utility	\$	(2.3) \$	(22.1)	\$ -	\$ -	\$ (24.4)
Utility cost of gas		(69.4)	-	-	-	(69.4)
Other income-net		-	-	-	(1.1)	(1.1)
Non-utility cost of energy-related sales		(0.9)	16.4	-	-	15.5
Total	\$	(72.6) \$	(5.7)	\$ -	\$ (1.1)	\$ (79.4)
Fiscal Year Ended September 30, 2013						
Operating revenues—non-utility	\$	(27.0) \$	(9.1)	\$ -	\$ -	\$ (36.1)
Utility cost of gas		(45.8)	-	-	-	(45.8)
Other income-net		-	-	-	0.2	0.2
Non-utility cost of energy-related sales		0.4	(14.7)	-	-	(14.3)
Operation and maintenance expense		-	-	1.2	-	1.2
Total	\$	(72.4) \$	(23.8)	\$ 1.2	\$ 0.2	\$ (94.8)

WASHINGTON GAS LIGHT COMPANY REALIZED AND UNREALIZED GAINS (LOSSES) RECORDED TO INCOME FOR LEVEL 3 MEASUREMENTS

	Natural Gas Related	Weather Related	
(In millions)	Derivatives	Instruments	Total
Fiscal Year Ended September 30, 2015			
Utility cost of gas	\$ (25.0)	\$ -	\$ (25.0)
Total	\$ (25.0)	\$ -	\$ (25.0)
Fiscal Year Ended September 30, 2014			
Utility cost of gas	\$ (69.4)	\$ -	\$ (69.4)
Total	\$ (69.4)	\$ -	\$ (69.4)
Fiscal Year Ended September 30, 2013			
Utility cost of gas	\$ (45.9)	\$ -	\$ (45.9)
Operation and maintenance expense	-	1.2	1.2
Total	\$ (45.9)	\$ 1.2	\$ (44.7)

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Unrealized gains (losses) for the fiscal years ended September 30, 2015, 2014 and 2013, attributable to derivative assets and liabilities measured using significant Level 3 inputs were recorded as follows, respectively:

WGL HOLDINGS, INC. UNREALIZED GAINS (LOSSES) RECORDED FOR LEVEL 3 MEASUREMENTS

(In millions)	Natural Gas Related Derivatives	Electricity Related Derivatives		Warrants	Total
Fiscal Year Ended September 30, 2015				.,	- 0 1 1 1
Recorded to income					
Operating revenues—non-utility	\$ (2.2)	\$ 25.1	\$	- \$	22.9
Utility cost of gas	(15.8)	-		-	(15.8)
Non-utility cost of energy-related sales	(1.7)	(41.7))	-	(43.4)
Recorded to regulatory assets—gas costs	(20.9)	-		-	(20.9)
Total	\$ (40.6)	\$ (16.6)	\$	- \$	(57.2)
Fiscal Year Ended September 30, 2014					
Recorded to income					
Operating revenues—non-utility	\$ (5.0)	\$ (33.8)	\$	- \$	(38.8)
Utility cost of gas	(60.6)	-		-	(60.6)
Non-utility cost of energy-related sales	3.7	30.0		-	33.7
Other income-net	-	-		(1.1)	(1.1)
Recorded to regulatory assets—gas costs	(109.9)	-		-	(109.9)
Total	\$ (171.8)	\$ (3.8)	\$	(1.1) \$	(176.7)
Fiscal Year Ended September 30, 2013					
Recorded to income					
Operating revenues—non-utility	\$ (25.3)	\$ 6.6	\$	- \$	(18.7)
Utility cost of gas	(44.3)	-		-	(44.3)
Non-utility cost of energy-related sales	0.2	(1.1))	-	(0.9)
Other income-net	-	-		0.2	0.2
Recorded to regulatory assets—gas costs	(111.6)			-	(111.6)
Total	\$ (181.0)	\$ 5.5	\$	0.2 \$	(175.3)

WASHINGTON GAS LIGHT COMPANY UNREALIZED GAINS (LOSSES) RECORDED FOR LEVEL 3 MEASUREMENTS

	Natural Gas Related
(In millions)	Derivatives
Fiscal Year Ended September 30, 2015	
Recorded to income - utility cost of gas	\$ (15.8)
Recorded to regulatory assets—gas costs	(20.9)
Total	\$ (36.7)
Fiscal Year Ended September 30, 2014	
Recorded to income - utility cost of gas	\$ (60.6)
Recorded to regulatory assets—gas costs	(109.9)
Total	\$ (170.5)
Fiscal Year Ended September 30, 2013	
Recorded to income - utility cost of gas	\$ (44.3)
Recorded to regulatory assets—gas costs	(111.6)
Total	\$ (155.9)

Notes to Consolidated Financial Statements

The following table presents the carrying amounts and estimated fair values of our financial instruments at September 30, 2015 and 2014.

WGL HOLDINGS, INC. FAIR VALUE OF FINANCIAL INSTRUMENTS

		September 30, 2015			September	30, 2014	
(In millions)	'	Carrying Amount		Fair Value		Carrying Amount	Fair Value
Money market funds ^(a)	\$	11.0	\$	11.0	\$	9.7 \$	9.7
Other short-term investments ^(a)	\$	0.4	\$	0.4	\$	- \$	-
Commercial paper ^(b)	\$	332.0	\$	332.0	\$	453.5 \$	453.5
Long-term debt ^(c)	\$	944.2	\$	1,057.9	\$	679.2 \$	809.3

WASHINGTON GAS LIGHT COMPANY FAIR VALUE OF FINANCIAL INSTRUMENTS

	September 30, 2015			Septembe	r 30, 2014	
	Carrying		Fair		Carrying	Fair
(In millions)	Amount		Value		Amount	Value
Money market funds ^(a)	\$ 4.3	\$	4.3	\$	4.3	\$ 4.3
Other short-term investments ^(a)	\$ 0.4	\$	0.4	\$	- :	\$ -
Commercial paper ^(b)	\$ 89.0	\$	89.0	\$	89.0	\$ 89.0
Long-term debt ^(c)	\$ 695.9	\$	811.9	\$	679.2	\$ 809.3

- Balance located in cash and cash equivalents in the accompanying balance sheets. These amounts may be offset by outstanding checks.
- Balance is located in notes payable in the accompanying balance sheets.
- Less current maturities and unamortized discounts.

Our money market funds are Level 1 valuations and their carrying amount approximates fair value. Other short-term investments are primarily overnight investment accounts; therefore, their carrying amount approximates fair value based on Level 2 inputs. The maturity of our commercial paper outstanding at both September 30, 2015 and 2014 is under 30 days. Due to the short term nature of these notes, the carrying cost of our commercial paper approximates fair value using Level 2 inputs. Neither WGL's nor Washington Gas' long-term debt is actively traded. The fair value of long-term debt was estimated based on the quoted market prices of the U.S. Treasury issues having a similar term to maturity, adjusted for the credit quality of the debt issuer, WGL or Washington Gas. Our long-term debt fair value measurement is classified as Level 3.

Non Recurring Basis

During the fiscal year ended September 30, 2015, Washington Gas Resources recorded an impairment charge on its investment in ASDHI to its fair value using the income approach. The amount of the impairment was equivalent to the amount of the carrying value of \$5.6 million and was due to management's assumption of the current valuation and expected return from the investment. The fair value of this investment was a Level 3 measurement.

During the fiscal year ended September 30, 2014, Washington Gas recorded an impairment of its previous operations center by reducing the carrying amount of \$22.3 million down to its fair value of \$21.5 million, resulting in an impairment charge of \$0.8 million based on the progress made towards selling the facility. During the fiscal year ended September 30, 2013, Washington Gas recorded an impairment of this facility by reducing the carrying amount of \$24.9 million down to its fair value of \$22.3 million, resulting in an impairment charge of \$2.6 million based on the progress made towards selling the facility. The fair value of this investment is a Level 3 measurement.

During the fiscal year ended September 30, 2014, the SCC of VA disallowed full recovery of carrying costs related to an abandoned LNG storage facility. As a result, Washington Gas recorded an impairment charge of \$1.9 million. During the fiscal year ended September 30, 2013, Washington Gas recorded an impairment charge of \$0.5 million to the abandoned LNG storage facility. The fair value of this investment was a Level 3 measurement.

NOTE 16 Operating Segment Reporting

We have four reportable operating segments: regulated utility, retail energy-marketing, commercial energy systems and midstream energy services. The division of these segments into separate revenue generating components is based upon regulation, products and services. Our chief operating decision maker is our Chief Executive Officer. During the first quarter of 2015, our chief operating decision maker began evaluating segment performance based on Earnings Before Interest and Taxes (EBIT). EBIT is

defined as earnings before interest and taxes from continuing operations. Items we do not include in EBIT are interest expense, intercompany financing activity, dividends on Washington Gas preferred stock, and income taxes. EBIT includes transactions between reportable segments. We also evaluate our operating segments based on other relevant factors, such as penetration into their respective markets and return on equity.

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Our four segments are summarized below.

- Regulated Utility The regulated utility segment is our core business. It consists of Washington Gas and Hampshire. Washington Gas provides regulated gas distribution services (including the sale and delivery of natural gas) to end use customers and natural gas transportation services to an unaffiliated natural gas distribution company in West Virginia under a Federal Energy Regulatory Commission (FERC) approved interstate transportation service operating agreement. Hampshire provides regulated interstate natural gas storage services to Washington Gas under a FERC approved interstate storage service tariff.
- Retail Energy-Marketing The retail energy-marketing segment consists of WGL Energy Services, which sells natural gas and electricity directly to retail customers in competition with regulated utilities and unregulated gas and electricity marketers.
- Commercial Energy Systems The commercial energy systems segment consists of WGL Energy Systems which provides clean and energy efficient solutions including commercial

- solar, energy efficiency and combined heat and power projects and other distributed generation solutions to government and commercial clients. In addition, this segment comprises the operations of WGSW, a holding company formed to invest in alternative energy assets.
- Midstream Energy Services The midstream energy services segment consists of WGL Midstream, which engages in acquiring, investing in, managing and optimizing natural gas storage and transportation assets.

Administrative and business development activity costs associated with WGL and Washington Gas Resources and activities and transactions that are not significant enough on a stand-alone basis to warrant treatment as an operating segment, and that do not fit into one of our four operating segments, are aggregated as "Other Activities" in the Operating Segment Financial Information presented below.

The following tables present operating segment information for the fiscal years ended September 30, 2015, 2014 and 2013. Prior period amounts are presented based on the change in measure.

OPERATING SEGMENT FINANCIAL INFORMATION

(In thousands)		Operating Revenues ^(a)	Depreciation and Amortization	Equity in Earnings of Unconsolidated Affiliates	EBIT	Total Assets	E	Capital Expenditures	Equity Method Investments
Fiscal Year Ended September	: 30,	2015							
Regulated utility	\$	1,328,191	\$ 110,416	\$ -	\$ 223,977	\$ 4,253,552	\$	327,429	\$ -
Retail energy-marketing		1,306,758	671	-	46,629	470,251		28	-
Commercial energy systems		51,813	10,733	2,095	9,688	691,629		136,749	63,521
Midstream energy services		3,191	129	2,623	(2,720)	237,839		85	73,363
Other activities		-	-	750	(9,667)	199,060		-	-
Eliminations ^(b)		(30,123)	(57)	-	(1,013)	(558,130)		-	-
Total consolidated	\$	2,659,830	\$ 121,892	\$ 5,468	\$ 266,894	\$ 5,294,201	\$	464,291	\$ 136,884
Fiscal Year Ended September	· 30,	2014							
Regulated utility	\$	1,443,800	\$ 104,064	\$ -	\$ 184,668	\$ 3,979,522	\$	286,323	\$ -
Retail energy-marketing		1,310,279	756	1	14,015	389,700		76	-
Commercial energy systems		40,679	6,178	1,953	6,863	521,570		108,363	66,810
Midstream energy services		16,555	124	771	8,412	211,824		-	28,076
Other activities		-	-	469	(11,539)	369,816		-	16
Eliminations ^(b)		(30,366)	(350)	-	(167)	(615,933)		-	-
Total consolidated	\$	2,780,947	\$ 110,772	\$ 3,194	\$ 202,252	\$ 4,856,499	\$	394,762	\$ 94,902
Fiscal Year Ended September	· 30,	2013							
Regulated utility	\$	1,200,357	\$ 100,438	\$ -	\$ 153,647	\$ 3,486,296	\$	227,948	\$ -
Retail energy-marketing		1,279,364	726	-	53,264	403,082		730	-
Commercial energy systems		35,217	2,411	1,070	3,019	318,995		83,667	54,977
Midstream energy services		(20,390)	124	312	(29,359)	231,368		-	6,507
Other activities		-	-	128	(8,669)	290,440		-	413
Eliminations ^(b)		(28,410)	(415)		(2,026)	(470,121)		-	-
Total consolidated	\$	2,466,138	\$ 103,284	\$ 1,510	\$ 169,876	\$ 4,260,060	\$	312,345	\$ 61,897

Operating revenues are reported gross of revenue taxes. Revenue taxes of both the regulated utility and the retail energy-marketing segments include gross receipt taxes. Revenue taxes of the regulated utility segment also include public service commission fees, franchise fees and energy taxes. Operating revenue amounts in the "Eliminations" row represent total intersegment revenues associated with sales from the regulated utility segment to the retail energymarketing segment. Midstream Energy Services' cost of energy related sales is netted with its gross revenues.

Intersegment eliminations include any mark-to market valuations associated with trading activities between WGL Midstream and WGL Energy Services, intercompany loans and a timing difference between Commercial Energy Systems' recognition of revenue for the sale of Renewable Energy Credits (RECs) to Retail Energy-Marketing and Retail Energy-Marketing's recognition of the associated expense. Retail Energy-Marketing has recorded a portion of the REC's purchased as inventory to be used in future periods at which time they will be expensed.

The following table provides a reconciliation from EBIT to net income applicable to common stock.

Fiscal Year Ended September 30, 2015 2013 2014 (In thousands) Total consolidated EBIT \$ 266,894 \$ 202,252 \$ 169,876 50,511 36,011 Interest expense 37,738 Income before income taxes 216,383 164,514 133,865 Income tax expense 83,804 57,254 52,292 Net income 132,579 107,260 81,573 Dividends on Washington Gas Light Company preferred stock 1,320 1,320 1,320 Net income applicable to common stock 131,259 105,940 \$ 80,253

NOTE 17 Other Investments

When determining how to account for our interests in other legal entities, WGL first evaluates if we are required to apply the variable interest entity (VIE) model to the entity, otherwise the entity is evaluated under the voting interest model.

Under the VIE model, we have a controlling financial interest in a VIE (i.e. are the primary beneficiary) when we have current or potential rights that give us the power to direct the activities of a VIE that most significantly impact the VIE's economic performance combined with a variable interest that gives us the right to receive potentially significant benefits or the obligation to absorb potentially significant losses. When changes occur to the design of an entity we reconsider whether it is subject to the VIE model. We continuously evaluate whether we have a controlling financial interest in a VIE.

Under the voting interest model, we generally have a controlling financial interest in an entity where we currently hold, directly or indirectly, more than 50% of the voting rights or where we exercise control through substantive participating rights. However, we consider substantive rights held by other partners in determining if we hold a controlling financial interest, and in some cases, despite owning more than 50% of the common stock of an investee, an evaluation of our rights results in the determination that we do not have a controlling financial interest. We reevaluate whether we have a controlling financial interest in these entities when our voting or substantive participating rights change.

Unconsolidated affiliates are unconsolidated VIEs and other entities evaluated under the voting interest method in which we do not have a controlling financial interest, but over which we have varying degrees of influence. Where we have significant influence, the affiliates are accounted for as equity method investments. Where we do not have significant influence, the affiliates are accounted for under the cost method. Investments in, and advances to, affiliated companies are presented on a one-line basis in the caption "Investments in unconsolidated affiliates" on our Consolidated Balance Sheet.

WGL uses the Hypothetical Liquidation at Book Value (HLBV) methodology for certain equity method investments when the capital structure of the equity investment results in different liquidation rights and priorities than what is reflected by the underlying percentage ownership interests as defined by an equity investment agreement. For investments accounted for under the HLBV method, simply applying the percentage ownership interest to GAAP net income in order to determine earnings or losses does not accurately represent the income allocation and

cash flow distributions that will ultimately be received by the investors. The equity investment agreements for ASD Solar, LP (ASD), Meade Pipeline Co LLC (Meade) and Mountain Valley Pipeline, LLC (Mountain Valley) have liquidation rights and priorities that are sufficiently different from the ownership percentages that the HLBV method was deemed appropriate. The calculation may vary in its complexity depending on the capital structure and the tax considerations for the investments.

WGL applies HLBV using a balance sheet approach. When applying HLBV, WGL determines the amount that it would receive if an equity investment entity were to liquidate all of its assets at book value (as valued in accordance with GAAP) and distribute that cash to the investors based on the contractually defined liquidation priorities. The change in WGL's claim on the investee's book value at the beginning and end of the reporting period (adjusted for contributions and distributions) is WGL's share of the earnings or losses from the equity investment for the period.

Variable Interest Entities

WGL has a variable interest in four investments that qualify as VIEs:

- Meade,
- SunEdison,
- Nextility, and
- ASD.

WGL previously had a variable interest in a partnership partially owned by Crab Run; however, this partnership interest was sold during the fiscal year ended September 30, 2015. During the fiscal year ended September 30, 2015, WGL recognized a gain of \$0.7 million, which was recorded in "Equity in earnings of unconsolidated affiliates" on WGL's statements of income, related to the sale of this interest.

WGL and its subsidiaries are not the primary beneficiary for any of the above VIEs, therefore we have not consolidated any of the VIE entities. At September 30, 2015, the nature of WGL's involvement with these investments lacks the characteristics of a controlling financial interest. WGL either does not have control over any of the VIEs' activities that are economically significant to the VIEs and/or WGL does not have the obligation to absorb expected losses or the right to receive expected gains that could be significant to the VIE.

ITEM 8 Financial Statements and Supplementary Data

Notes to Consolidated Financial Statements

Meade

In 2014, WGL through its subsidiary WGL Midstream, entered into a limited liability company agreement and formed Meade, a Delaware limited liability company with COG Holdings Pipeline Company, LLC, Vega Midstream MPC LLC and River Road Interests LLC. Meade was formed to partner with Transcontinental Gas Pipe Line Company, LLC (Williams) to invest in a regulated pipeline project called Central Penn Pipeline (Central Penn). The Central Penn will be an approximately 185-mile pipeline originating in Susquehanna County, Pennsylvania and extending to Lancaster County, Pennsylvania that will have the capacity to transport and deliver up to approximately 1.7 million dekatherms per day of natural gas.

WGL Midstream plans to invest an estimated \$410.6 million for a 55% interest in Meade. WGL Midstream joins COG Holdings LLC (20% share), Vega Midstream MPC LLC (15% share) and River Road Interests LLC (10% share) in Meade. Meade is accounted for under the HLBV equity method of accounting, and any profits and losses are included in "Equity in earnings of unconsolidated affiliates" in the accompanying Consolidated Statement of Income and are added to or subtracted from the carrying amount of WGL's investment balance. At September 30, 2015 and 2014, WGL Midstream held a \$30.5 million and \$5.8 million, respectively, equity method investment in Meade.

Our maximum financial exposure includes contributions and guarantees on behalf of WGL Midstream. Our maximum exposure to loss at September 30, 2015 was \$59.4 million, which represents the minimum funding requirements owed to Williams under the Construction and Ownership Agreement should Meade terminate its agreement with Williams early.

SunEdison/Nextility

WGSW is party to two agreements to fund residential and commercial retail solar energy installations with two separate, privately held companies. WGSW has a master purchase agreement and master lease agreement with SunEdison, Inc. (SunEdison) and Nextility, Inc. (Nextility) for sale/leaseback arrangements for residential and commercial solar systems.

Our agreements with SunEdison and Nextility are accounted for as direct financing leases. WGSW records associated interest in the financing leases in "Other income (expenses)-net" line in the accompanying Consolidated Statement of Income. WGSW held a \$37.2 million and \$19.9 million combined investment in direct financing leases at September 30, 2015 and 2014, respectively, of which \$2.0 million and \$1.7 million are current receivables recorded in "Accounts Receivable" in the accompanying Consolidated Balance Sheets at September 30, 2015 and 2014, respectively.

Minimum future lease payments receivable under direct financing leases over the next five fiscal years and thereafter are as follows:

MINIMUM PAYMENTS RECEIVABLE FOR DIRECT FINANCING LEASES

(In millions)	
2016	\$ 3.7
2017	2.8
2018	2.8
2019	2.7
2020	2.6
Thereafter	28.3
Total	\$ 42.9

Minimum payments receivable exclude \$9.5 million of residual values and \$4.6 million in tax credits. Associated with these investments, WGSW holds \$19.8 million of unearned income on its balance sheet. The initial direct costs (incurred in FY 2012) associated with these investments was \$0.7 million.

Our maximum financial exposure from solar agreements is limited to WGSW's lease payment receivables and investment contributions made to these companies. All additional future committed contributions are contingent on the projects meeting required criteria. Our exposure is offset by the owned physical assets received as part of the transaction and the quick economic return for the investment through the investment tax credit/treasury grant proceeds and accelerated depreciation.

ASD

In addition to SunEdison and Nextility, WGSW is also a limited partner in ASD, a limited partnership formed to own and operate a portfolio of residential solar projects, primarily rooftop photovoltaic power generation systems. As a limited partner, WGSW provided funding to the partnership but does not have power to direct the activities that most significantly affect the operations and economic performance of the entity. In January 2014, the funding commitment period expired for the partnership. WGSW's maximum financial exposure is limited to its contributions made to the partnership.

Our investment in ASD is accounted for under the HLBV equity method of accounting; any profits and losses are included in "Equity in earnings of unconsolidated affiliates" in the accompanying Consolidated Statement of Income and are added to or subtracted from the carrying amount of WGSW's investment balance. At September 30, 2015 and 2014, WGSW held a \$63.5 million and \$66.8 million, respectively, equity method investment in ASD.

ASD is consolidated by the general partner, Solar Direct LLC. Solar Direct LLC is a wholly owned subsidiary of American Solar Direct Inc. (ASDI). At September 30, 2015, the carrying amount of WGSW's investment in ASD exceeded the amount of the underlying equity in net assets by \$35.9 million due to WGSW recording additions to its investment in ASD's net assets at fair value of contributions in accordance with GAAP. This basis difference is being amortized over the life of the assets.

Notes to Consolidated Financial Statements

Non-VIE Investments

ASDHI

At September 30, 2014, Washington Gas Resources held a \$5.6 million investment in American Solar Direct Holdings Inc. (ASDHI) consisting of warrants and preferred stock. During the fiscal year ended September 30, 2015, Washington Gas Resources impaired its entire investment in ASDHI by its carrying value of \$5.6 million based on management's assumption of the current valuation and expected return from the investment. See Note 15—Fair Value Measurements of the Notes to Consolidated Financial Statements for a discussion of the impairment.

Constitution

In 2013, WGL Midstream invested in Constitution Pipeline Company, LLC (Constitution). WGL Midstream will invest an estimated aggregate amount of \$83.4 million in the project for a 10% share in the pipeline venture over the term of the agreement. At September 30, 2015, WGL Midstream had invested \$29.4 million in Constitution. Other investors in the project include Williams Partners L.P. (41% share), Cabot Oil and Gas Corporation (25% share) and Piedmont Natural Gas (24% share). This natural gas pipeline venture will transport natural gas from the Marcellus region in northern Pennsylvania to major northeastern markets. Constitution is accounted for under the equity method of accounting; any profits and losses are included in "Equity in earnings of unconsolidated affiliates" in the accompanying Consolidated Statement of Income and are added to or subtracted from the carrying amount of WGL's investment balance. The equity method is considered appropriate because Constitution is an LLC with specific ownership accounts and ownership between five and fifty percent resulting in WGL Midstream maintaining a more than minor influence over the partnership operating and financing policies. WGL Midstream held a \$33.1 million equity method investment in Constitution at September 30, 2015.

At September 30, 2015, the maximum financial exposure is equivalent to total capital contributions made in Constitution on behalf of WGL Midstream, which was \$29.4 million.

Mountain Valley Pipeline

In March 2015, WGL Midstream acquired a 7% equity interest in Mountain Valley Pipeline, LLC (Mountain Valley).

The proposed pipeline to be developed, constructed, owned and operated by Mountain Valley, will transport approximately 2.0 million dekatherms of natural gas per day from interconnects with EQT Corporation's Equitrans system, near the MarkWest Mobley plant in West Virginia to Transcontinental Gas Pipe Line Company LLC's Station 165 in Pittsylvania County, Virginia.

WGL Midstream expects to invest, in scheduled capital contributions through the in-service date of the pipeline, its pro rata share (based on its 7% equity interest) of project costs, an estimated aggregate amount of approximately \$210 to \$245 million. WGL Midstream held a \$9.8 million equity method investment in Mountain Valley at September 30, 2015.

Our maximum financial exposure includes guarantees on behalf of WGL Midstream and another partner in the venture. WGL's maximum exposure to loss due to the provided guarantees was \$20.0 million at September 30, 2015 which represents a \$14.0 million minimum funding requirement for WGL Midstream and the guarantee on behalf of one of the other partners.

In addition, WGL Midstream entered into an agreement to finance future capital commitments of one of the other partners in the venture for an estimated aggregate amount of approximately \$96 to \$105 million, which represents the estimated total funding requirements for that partner's 3% ownership interest in the joint venture, inclusive of the minimum funding requirement. WGL Midstream has provided funding of \$4.2 million as of September 30, 2015 related to this agreement.

The balance sheet location of the investments discussed in this footnote at September 30, 2015 and 2014 are as follows:

WGL HOLDINGS, INC BALANCE SHEET LOCATION OF OTHER INVESTMENTS

(In millions)	VIEs	Non-VIEs	Total
As of September 30, 2015			
Assets			
Investments in unconsolidated affiliates	\$ 94.0	\$ 42.9	\$ 136.9
Investments in direct financing leases, capital leases	35.2	-	35.2
Accounts receivable	2.0	4.2 ^(a)	6.2
Total assets	\$ 131.2	\$ 47.1	\$ 178.3
As of September 30, 2014			
Assets			
Investments in unconsolidated affiliates	\$ 72.6	\$ 27.9	\$ 100.5
Investments in direct financing leases, capital leases	18.2	-	18.2
Accounts receivable	1.7	-	1.7
Total assets	\$ 92.5	\$ 27.9	\$ 120.4

Represents the financing provided to another partner in Mountain Valley to fund its capital commitment. Acquired ownership interest represents the collateral for repayment of the financing.

ITEM 8 Financial Statements and Supplementary Data

Notes to Consolidated Financial Statements

The income statement location of the investments discussed in this footnote for the fiscal year September 30, 2015, 2014 and 2013 are as follows:

WGL HOLDINGS, INC. INCOME STATEMENT LOCATION OF OTHER INVESTMENTS

(In millions)	1	VIEs	Non-VIEs	Total
Fiscal Year Ended September 30, 2015		'		
Equity in earnings of unconsolidated affiliates	\$	2.9	2.6	\$ 5.5
Depreciation and amortization		0.3	-	0.3
Other income (expenses) - net		3.2	(5.6)	(2.4)
Net income	\$	5.8	(3.0)	\$ 2.8
Fiscal Year Ended September 30, 2014				
Equity in earnings of unconsolidated affiliates	\$	2.2	1.0	\$ 3.2
Depreciation and amortization		0.2	-	0.2
Other income - net		2.6	-	2.6
Net income	\$	4.6	1.0	\$ 5.6
Fiscal Year Ended September 30, 2013				
Equity in earnings of unconsolidated affiliates	\$	1.0	0.5	\$ 1.5
Depreciation and amortization		0.1	-	0.1
Other income - net		1.4	-	1.4
Net income	\$	2.3	0.5	\$ 2.8

NOTE 18 Related Party Transactions

WGL and its subsidiaries engage in transactions during the ordinary course of business. Inter-company transactions and balances have been eliminated from the consolidated financial statements of WGL, except as described below. Washington Gas provides accounting, treasury, legal and other administrative and general support to affiliates, and files consolidated tax returns that include affiliated taxable transactions. Washington Gas bills its affiliates in accordance with regulatory requirements for the actual cost of providing these services, which approximates their market value. To the extent such billings are not yet paid, 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.

In connection with billing for unregulated third party marketers and with other miscellaneous billing processes, Washington Gas collects cash on behalf of affiliates and transfers the cash in a reasonable time period. Cash collected by Washington Gas on behalf of its affiliates but not yet transferred is recorded in "Payables to associated companies" on Washington Gas' balance sheets. The following table presents the receivables and payables from associated companies for the fiscal years ended September 30, 2015 and 2014.

WASHINGTON GAS LIGHT COMPANY RECEIVABLES / PAYABLES FROM ASSOCIATED COMPANIES

(In millions)	Septer	nber 30, 2015	Septe	ember 30, 2014
Receivables from Associated Companies	\$	3.2	\$	4.8
Payables to Associated Companies	\$	68.6	\$	54.7

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

WASHINGTON GAS - GAS BALANCING SERVICE CHARGES

	Years Ended September 30,					
(In millions)	2015	2014		2013		
Gas balancing service charge	\$ 25.1	\$	26.6 \$	25.0		

Notes to Consolidated Financial Statements

As a result of these balancing services, an imbalance is created for volumes of natural gas received by Washington Gas that are not equal to the volumes of natural gas delivered to customers of the energy marketers. WGL Energy Services recognized accounts payable to Washington Gas of \$0.5 million and accounts receivable from Washington Gas of \$0.02 million at September 30, 2015 and 2014, respectively, related to an imbalance in gas volumes. Due to regulatory treatment, these receivables and payables are not eliminated in the consolidated financial statements of WGL. Refer to Note 1—Accounting Policies for further discussion of these imbalance transactions.

Washington Gas participates in a POR program as approved by the PSC of MD, whereby it purchases receivables from participating energy marketers at approved discount rates. In addition, WGL Energy Services participates in POR programs with certain Maryland and Pennsylvania utilities, whereby it sells its receivables to various utilities, including Washington Gas, at approved discount rates. The receivables purchased by Washington Gas are included in "Accounts receivable" in the accompanying balance sheet. Any activity between Washington Gas and WGL Energy Services related to the POR program has been eliminated in the accompanying financial statements for WGL. At September 30, 2015 and 2014, Washington Gas had balances of \$6.6 million and \$7.7 million, respectively, of purchased receivables from WGL Energy Services.

NOTE 19 Accumulated Other Comprehensive Income (Loss)

The following tables show the changes in accumulated other comprehensive income (loss) for WGL and Washington Gas by component for the fiscal years ended September 30, 2015 and 2014.

WGL HOLDINGS, INC. CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

		September 3	60,
(In thousands)	201	.5	2014
Beginning Balance	\$	(7,961) \$	(11,048)
Qualified cash flow hedging instruments ^(a)		(11,309)	(1,548)
Change in prior service cost ^(b)		696	6,095
Amortization of actuarial gain (loss) ^(b)		(1,195)	1,594
Current-period other comprehensive income (loss)		(11,808)	6,141
Income tax expense (benefit) related to other comprehensive income (loss)		(5,533)	3,054
Ending Balance	\$	(14,236) \$	(7,961)

Cash flow hedging instruments represent interest rate swap agreements related to debt issuances. Refer to Note 14—Derivative and Weather-related Instruments for further discussion of the interest rate swap agreements.

WASHINGTON GAS LIGHT COMPANY CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) BY COMPONENT

	Septem	ber :	30,
(In thousands)	2015		2014
Beginning Balance	\$ (6,413)	\$	(11,048)
Change in prior service cost ^(a)	696		6,095
Amortization of actuarial gain (loss) ^(a)	(1,195)		1,594
Current-period other comprehensive income (loss)	(499)		7,689
Income tax expense (benefit) related to other comprehensive income (loss)	(200)		3,054
Ending Balance	\$ (6,712)	\$	(6,413)

These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost. Refer to Note 10—Pension and other post-retirement benefit plans for additional details.

These accumulated other comprehensive income (loss) components are included in the computation of net periodic benefit cost. Refer to Note 10—Pension and other post-retirement benefit plans for additional details.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WGL Holdings, Inc.

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of WGL Holdings, Inc. and subsidiaries (the "Company") as of September 30, 2015 and 2014, and the related consolidated statements of income, comprehensive income, common shareholders' equity, and cash flows for each of the three years in the period ended September 30, 2015. Our audits also included the financial statement schedule of the Company listed in the Index at Item 15 under Schedule II. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of WGL Holdings, Inc. and subsidiaries as of September 30, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2015, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated November 18, 2015 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP Mclean, Virginia November 18, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder of Washington Gas Light Company

We have audited the accompanying balance sheets and statements of capitalization of Washington Gas Light Company (the "Company") as of September 30, 2015 and 2014, and the related statements of income, comprehensive income, common shareholder's equity, and cash flows for each of the three years in the period ended September 30, 2015. Our audits also included the financial statement schedule of the Company listed in the Index at Item 15 under Schedule II. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Washington Gas Light Company as of September 30, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP Mclean, Virginia November 18, 2015

Supplementary Financial Information (Unaudited)

Quarterly Financial Data

All adjustments necessary for a fair presentation have been included in the quarterly information provided below. Due to the seasonal nature of our business, we report substantial variations in operations on a quarterly basis.

QUARTER ENDED

(In thousands, except per share data)	Dec	cember 31 ^(a)	M	arch 31	June 30(b)	Se	eptember 30 ^(c)
Fiscal Year 2015							
WGL Holdings, Inc.							
Operating revenues	\$	749,237	\$	1,001,733	\$ 441,173	\$	467,687
Operating income (loss)	\$	121,842	\$	142,886	\$ (17,567)	\$	13,612
Net income (loss) applicable to common stock	\$	63,888	\$	81,455	\$ (15,690)	\$	1,606
Earnings (loss) per average share of common stock:							
Basic	\$	1.28	\$	1.64	\$ (0.32)	\$	0.03
Diluted	\$	1.28	\$	1.63	\$ (0.32)	\$	0.03
Washington Gas Light Company							
Operating revenues	\$	387,193	\$	615,694	\$ 190,345	\$	134,959
Operating income (loss)	\$	114,623	\$	129,944	\$ (6,729)	\$	(15,454)
Net income (loss) applicable to common stock	\$	64,621	\$	74,364	\$ (11,754)	\$	(19,873)
Fiscal Year 2014							
WGL Holdings, Inc.							
Operating revenues	\$	680,297	\$	1,174,250	\$ 467,500	\$	458,900
Operating income (loss)	\$	32,712	\$	104,733	\$ (9,489)	\$	69,566
Net income (loss) applicable to common stock	\$	18,629	\$	61,213	\$ (11,940)	\$	38,038
Earnings (loss) per average share of common stock:							
Basic	\$	0.36	\$	1.18	\$ (0.23)	\$	0.74
Diluted	\$	0.36	\$	1.18	\$ (0.23)	\$	0.74
Washington Gas Light Company							
Operating revenues	\$	390,415	\$	716,808	\$ 197,752	\$	138,825
Operating income	\$	65,229	\$	88,038	\$ 4,326	\$	24,530
Net income (loss) applicable to common stock	\$	38,477	\$	49,176	\$ (521)	\$	9,872

During the first quarter of fiscal year 2015, WGL recorded an impairment charge of \$5.6 million related to its investment in ASDHI. During the first quarter of fiscal year 2014, Washington Gas recorded an impairment charge of \$0.8 million related to the Springfield Operations Center. Refer to Note 1—Accounting Policies of the Notes to Consolidated Financial Statements for further discussion of the impairments.

During the third quarter of fiscal year 2015, WGL recorded a \$3.0 million liability for un-recovered government contracting costs under the Small Business Administration Development 8(a) Program and Washington Gas recorded approximately \$0.5 million in transaction fees related to the sale of its Springfield Operations Center. During the third quarter of fiscal year 2014, Washington Gas recorded a \$1.9 million impairment charge on an abandoned LNG storage facility. Refer to Note 1—Accounting Policies of the Notes to Consolidated Financial Statements for further discussion of the impairments.

During the fourth quarter of fiscal year 2015, Washington Gas recorded a one time adjustment of \$2.4 million as a result of charges associated with a regulatory proceeding.

ITEM 9

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A Controls and Procedures—WGL Holdings, Inc.

Evaluation of Disclosure Controls and Procedures

Senior management, including the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of WGL, evaluated the effectiveness of WGL's disclosure controls and procedures as of September 30, 2015. Based on this evaluation, the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that WGL's disclosure controls and procedures were effective as of September 30, 2015.

Management's Report on Internal Control **Over Financial Reporting**

Management of WGL is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. WGL's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Because of the inherent limitations of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of controls, material misstatements may not be prevented or detected on a timely basis. Accordingly, even internal controls determined to be effective can provide only reasonable assurance with respect to financial statement

preparation and presentation. Furthermore, projections of any evaluation of the effectiveness to future periods are subject to the risk that such controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of WGL's internal control over financial reporting as of September 30, 2015 based upon the criteria set forth in the Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management has concluded that WGL maintained effective internal control over financial reporting as of September 30, 2015.

Deloitte & Touche LLP, the independent registered public accounting firm of WGL, has audited the effectiveness of WGL's internal control over financial reporting as of September 30, 2015. Deloitte & Touche LLP's report on the audit of WGL's internal control over financial reporting is included in Item 9A of this Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes in the internal control over financial reporting of WGL during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of WGL.

ITEM 9A Controls and Procedures—Washington Gas Light Company

Evaluation of Disclosure Controls and Procedures

Senior management, including the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of Washington Gas, evaluated the effectiveness of Washington Gas' disclosure controls and procedures as of September 30, 2015. Based on this evaluation, the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer have concluded that Washington Gas' disclosure controls and procedures were effective as of September 30, 2015.

Management's Report on Internal Control **Over Financial Reporting**

Management of Washington Gas is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Washington Gas' internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America.

Because of the inherent limitations of internal control over financial reporting, including the possibility of human error and the circumvention or overriding of controls, material misstatements may not be prevented or detected on a timely basis. Accordingly, even internal controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Furthermore, projections of any evaluation of the effectiveness to future periods are subject to the risk that such controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management has assessed the effectiveness of Washington Gas' internal control over financial reporting as of September 30, 2015 based upon the criteria set forth in the Internal Control— Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management has concluded that Washington Gas maintained effective internal control over financial reporting as of September 30, 2015.

This annual report on Form 10-K does not include an attestation report of Washington Gas' registered public accounting firm regarding internal control over financial reporting pursuant to rules of the Securities and Exchange Commission that permit Washington Gas to provide only this management's report in this annual report on Form 10-K.

Changes in Internal Control Over Financial Reporting

There have been no changes in the internal control over financial reporting of Washington Gas during the quarter ended September 30, 2015 that have materially affected, or are reasonably likely to materially affect, the internal control over financial reporting of Washington Gas.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of WGL Holdings, Inc.

We have audited the internal control over financial reporting of WGL Holdings. Inc. and subsidiaries (the "Company") as of September 30, 2015, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended September 30, 2015 of the Company and our report dated November 18, 2015 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP

Mclean, Virginia November 18, 2015

ITEM 9B Other Information

None.

ITEM 10 Directors, Executive Officers and Corporate Governance of the Registrants

Information concerning WGL's and Washington Gas' Board of Directors and the audit committee financial expert contained in WGL's definitive Proxy Statement and Washington Gas' definitive Information Statement for the March 1, 2016 Annual Meeting of Shareholders is hereby incorporated by reference. Information related to Executive Officers is reflected in Part I hereof.

ITEM 11 Executive Compensation

Information concerning Executive Compensation contained in WGL's definitive Proxy Statement and Washington Gas' definitive Information Statement for the March 1, 2016 Annual Meeting of Shareholders is hereby incorporated by reference. Information related to Executive Officers as of September 30, 2015 is reflected in Part I hereof.

ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information captioned Security Ownership of Management and Certain Beneficial Owners and the information captioned Equity Compensation Plan Information in WGL's definitive Proxy Statement and Washington Gas' definitive Information Statement for the March 1, 2016 Annual Meeting of Shareholders is hereby incorporated by reference.

ITEM 13 Certain Relationships and Related Transactions, and Director Independence

The information captioned Related Person Transactions During Fiscal Year 2015 in WGL's definitive Proxy Statement and Washington Gas' definitive *Information Statement* for the March 1, 2016 Annual Meeting of Shareholders is hereby incorporated by reference.

ITEM 14 **Principal Accountant Fees and Services**

The information captioned Fiscal Years 2015 and 2014 Audit Firm Fee Summary in WGL's definitive Proxy Statement and Washington Gas' definitive Information Statement for the March 1, 2016 Annual Meeting of Shareholders is hereby incorporated by reference.

PART IV

Exhibits and Financial Statement Schedules ITEM 15

Financial Statement Schedules

(a)(1)

All of the financial statements and financial statement schedules filed as a part of the annual report on Form 10-K are included in Item 8.

(a)(2)

Schedule II should be read in conjunction with the financial statements in this report. Schedules not included herein have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Schedule/ Exhibit	Description
II	Valuation and Qualifying Accounts and Reserves for the years ended September 30, 2015, 2014 and 2013—WGL Holdings, Inc.
	Valuation and Qualifying Accounts and Reserves for the years ended September 30, 2015, 2014 and 2013—Washington Gas Light Company.
(a)(3)	Exhibits
	Exhibits Filed Herewith:
10.1	Service Agreement Under Rate Schedule FTS, dated August 29, 2014, with Dominion Cove Point LNG, LP related to Firm Transportation Service.
12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends—WGL Holdings, Inc.
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends—Washington Gas Light Company.
21	Subsidiaries of WGL Holdings, Inc.
23	Consent of Deloitte & Touche LLP.
24	Power of Attorney
31.1	Certification of Terry D. McCallister, the Chairman and Chief Executive Officer of WGL Holdings, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Vincent L. Ammann, Jr., the Senior Vice President and Chief Financial Officer of WGL Holdings, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3	Certification of Terry D. McCallister, the Chairman and Chief Executive Officer of Washington Gas Light Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.4	Certification of Vincent L. Ammann, Jr., the Senior Vice President and Chief Financial Officer of Washington Gas Light Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Terry D. McCallister, the Chairman and Chief Executive Officer, and Vincent L. Ammann, Jr., the Senior Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

Schedule/ Exhibit	Description
	Exhibits Incorporated by Reference:
3	Articles of Incorporation & Bylaws:
	Washington Gas Light Company Charter, filed on Form S-3 dated July 21, 1995.
	WGL Holdings, Inc. Charter, filed on Form S-4 dated February 2, 2000.
	Bylaws of WGL Holdings, Inc. as amended on March 7, 2013, filed as Exhibit 3.1 to Form 8-K on March 13, 2013.
	Bylaws of Washington Gas Light Company as amended on March 3, 2015, filed as Exhibit 3 to Form 10-Q on May 6, 2015.
4	Instruments Defining the Rights of Security Holders including Indentures:
	Indenture Agreement dated August 28, 2014, entered into by and between WGL Holdings, Inc. and The Bank of New York Mellon, as Trustee Filed as Exhibit 4.1 to Form 8-K dated October 15, 2014.
	First Supplemental Indenture relating to 2.25% Senior Notes due 2019, dated October 24, 2014, by and between WGL Holdings, Inc. and The Bank of New York Mellon, as Trustee. Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated October 24, 2014. Second Supplemental Indenture relating to 4.60% Senior Notes due 2044, dated October 24, 2014, by and between WGL Holdings, Inc.
	and The Bank of New York Mellon, as Trustee. Filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated October 24, 2014 Indenture, dated September 1, 1991 between Washington Gas Light Company and The Bank of New York, as Trustee, regarding issuance
	of unsecured notes, filed as an exhibit to Form 8-K on September 19, 1991. Supplemental Indenture, dated September 1, 1993 between Washington Gas Light Company and The Bank of New York, as Trustee,
10	regarding the addition of a new section to the Indenture dated September 1, 1991, filed as an exhibit to Form 8-K on September 10, 1993.
10	Material Contracts Limited Lightlitz Company Agreement of Moods Dipoline Co. LLC entered into an Fahrmany 14, 2014, by and between WCL
	Limited Liability Company Agreement of Meade Pipeline Co. LLC entered into on February 14, 2014, by and between WGL Midstream, Inc., COG Holdings LLC, Vega Midstream MPC LLC, River Road Interests LLC, and VED NPI I, LLC, filed as an exhibit to Form 10-Q for the quarter ended March 31, 2014.
	Construction and Ownership Agreement entered into on February 14, 2014, by and between Transcontinental Gas Pipe Line Company, LLC and Meade Pipeline Co. LLC, filed as an exhibit to Form 10-Q for the quarter ended March 31, 2014.
	Lease Agreement between Transcontinental Gas Pipe Line Company, LLC and Meade Pipeline Co. LLC, filed as an exhibit to Form 10-Q for the quarter ended March 31, 2014.
	Other Services Contracts
	Master Services Agreement, effective June 19, 2007, with Accenture LLP, related to business process outsourcing, and service technology enhancements, filed as Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2007. Portions of this exhibit were omitted pursuant to a request for confidential treatment submitted to the Securities and Exchange Commission.
	Gas transportation and storage contracts
	Amended Service Agreement, effective October 31, 2008, with Columbia Gas Transmission Company related to Firm Storage Service Transportation, filed as Exhibit 10.1 to Form 10-K for the year ended September 30, 2009 (consolidated into Agreement 100303).
	Service Agreement, effective October 31, 2008, with Columbia Gas Transmission Company related to Firm Storage Service Transportation, filed as Exhibit 10.3 to Form 10-Q for the quarter ended June 30, 2009 (consolidated into Agreement 100303).
	Service Agreement, effective November 1, 2005, with Columbia Gas Transmission Corporation related to Firm Storage Service Transportation (Agreement 85038), filed as Exhibit 10.3 to Form 10-K for the fiscal year ended September 30, 2005 (consolidated into Agreement 100303).
	Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Storage Service filed as Exhibit 10.8 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78839) (consolidated into Agreement 100303).
	Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Storage Service filed as Exhibit 10.8 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78840) (consolidated into Agreement 100303).
	Service Agreement, effective October 31, 2008, with Columbia Gas Transmission Company related to Firm Storage Service, filed as Exhibit 10.1 to Form 10-Q for the quarter ended June 30, 2009 (consolidated into Agreement 4409).
	Service Agreement, effective November 1, 2005, with Columbia Gas Transmission Corporation related to Firm Storage Service (Agreement 85037), filed as Exhibit 10.2 to Form 10-K for the fiscal year ended September 30, 2005 (consolidated into Agreement 4409)
	Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Firm Storage Service, filed as Exhibit 10.7 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78844) (consolidated into Agreement 4409).
	Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Firm Storage Service, filed as Exhibit 10.7 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78845) (consolidated into Agreement 4409).
	Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Firm Storage Service, filed as Exhibit 10.7 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78846) (consolidated into Agreement 4409).
	Service Agreement, effective October 31, 2008, with Columbia Gas Transmission Company related to Firm Transportation Service, filed as Exhibit 10.2 to Form 10-Q for the quarter ended June 30, 2009 (consolidated into Agreement 4484).
	Service Agreement, effective November 1, 2005, with Columbia Gas Transmission Corporation related to Firm Transportation Service (Agreement 85036), filed as Exhibit 10.4 to Form 10-K for the fiscal year ended September 30, 2005 (consolidated into Agreement 4484).
	Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Firm Transportation Service, filed as Exhibit 10.9 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78834) (consolidated into Agreement 4484).

Schedule/ Exhibit

Description

Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Firm Transportation Service, filed as Exhibit 10.9 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78835) (consolidated into Agreement 4484).

Service Agreement, renegotiated and effective June 1, 2004, as amended, with Columbia Gas Transmission Corporation related to Firm Transportation Service, filed as Exhibit 10.9 to Form 10-K for the fiscal year ended September 30, 2004. (Agreement 78836) (consolidated into Agreement 4484).

Management Contracts, Compensatory Plans or Arrangements with Executive Officers and Directors

Form of Performance Share Award Agreement, as amended on October 21, 2014, filed as Exhibit 10.1 to Form 10-K for the fiscal year ended September 20, 2014.*

Form of Performance Units Award Agreement, as amended on October 21, 2014, filed as Exhibit 10.2 to Form 10-K for the fiscal year ended September 20, 2014.*

Washington Gas Light Company Form of Defined Contribution Supplemental Executive Retirement Plan filed as Exhibit 10.1 to Form 10-Q for the quarter ended December 31, 2009.*

Washington Gas Light Company Form of Defined Contribution Restoration Plan filed as Exhibit 10.2 to Form 10-Q for the quarter ended December 31, 2009.*

Washington Gas Light Company Form of Defined Benefit Restoration Plan filed as Exhibit 10.3 to Form 10-Q for the quarter ended December 31, 2009.*

WGL Holdings, Inc. and Washington Gas Light Company Change in Control Severance Plan for Certain Executives, as amended on September 24, 2008, filed as Exhibit 10.1 to Form 10-K for the fiscal year ended September 30, 2008.*

WGL Holdings, Inc. and Washington Gas Light Company Deferred Compensation Plan for Outside Directors, amended and restated effective January 1, 2005, as further amended on September 24, 2008, filed as Exhibit 10.1 to Form 10-K for the fiscal year ended September 30, 2008.*

Washington Gas Light Company Supplemental Executive Retirement Plan, amended and restated effective January 1, 2005, as further amended on September 24, 2008, filed as Exhibit 10.1 to Form 10-K for the fiscal year ended September 30, 2008.

WGL Holdings, Inc. Omnibus Incentive Compensation Plan, filed as Exhibit 10.2 to Form 8-K dated December 21, 2006.*

WGL Holdings, Inc. and Washington Gas Light Company Deferred Compensation Plan for Outside Directors, adopted December 18, 1985, and amended as of November 1, 2000, filed as Exhibit 10.2 to Form 10-K in the fiscal year ended September 30, 2001.*

Debt and Credit Agreements

Note Purchase Agreement, dated December 15, 2014, between the Washington Gas Light Company, New York Life Insurance and Annuity Corporation and New York Life Insurance Company. Filed as Exhibit 10.1 to Form 8-K dated December 17, 2014.

Form of Note Purchase Agreement dated November 2, 2009, entered into by and among Washington Gas Light Company and certain purchasers, for the issuance and sale by Washington Gas Light Company of \$50 million of unsecured fixed rate notes due November 1, 2019. Filed as Exhibit 4.1 to Form 8-K dated November 5, 2009.

Form of Note issued in connection with the Note Purchase Agreement dated November 2, 2009, by and among Washington Gas Light Company and certain purchasers, regarding the issuance and sale by Washington Gas Light Company of \$50 million of unsecured fixed rate notes due November 1, 2019. Filed as Exhibit 4.2 to Form 8-K dated November 5, 2009.

Distribution Agreement, dated September 10, 2015, by and among Washington Gas Light Company and BB&T Capital Markets, a division of BB&T Securities, LLC, Mitsubishi UFJ Securities (USA), Inc., TD Securities (USA) LLC, The Williams Capital Group, L.P., U.S. Bancorp Investments, Inc., Wells Fargo Securities, LLC and RBC Capital Markets, LLC, relating to the issuance and sale by Washington Gas Light Company of up to \$600,000,000 aggregate principal amount of Medium-Term Notes, Series K, filed as Exhibit 99.1 to Form 8-K dated September 10, 2015.

First Amendment to Credit Agreement, dated December 19, 2014, between WGL Holdings, Inc. the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent for the Lenders, filed as Exhibit 10.1 to Form 8-K dated December 19, 2014. First Amendment to Credit Agreement, dated December 19, 2014, between Washington Gas Light Company, the lenders party thereto, and Wells Fargo Bank, National Association, as administrative agent for the Lenders, filed as Exhibit 10.2 to Form 8-K dated December 19, 2014.

Credit Agreement dated as of April 3, 2012 among WGL Holdings, Inc., the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent; The Bank of Tokyo-Mitsubishi UFJ, Ltd. as syndication agent; Branch Banking and Trust Company and TD Bank, N.A., as documentation agents; and Wells Fargo Securities, LLC, The Bank of Tokyo-Mitsubishi UFJ, Ltd., BB&T Capital Markets and TD Bank, N.A. as joint lead arrangers and joint book runners, filed as Exhibit 10.1 to Form 10-Q for the quarter ended March 31, 2012.

Credit Agreement dated as of April 3, 2012 among Washington Gas Light Company, the lenders party thereto, Wells Fargo Bank, National Association, as administrative agent; The Bank of Tokyo-Mitsubishi UFJ, Ltd. as syndication agent; Branch Banking and Trust Company and TD Bank, N.A., as documentation agents; and Wells Fargo Securities, LLC, The Bank of Tokyo-Mitsubishi UFJ, Ltd., BB&T Capital Markets and TD Bank, N.A. as joint lead arrangers and joint book runners, filed as Exhibit 10.2 to Form 10-Q for the quarter ended March 31, 2012.

Code of Conduct of WGL Holdings, Inc. as amended on September 25, 2013, filed as Exhibit 14.1 to Form 8-K on October 1, 2013. Code of Conduct of Washington Gas Light Company as amended on September 25, 2013, filed as Exhibit 14.1 to Form 8-K on October 1, 2013.

^{*}Designates a compensatory plan or arrangement.

WGL HOLDINGS, INC. AND SUBSIDIARIES SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES YEARS ENDED SEPTEMBER 30, 2015, 2014 AND 2013

	Additions Charged To									
(In thousands)		Balance at Beginning of Period		Costs and Expenses		Other Accounts ^(a)		Deductions ^(b)		Balance at End of Period
2015										
Valuation and Qualifying Accounts Deducted from Assets in the Balance Sheet: Allowance for Doubtful Accounts	\$	23,341	\$	18,250	\$	4,789	\$	20,156	\$	26,224
2014										
Valuation and Qualifying Accounts Deducted from Assets in the Balance Sheet: Allowance for Doubtful Accounts	\$	20,433	\$	15,874	\$	4,341	\$	17,307	\$	23,341
2013										
Valuation and Qualifying Accounts Deducted from Assets in the Balance Sheet: Allowance for Doubtful Accounts	\$	19,792	\$	9,527	\$	4,217	\$	13,103	\$	20,433

Recoveries on receivables previously written off as uncollectible and unclaimed customer deposits, overpayments, etc., not refundable.

WASHINGTON GAS LIGHT COMPANY SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES YEARS ENDED SEPTEMBER 30, 2015, 2014 AND 2013

	Additions Charged To									
(In thousands)		Balance at Beginning of Period		Costs and Expenses		Other Accounts ^(a)		Deductions ^(b)		Balance at End of Period
2015										
Valuation and Qualifying Accounts Deducted from Assets in the Balance Sheet: Allowance for Doubtful Accounts	\$	19,209	\$	12,800	\$	4,686	\$	17,441	\$	19,254
2014										
Valuation and Qualifying Accounts Deducted from Assets in the Balance Sheet: Allowance for Doubtful Accounts	\$	17,498	\$	12,004	\$	4,198	\$	14,491	\$	19,209
2013										
Valuation and Qualifying Accounts Deducted from Assets in the Balance Sheet: Allowance for Doubtful Accounts	\$	17,129	\$	7,024	\$	3,978	\$	10,633	\$	17,498

Recoveries on receivables previously written off as uncollectible and unclaimed customer deposits, overpayments, etc., not refundable.

Includes deductions for purposes for which reserves were provided or revisions made of estimated exposure.

Includes deductions for purposes for which reserves were provided or revisions made of estimated exposure.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrants have duly caused this report to be signed on their behalf by the undersigned, thereunto duly authorized.

> WGL HOLDINGS, INC. and WASHINGTON GAS LIGHT COMPANY (Co-registrants) /s/ VINCENT L. AMMANN, JR.

Vincent L. Ammann, Jr. Senior Vice President and Chief Financial Officer

Date: November 18, 2015

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrants and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Terry D. McCallister	Chairman of the Board and Chief Executive Officer	November 18, 2015
(Terry D. McCallister)		
/s/ Adrian P. Chapman	President and Chief Operating Officer	November 18, 2015
(Adrian P. Chapman)		
/s/ Vincent L. Ammann, Jr.	Senior Vice President and Chief Financial Officer	November 18, 2015
(Vincent L. Ammann, Jr.)	(Principal Financial Officer)	
/s/ William R. Ford	Vice President and Chief Accounting Officer	November 18, 2015
(William R. Ford)	(Principal Accounting Officer)	
*	Director	November 18, 2015
(Michael D. Barnes)		
*	Director	November 18, 2015
(Stephen C. Beasley)		
*	Director	November 18, 2015
(George P. Clancy, Jr.)		
*	Director	November 18, 2015
(James W. Dyke, Jr.)		
*	Director	November 18, 2015
(Nancy C. Floyd)		
*	Director	November 18, 2015
(Linda R. Gooden)		
*	Director	November 18, 2015
(James F. Lafond)		
*	Director	November 18, 2015
(Debra L. Lee)		
*	Director	November 18, 2015
(Dale S. Rosenthal)		
*By: /s/ Vincent L. Ammann, Jr.		November 18, 2015
(Vincent L. Ammann, Jr.)		
Attorney-in-Fact		

WGL HOLDINGS, INC. AND WASHINGTON GAS LIGHT COMPANY 2015 FORM 10-K EXHIBIT INDEX

Exhibit	Description
10.1	Service Agreement Under Rate Schedule FTS, dated August 29, 2014, with Dominion Cove Point LNG, LP related to Firm Transportation Service.
12.1	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends—WGL Holdings, Inc.
12.2	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends—Washington Gas Light Company.
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101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Labels Linkbase Document
101.PRE	XBRL Presentation Linkbase Document
101.DEF	XBRL Definition Linkbase Document

EXHIBIT 12.1 Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

WGL HOLDINGS, INC. AND SUBSIDIARIES

	Twelve Months Ended September 30,									
(\$ in thousands)		2015		2014		2013		2012		2011
EARNINGS:										
Pre-Tax Net Income ^(a)	\$	210,915	\$	161,320	\$	132,355	\$	233,247	\$	206,069
Add:										
Distributed Income (Loss) of Equity Investees		5,468		3,194		1,510		1,240		(549)
Total Fixed Charges		53,471		39,484		37,893		38,583		42,619
TOTAL EARNINGS	\$	269,854	\$	203,998	\$	171,758	\$	273,070	\$	248,139
FIXED CHARGES:										
Interest on long term debt	\$	50,450	\$	36,383	\$	34,512	\$	36,275	\$	39,097
Other Interest (excluding AFUDC)		658		918		905		229		1,447
Amortization of Debt Premium, Discount and Expense		373		345		337		352		414
One-third of Rental Expense ^(b)		1,990		1,838		2,139		1,727		1,661
TOTAL FIXED CHARGES	\$	53,471	\$	39,484	\$	37,893	\$	38,583	\$	42,619
Ratio of Earnings to Fixed Charges		5.0		5.2		4.5		7.1		5.8
FIXED CHARGES AND PRE-TAX PREFERRED STOCK DIVIDENDS:										
Pre-Tax Preferred Dividend Requirement	\$	1,320	\$	1,320	\$	1,320	\$	1,320	\$	1,320
Effective Income Tax Rate		0.3871		0.3480		0.3906		0.3981		0.4241
Complement of Effective Income Tax Rate (1-Tax Rate)		0.6129		0.6520		0.6094		0.6019		0.5759
Preferred Dividend Requirement	\$	2,154	\$	2,025	\$	2,166	\$	2,193	\$	2,292
COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS	\$	55,625	\$	41,509	\$	40,059	\$	40,776	\$	44,911
Ratio of Earnings to Fixed Charges and Preferred Dividends		4.9		4.9		4.3		6.7		5.5

⁽a) Excludes amounts attributable to income or loss from equity investees.

⁽b) Management believes one-third of the total rental expense gives a reasonable estimate of total interest on rentals.

EXHIBIT 12.2 Computation of Ratio of Earnings to Fixed Charges and Ratio of Earnings to Fixed Charges and Preferred Stock Dividends

WASHINGTON GAS LIGHT COMPANY

	Twelve Months Ended September 30,								
(\$ in thousands)		2015		2014		2013		2012	2011
EARNINGS:									
Pre-Tax Net Income ^(a)	\$	180,069	\$	145,858	\$	116,519	\$	181,793 \$	125,376
Add:									
Total Fixed Charges		43,202		38,415		37,081		37,886	42,141
TOTAL EARNINGS	\$	223,271	\$	184,273	\$	153,600	\$	219,679 \$	167,517
FIXED CHARGES:									
Interest on long term debt	\$	41,102	\$	36,233	\$	34,512	\$	36,275 \$	39,097
Other Interest (excluding AFUDC)		295		458		525		(101)	1,363
Amortization of Debt Premium, Discount and Expense		412		345		337		352	414
One-third of Rental Expense ^(b)		1,393		1,379		1,707		1,360	1,267
TOTAL FIXED CHARGES	\$	43,202	\$	38,415	\$	37,081	\$	37,886 \$	42,141
Ratio of Earnings to Fixed Charges		5.2		4.8		4.1		5.8	4.0
FIXED CHARGES AND PRE-TAX PREFERRED STOCK DIVIDENDS:									
Pre-Tax Preferred Dividend Requirement	\$	1,320	\$	1,320	\$	1,320	\$	1,320 \$	1,320
Effective Income Tax Rate		0.3965		0.3258		0.3793		0.3947	0.4449
Complement of Effective Income Tax Rate (1-Tax Rate)		0.6035		0.6742		0.6207		0.6053	0.5551
Preferred Dividend Requirement	\$	2,187	\$	1,958	\$	2,127	\$	2,181 \$	2,378
COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS	\$	45,389	\$	40,373	\$	39,208	\$	40,067 \$	44,519
Ratio of Earnings to Fixed Charges and Preferred Stock Dividends		4.9		4.6		3.9		5.5	3.8

 $^{^{(}a)}$ Excludes amounts attributable to income or loss from equity investees.

⁽b) Management believes one-third of the total rental expense gives a reasonable estimate of total interest on rentals.

EXHIBIT 21 WGL Holdings, Inc. Subsidiaries of the above registrant as of September 30, 2015

Subsidiary Relationship Denoted by Indentation	Percent of Voting Securities Owned	State of Incorporation
WGL Holdings, Inc. (Parent)		Virginia
Washington Gas Light Company	100%	Virginia and the District of Columbia
Hampshire Gas Company	100%	West Virginia
Washington Gas Resources Corp.	100%	Delaware
WGL Midstream, Inc.	100%	Delaware
WGL Energy Services, Inc.	100%	Delaware
WGL Energy Systems, Inc.	100%	Delaware
WGSW, Inc.	100%	Delaware

EXHIBIT 23 Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements of WGL Holdings, Inc. and Washington Gas Light Company (collectively, "the Companies") of our reports dated November 18, 2015, relating to the consolidated financial statements and financial statement schedule of WGL Holdings, Inc. and subsidiaries and the financial statements and financial statement schedule of Washington Gas Light Company, and the effectiveness of WGL Holdings, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of WGL Holdings, Inc. and Washington Gas Light Company for the year ended September 30, 2015.

WGL Holdings, Inc.

Form S-8 No. 333-104571

Form S-8 No. 333-104572

Form S-8 No. 333-142983

Form S-8 No. 333-171160

Form S-3 No. 333-192731

Form S-3 No. 333-198218

Washington Gas Light Company

Form S-3 No. 333-206576

/s/ DELOITTE & TOUCHE LLP

McLean, Virginia November 18, 2015

EXHIBIT 24 Power of Attorney

Each person whose signature appears below does hereby constitute and appoint Terry D. McCallister, Adrian P. Chapman, Leslie T. Thornton, Vincent L. Ammann, Jr. and William R. Ford, or any of them singly, as such person's true and lawful attorney-in-fact and agent, with full power of substitution, resubstitution and revocation to execute, deliver and file with the Securities and Exchange Commission, for and on such person's behalf, and in any and all capacities, Form 10-K for the fiscal year ended September 30, 2015, of WGL Holdings, Inc. and Washington

Gas Light Company any and all amendments thereto, under the Securities Exchange Act of 1934, with all exhibits thereto and other documents in connection therewith, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent or such person's substitute or substitutes may lawfully do or cause to be done by virtue hereof.

Name	Title	Date
/s/ Michael D. Barnes	Director	November 17, 2015
(Michael D. Barnes)		
/s/ Stephen C. Beasley	Director	November 17, 2015
(Stephen C. Beasley)		
/s/ George P. Clancy, Jr.	Director	November 17, 2015
(George P. Clancy, Jr.)		
/s/ James W. Dyke, Jr.	Director	November 17, 2015
(James W. Dyke, Jr.)		
/s/ Nancy C. Floyd	Director	November 17, 2015
(Nancy C. Floyd)		
/s/ Linda R. Gooden	Director	November 17, 2015
(Linda R. Gooden)		
/s/ James F. Lafond	Director	November 17, 2015
(James F. Lafond)		
/s/ Debra L. Lee	Director	November 17, 2015
(Debra L. Lee)		
/s/ Dale S. Rosenthal	Director	November 17, 2015
(Dale S. Rosenthal)		- · · · · · · · · · · · · · · · · · · ·

EXHIBIT 31.1 Certification of WGL Holdings, Inc.

I, Terry D. McCallister, certify that:

- 1. I have reviewed this quarterly report on Form 10-K of WGL Holdings, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2015 /s/TERRY D. McCALLISTER

Terry D. McCallister

Chairman and Chief Executive Officer

EXHIBIT 31.2 Certification of WGL Holdings, Inc.

I, Vincent L. Ammann, Jr., certify that:

- 1. I have reviewed this quarterly report on Form 10-K of WGL Holdings, Inc.;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2015 /s/ VINCENT L. AMMANN, Jr.

Vincent L. Ammann, Jr.

Senior Vice President and Chief Financial Officer

EXHIBIT 31.3 Certification of Washington Gas Light Company

I, Terry D. McCallister, certify that:

- 1. I have reviewed this annual report on Form 10-K of Washington Gas Light Company;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2015 /s/ TERRY D. McCALLISTER

Terry D. McCallister

Chairman and Chief Executive Officer

EXHIBIT 31.4 Certification of Washington Gas Light Company

I, Vincent L. Ammann, Jr., certify that:

- 1. I have reviewed this annual report on Form 10-K of Washington Gas Light Company;
- 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 18, 2015 /s/ VINCENT L. AMMANN, Jr.

Vincent L. Ammann, Jr.

Senior Vice President and Chief Financial Officer

EXHIBIT 32

Certification of the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the combined Quarterly Report of WGL Holdings, Inc. and Washington Gas Light Company (the "Companies") on Form 10-K for the quarterly period ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Terry D. McCallister, Chairman and Chief Executive Officer of the Companies, and Vincent L. Ammann, Jr., Senior Vice President and Chief Financial Officer of the Companies, each hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of their knowledge, that:

- (1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Companies.

This certification is being made for the exclusive purpose of compliance by the Chairman and Chief Executive Officer and the Senior Vice President and Chief Financial Officer of the Companies with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, and may not be disclosed, distributed, or used by any person for any reason other than as specifically required by law.

/s/ TERRY D. McCALLISTER

Terry D. McCallister

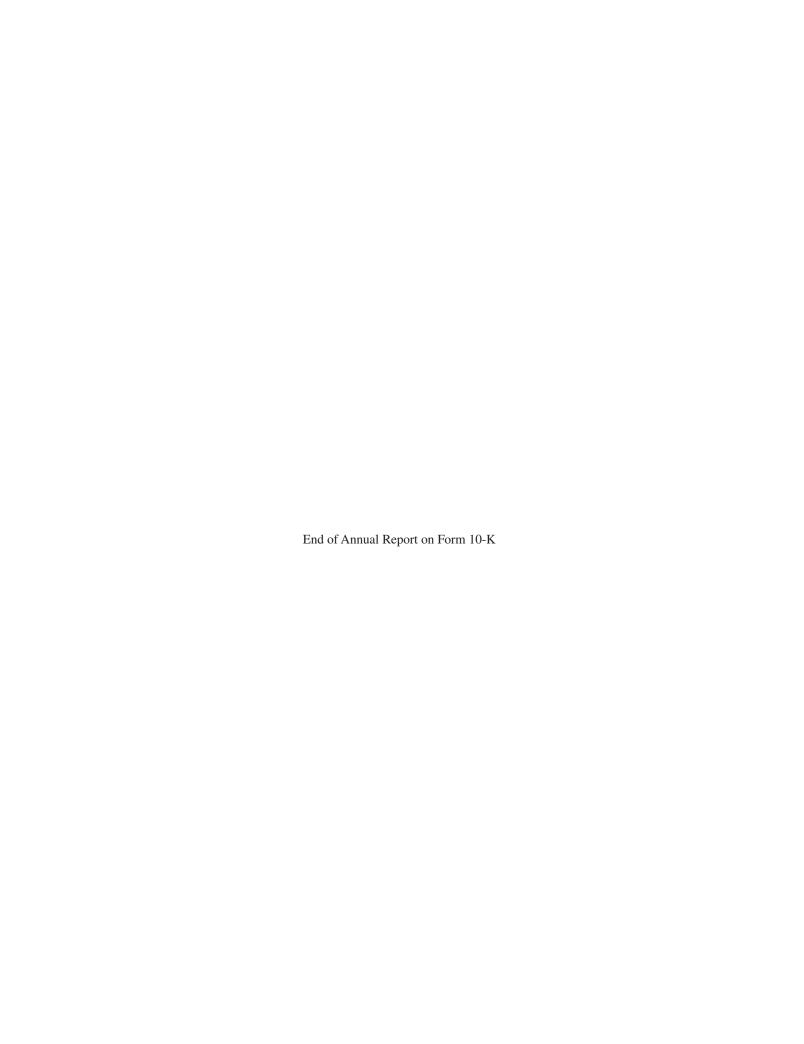
Chairman and Chief Executive Officer

/s/ VINCENT L. AMMANN, Jr.

Vincent L. Ammann, Jr.

Senior Vice President and Chief Financial Officer

November 18, 2015



2015 FINANCIAL AND OPERATING STATISTICS AND SHAREHOLDER INFORMATION

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WGL Holdings, Inc. Consolidated Balance Sheets

(In thousands)		2015		2014		eptember 30, 2013		2012		2011
(In thousands) ASSETS		2015		2014		2013		2012		2011
Property, Plant and Equipment										
	\$	5 002 010	¢.	4 592 764	¢	4 110 140	¢.	2 907 026	¢	2 575 072
At original cost	Þ		\$	4,582,764	\$	4,118,149	\$, ,	\$	3,575,973
Accumulated depreciation and amortization Net property, plant and equipment		(1,331,182) 3,672,728		(1,268,319) 3,314,445		(1,210,686) 2,907,463		(1,139,623) 2,667,413		(1,086,072) 2,489,901
Current Assets		3,0/2,/28		3,314,443		2,907,403		2,007,413		2,489,901
Cash and cash equivalents		6,733		8,811		3,478		10,263		4,332
1		0,733		0,011		3,476		10,203		4,332
Receivables		277. 259		222,253		220 544		238,945		205.050
Accounts receivable		276,358		,		229,544		/		205,950
Gas costs and other regulatory assets		5,797		3,752		10,825 98,598		40,835		14,364
Unbilled revenues		102,560		96,314		,		109,919		94,078
Allowance for doubtful accounts		(26,224)		(23,341)		(20,433)		(19,792)		(17,969
Net receivables		358,491		298,978		318,534		369,907		296,423
Materials and supplies—principally at average cost		21,402		23,647		24,904		23,843		27,113
Storage gas		211,443		333,602		347,291		283,008		290,394
Deferred income taxes		32,842		26,664		24,522		12,404		18,816
Prepaid taxes		48,726		66,578		24,450		57,955		21,312
Other prepayments		32,850		34,269		29,922		22,285		42,527
Derivatives		22,933		18,331		35,315		43,196		16,248
Assets held for sale		22,906		24.625		11 505		0.000		7.5(0
Other		23,057		24,635		11,595		9,900		7,568
Total current assets		781,383		835,515		820,011		832,761		724,733
Deferred Charges and Other Assets										
Regulatory assets		400 (84		101 246		02.062				1 (700
Gas costs		190,676		191,346		93,963		-		16,798
Pension and other post-retirement benefits		212,041		192,981		240,634		435,118		471,378
Other		80,018		71,638		66,010		68,431		69,279
Prepaid post-retirement benefits		138,629		96,385		-		-		-
Derivatives		32,132		18,739		26,306		61,751		11,921
Investments in direct financing leases, capital leases		35,234		18,159		23,390		2,664		
Investments in unconsolidated affiliates		136,884		100,528		67,522		29,256		13,542
Other		14,476		16,763		14,761		13,553		11,482
Total deferred charges and other assets		840,090		706,539		532,586		610,773		594,400
TOTAL ASSETS	\$	5,294,201	\$	4,856,499	\$	4,260,060	\$	4,110,947	\$	3,809,034
CAPITALIZATION AND LIABILITIES										
Capitalization	ф	4 0 40 0 45	ф	1.046.556	ф	1 05 4 5 45		1.0(0.55(ф	1 202 515
Common shareholder's equity	\$	1,243,247	\$	1,246,576	\$	1,274,545	\$	1,269,556	\$	1,202,715
Washington Gas Light Company preferred stock		28,173		28,173		28,173		28,173		28,173
Long-term debt		944,201		679,228		524,067		589,202		587,213
Total capitalization		2,215,621		1,953,977		1,826,785		1,886,931		1,818,101
CURRENT LIABILITIES		•= •••		20.000		67.000		10		77 104
Current maturities of long-term debt		25,000		20,000		67,000		18		77,104
Notes payable		332,000		453,500		373,100		247,700		39,421
Accounts payable and other accrued liabilities		325,146		313,221		270,658		270,387		279,434
Wages payable		21,091		19,995		18,645		16,886		16,949
Accrued interest		7,835		3,488		3,399		3,524		3,880
Dividends declared		23,377		22,449		22,075		20,975		20,256
Customer deposits and advance payments		88,897		68,318		67,154		89,320		78,139
Gas costs and other regulatory liabilities		34,551		22,563		27,013		20,664		7,843
Accrued taxes		13,867		14,133		16,056		23,036		16,925
Derivatives		63,504		48,555		48,413		36,459		31,851
Liabilities held for sale		1,621		-				-		
Other		46,025		34,063		36,564		28,046		4,938
Total current liabilities		982,914		1,020,285		950,077		757,015		576,740
Deferred Credits		40		00.05:		4 < 2==		27.24		
Unamortized investment tax credits		135,673		99,351		46,378		25,260		11,656
Deferred income taxes		705,805		660,908		629,807		621,451		527,189
Accrued pensions and benefits		176,128		120,446		148,890		313,504		397,460
Asset retirement obligations		200,732		175,203		101,321		71,415		66,928
Regulatory liabilities										
Gas costs		-		-		-		19,511		-
Accrued asset removal costs		325,496		327,388		321,266		325,618		326,154
Other post-retirement benefits		104,382		86,428		-		-		
Other		17,067		17,588		13,459		15,047		18,574
Derivatives		322,259		294,745		141,334		13,208		15,066
Other		108,124		100,180		80,743		61,987		51,166
										1 41 4 100
Total deferred credits TOTAL CAPITALIZATION AND LIABILITIES	\$	2,095,666 5,294,201	\$	1,882,237 4,856,499	\$	1,483,198 4,260,060	\$	1,467,001 4,110,947	\$	1,414,193 3,809,034

WGL Holdings, Inc. Consolidated Statements of Income

		Years	En	ded Septembe	r 30),	
(In thousands, except per share data)	2015	2014		2013		2012	2011
OPERATING REVENUES							
Utility	\$ 1,303,044	\$ 1,416,951	\$	1,174,724	\$	1,109,355 \$	1,264,580
Non-utility	1,356,786	1,363,996		1,291,414		1,315,955	1,486,921
Total Operating Revenues	2,659,830	2,780,947		2,466,138		2,425,310	2,751,501
OPERATING EXPENSES							
Utility cost of gas	510,900	700,305		496,487		394,955	595,678
Non-utility cost of energy-related sales	1,218,331	1,255,279		1,187,844		1,190,093	1,334,773
Operation and maintenance	395,770	365,873		366,889		342,810	339,992
Depreciation and amortization	121,892	110,772		103,284		96,476	91,325
General taxes and other assessments	152,164	151,196		145,816		135,455	146,421
Total Operating Expenses	2,399,057	2,583,425		2,300,320		2,159,789	2,508,189
OPERATING INCOME	260,773	197,522		165,818		265,521	243,312
Equity in earnings of unconsolidated affiliates	5,468	3,194		1,510		1,240	(549)
Other income—net	653	1,536		2,548		4,154	3,303
Interest expense	50,511	37,738		36,011		36,428	40,546
INCOME BEFORE INCOME TAXES	216,383	164,514		133,865		234,487	205,520
INCOME TAX EXPENSE	83,804	57,254		52,292		93,349	87,150
NET INCOME	\$ 132,579	\$ 107,260	\$	81,573	\$	141,138 \$	118,370
Dividends on Washington Gas Light Company							
preferred stock	1,320	1,320		1,320		1,320	1,320
NET INCOME APPLICABLE TO COMMON STOCK	\$ 131,259	\$ 105,940	\$	80,253	\$	139,818 \$	117,050
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING							
Basic	49,794	51,759		51,697		51,522	51,195
Diluted	50,060	51,770		51,808		51,589	51,295
EARNINGS PER AVERAGE COMMON SHARE							
Basic	\$ 2.64	\$ 2.05	\$	1.55	\$	2.71 \$	2.29
Diluted	\$ 2.62	\$ 2.05	\$	1.55	\$	2.71 \$	2.28

Common Stock Data

	ı	Year	s En	ded Septemb	er 30	0,	1
(In thousands)	2015	2014		2013		2012	2011
Shares outstanding—year-end (In thousands)	49,729	50,657		51,774		51,612	51,365
Annualized dividends per share	1.85	\$ 1.76	\$	1.68	\$	1.60	\$ 1.55
Dividends declared per common share	1.8275	1.7400		1.6600		1.5875	1.5400
Dividend payout ratio	69.3%	84.9%		107.1%		59.8%	67.2%
Dividend yield on book value—year end	7.4%	7.2%		6.8%		6.5%	6.6%
Market price on NYSE:							
High	\$ 59.08	\$ 45.65	\$	46.96	\$	44.99	\$ 41.99
Low	\$ 42.04	\$ 35.35	\$	35.96	\$	36.84	\$ 34.69
Average	\$ 53.58	\$ 40.59	\$	42.11	\$	40.89	\$ 38.15
Close	\$ 57.67	\$ 42.12	\$	42.71	\$	40.25	\$ 39.07
Price earnings ratio—year end	21.8	20.5		27.6		15.1	17.1
Dividend yield on market price—year end	3.2%	4.2%		3.9%		4.0%	4.0%
Book value per share—year end	\$ 25.00	\$ 24.61	\$	24.62	\$	24.60	\$ 23.42
Return on average common equity	10.5%	8.4%		6.3%		11.3%	9.9%
Market-to-book ratio—average	216.0%	164.9%		171.1%		170.3%	165.7%
Number of common shareholders of record—year-end	9,582	10,026		10,546		11,167	11,624
Shares traded—average daily volume	294,589	301,777		241,587		310,160	308,619

WGL Holdings, Inc. Consolidated Summary of Cash Flow Activity

	'	Year	s E	nded Septembe	r 30,	,		
(In Thousands)	2015	2014		2013	2012			2011
OPERATING ACTIVITIES								
Net income	\$ 132,579	\$ 107,260	\$	81,573	\$	141,138	\$	118,370
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVIITES								
Depreciation and amortization	121,892	110,772		103,284		96,476		91,325
Amortization of:								
Other regulatory assets and liabilities—net	1,305	610		574		881		9,143
Debt related costs	1,187	886		873		894		915
Deferred income taxes—net	104,405	25,795		1,431		107,699		58,694
Other non-cash charges (credits)—net	61,969	51,301		53,571		(38,157)		38,724
CHANGES IN ASSETS AND LIABILITIES								
Accounts receivable and unbilled revenues—net	(71,514)	(1,769)		12,105		(65,329)		(20,641)
Gas costs and other regulatory assets/liabilities—net	9,943	2,623		36,359		(13,650)		2,300
Storage gas	122,159	13,689		(64,283)		7,386		(48,171)
Accounts payable and other accrued liabilities	21,841	21,326		2,017		(16,683)		34,475
Deferred gas costs—net	670	(97,383)		(113,474)		36,309		(10,807)
Other—net	(2,377)	147,057		203,994		(39,365)		21,354
Net Cash Provided by Operating Activities	504,059	382,167		318,024		217,599		295,681
FINANCING ACTIVITIES								
Common stock issued	-	714		-		631		4,980
Long-term debt issued	298,227	175,253		4,157		-		75,000
Long-term debt retired	(20,000)	(67,000)		(2,295)		(77,000)		(30,000)
Debt issuance costs	(3,497)	(1,543)		-		(123)		(186)
Notes payable issued (retired)—net	(121,500)	80,400		125,400		208,279		(61,018)
Dividends on common stock and preferred stock	(91,316)	(85,901)		(86,078)		(77,182)		(74,266)
Repurchase of common stock	(41,485)	(56,136)		-		-		-
Other financing activities—net	(1,457)	(560)		5,156		564		(390)
Net Cash Provided By (Used In) Financing Activities	18,972	45,227		46,340		55,169		(85,880)
INVESTING ACTIVITIES								
Capital expenditures (excluding AFUDC)	(464,291)	(394,762)		(312,345)		(251,128)		(201,540)
Investments in non-utility interests	(67,447)	(31,415)		(62,894)		(24,636)		(13,293)
Distributions from non-utility interests	10,780	4,116		4,090		8,927		515
Loans to external parties	(4,151)	-		-		-		-
Net Cash Used in Investing Activities	(525,109)	(422,061)		(371,149)		(266,837)		(214,318)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,078)	5,333		(6,785)		5,931		(4,517)
Cash and Cash Equivalents at Beginning of Year	8,811	3,478		10,263		4,332		8,849
Cash and Cash Equivalents at End of Year	\$ 6,733	\$ 8,811	\$	3,478	\$	10,263	\$	4,332

WGL Holdings, Inc. Consolidated Statements of Capitalization

				Years	Ended Septe	ember 30,				
(In thousands)	2015	%	2014	%	2013	%	2012	%	2011	%
Common Shareholders' Equity										
Common stock issued	\$ 485,456	\$	525,932	\$	574,461	\$	567,598	\$	557,594	
Paid-in capital	14,934		11,847		10,710		8,132		7,731	
Retained earnings	757,093		716,758		700,422		706,027		648,052	
Accumulated other comprehensive loss, net of taxes	(14,236)		(7,961)		(11,048)		(12,201)		(10,662)	
Total Common										
Shareholders' Equity	\$ 1,243,247	56.1 \$	1,246,576	63.8 \$	1,274,545	69.8 \$	1,269,556	67.3 \$	1,202,715	66.2
Preferred Stock	\$ 28,173	1.3 \$	28,173	1.4 \$	28,173	1.5 \$	28,173	1.5 \$	28,173	1.5
Long-Term Debt										
Unsecured medium-term notes (including unamortized discount)	\$ 969,201	\$	690,878	\$	582,970	\$	582,967	\$	659,964	
Other long-term debt	-		8,350		8,097		6,253		4,353	
Less—current maturities	25,000		20,000		67,000		18		77,104	
Total Long-Term Debt	\$ 944,201	42.6 \$	679,228	34.8 \$	524,067	28.7 \$	589,202	31.2 \$	587,213	32.3
TOTAL CAPITALIZATION	\$ 2,215,621	100.0 \$	1,953,977	100.0 \$	1,826,785	100.0 \$	1,886,931	100.0 \$	1,818,101	100.0

Property, Plant and Equipment at Original Cost

			September 30,		
(In thousands)	2015	2014	2013	2012	2011
Regulated Utility Segment					,
Distributions	\$ 3,348,957	\$ 3,126,367	\$ 2,913,614	\$ 2,756,264	\$ 2,660,523
Transmission and storage	578,257	506,132	442,499	420,165	408,666
Other	635,177	654,959	581,400	514,668	469,933
Unregulated Segments	441,519	295,306	180,636	115,939	36,851
TOTAL	\$ 5,003,910	\$ 4,582,764	\$ 4,118,149	\$ 3,807,036	\$ 3,575,973

Capital Expenditures

		Y	ears Ende	ed September .	30,		
(In thousands)	2015	2014		2013		2012	2011
New business	\$ 84,763	\$ 97,038	\$	71,302	\$	53,502	\$ 40,210
Replacements	169,123	121,749		103,908		99,206	71,180
Other	200,872	192,556		140,482		108,147	107,265
Total — accrual basis ^(a)	\$ 454,758	\$ 411,343	\$	315,692	\$	260,855	\$ 218,655
Cash basis adjustments	9,533	(16,581)		(3,347)		(9,727)	(17,115)
TOTAL — CASH BASIS	\$ 464,291	\$ 394,762	\$	312,345	\$	251,128	\$ 201,540

⁽a) Excludes Allowance for Funds Used During Construction. Additionally, excludes adjustments for capital expenditures accrued and other cash-basis adjustments.

WGL Holdings, Inc. Security Ratings

			September 30,		
	2015	2014	2013	2012	2011
WGL HOLDINGS					
Unsecured Medium-Term Notes (Indicative)(a)					
Fitch Ratings	A	A+	A+	A+	A+
Moody's Investors Service	A3	(b)	(b)	(b)	(b
Standard & Poor's Rating Services	A	A+	A+	A+	A+
Commercial Paper					
Fitch Ratings	F1	F1	F1	F1	F1
Moody's Investors Service	P-2	P-2	P-2	P-2	P-2
Standard & Poor's Rating Services	A-1	A-1	A-1	A-1	A-1
WASHINGTON GAS					
Unsecured Medium-Term Notes					
Fitch Ratings	AA-	AA-	AA-	AA-	AA-
Moody's Investors Service	A1	A1	A2	A2	A2
Standard & Poor's Rating Services	A+	A+	A+	A+	A+
Preferred Stock					
Fitch Ratings	A	A	A	A	A
Moody's Investors Service	A3	A3	Baa1	Baa1	Baa1
Standard & Poor's Rating Services	A-	A-	A-	A-	A-
Commercial Paper					
Fitch Ratings	F1	F1	F1	F1+	F1+
Moody's Investors Service	P-1	P-1	P-1	P-1	P-1
Standard & Poor's Rating Services	A-1	A-1	A-1	A-1	A-1

⁽a) Indicates the rating may be applied if WGL were to issue unsecured medium term notes.

Financial and Operating Statistics

		Year	s En	ded Septemb	er 30),	
(\$ in thousands)	2015	2014		2013		2012	2011
Weighted average cost of long-term debt	5.1%	5.7%		5.9%		5.9%	5.9%
Embedded cost of preferred stock	4.8%	4.8%		4.8%		4.8%	4.8%
Long-term debt/total capitalization, including current maturities	43.3%	35.4%		31.2%		31.2%	35.1%
Return on capitalization	8.3%	7.4%		6.4%		9.4%	8.7%
Return on average common equity	10.5%	8.4%		6.3%		11.3%	9.9%
Effective income tax rate	38.7%	34.8%		39.1%		39.8%	42.4%
Coverage (times) before income taxes							
Fixed charges and preferred dividends	4.9	4.9		4.3		6.7	5.5
Long-term debt interest coverage	5.2	5.4		4.8		7.3	6.1
Total interest expense coverage	5.0	5.2		4.5		7.1	5.8
Labor							
Total employees—year-end	1,529	1,444		1,416		1,362	1,384
Utility employees—year-end	1,420	1,332		1,297		1,235	1,268
Total payroll ^(a)	\$ 140,713	\$ 146,309	\$	139,744	\$	132,078	\$ 130,184
Total payroll and indirect labor costs charged to:(b)							
Operating expenses	\$ 143,341	\$ 154,835	\$	171,626	\$	155,831	\$ 153,464
Construction	25,843	33,452		34,235		30,908	28,810
Other	21,954	25,354		22,763		21,894	20,049
TOTAL PAYROLL AND INDIRECT LABOR COSTS	\$ 191,138	\$ 213,641	\$	228,624	\$	208,633	\$ 202,323

⁽a) Excludes company costs related to payroll taxes.

⁽b) Not rated.

⁽b) Includes company costs related to payroll taxes, pensions, workers' compensation, insurance, and employees' and retirees' medical and life insurance.

WGL Holdings, Inc. Utility Gas Statistics

				Ye	ears Ended Sep	tember 3	0.			
	2015	%	2014	%	2013	%	2012	%	2011	%
Operating Revenues			,							
(In thousands)										
Gas sold and delivered										
Residential—firm	\$ 816,666	62.7	\$ 891,079	62.9	\$ 740,233	63.0			\$ 815,843	64.5
Commercial and industrial—firm	187,938	14.4	213,787	15.1	174,314	14.8	155,530	14.0	195,659	15.5
Commercial and industrial—	2,577	0.2	2,267	0.2	2,722	0.2	1,585	0.1	2,490	0.2
interruptible Electric generation	1,100	0.2	1,100	0.2	1,100	0.2	1,100	0.1	1,100	0.2
									· · · · · · · · · · · · · · · · · · ·	
TOTAL GAS SOLD AND DELIVERED	1,008,281	77.4	1,108,233	78.3	918,369	78.1	855,889	77.1	1,015,092	80.3
Gas delivered for others	205 204	157	100.070	140	177 (00	15 1	172 (11	15.6	160 107	12.4
Firm	205,204	15.7	199,079	14.0	177,602	15.1	173,611	15.6	169,127	13.4
Interruptible	52,477 553	4.0	59,329	4.2	51,122 555	4.5	46,124	4.2	50,573	4.0
Electric generation TOTAL GAS DELIVERED	555	0.1	516	-	333		727	0.1	458	-
FOR OTHERS	258,234	19.8	258,924	18.2	229,279	19.6	220,462	19.9	220,158	17.4
Other	36,529	2.8	49,794	3.5	27,076	2.3	33,004	3.0	29,330	2.3
TOTAL	\$ 1,303,044	100.0	\$ 1,416,951	100.0	\$ 1,174,724		\$ 1,109,355	100.0		100.0
Therms Delivered by Area										
(In thousands of therms)										
Maryland	930,741	48.2	891,666	47.2	865,682	48.6	931,130	54.3	829,099	46.8
Virginia	684,919	35.4	679,462	36.0	614,777	34.5	522,657	30.5	628,022	35.4
District of Columbia	316,279	16.4	317,792	16.8	300,404	16.9	261,020	15.2	315,382	17.8
TOTAL	1,931,939	100.0	1,888,920	100.0	1,780,863	100.0	1,714,807	100.0	1,772,503	100.0
Gas Sales and Deliveries (In thousands of therms)										
Gas sold and delivered										
Residential—firm	734,874	38.0	738,963	39.1	660,424	37.1	540,206	31.5	677,558	38.3
Commercial and industrial—firm	197,543	10.2	200,153	10.6	180,942	10.2	149,515	8.7	179,207	10.1
Commercial and industrial—	257,010	10.2	200,155	10.0	100,5 .2	10.2	1 1,5,010	0.7	177,207	1011
interruptible	2,072	0.2	2,193	0.1	2,897	0.2	2,042	0.1	2,573	0.1
TOTAL GAS SOLD AND DELIVERED	934,489	48.4	941,309	49.8	844,263	47.5	691,763	40.3	859,338	48.5
Gas delivered for others										
Firm	558,125	28.9	535,503	28.3	488,182	27.4	436,698	25.5	501,187	28.3
Interruptible	260,264	13.5	267,705	14.2	270,884	15.1	243,031	14.2	271,421	15.3
Electric generation TOTAL GAS DELIVERED FOR	179,061	9.2	144,403	7.7	177,533	10.0	343,315	20.0	140,557	7.9
OTHERS	997,450	51.6	947,611	50.2	936,599	52.5	1,023,044	59.7	913,165	51.5
TOTAL UTILITY GAS SALES AND	771,120		2 1,,222				-,,		, , , , , , , ,	
DELIVERIES	1,931,939	100.0	1,888,920	100.0	1,780,862	100.0	1,714,807	100.0	1,772,503	100.0
Active Customer Meters										
(year-end)	1.055.533	02.6	1.045.202	02.5	1 022 062	02.5	1 022 001	02.5	1 012 000	02.4
Residential—firm Commercial and industrial—firm	1,057,722 71,547	93.6	1,045,293	93.5	1,033,862 70,626	93.5	1,022,801	93.5	1,012,099	93.4
Commercial and industrial—infini Commercial and industrial—interruptible	594	6.3 0.1	71,105 643	6.4 0.1	635	6.4 0.1	70,639 669	6.4 0.1	70,217 667	6.5 0.1
Electric generation	2	0.1	2	0.1	-	0.1	-	0.1	-	0.1
TOTAL	1,129,865	100.0	1,117,043	100.0	1,105,123	100.0	1,094,109	100.0	1,082,983	100.0
Active Customer Meters by Area	1,12>,000	100.0	1,117,015	100.0	1,100,120	100.0	1,07 1,107	100.0	1,002,00	100.0
(year-end)										
Maryland	460,745	40.8	454,273	40.7	448,916	40.6	443,201	40.5	439,371	40.6
Virginia	512,110	45.3	506,777	45.3	501,225	45.4	496,090	45.3	489,970	45.2
District of Columbia	157,010	13.9	155,993	14.0	154,982	14.0	154,818	14.2	153,642	14.2
TOTAL	1,129,865	100.0	1,117,043	100.0	1,105,123	100.0	1,094,109	100.0	1,082,983	100.0
New Customer Meters Added	12,099		13,327		12,468		11,250		9,868	
Load Factor										
Ratio of average daily sendout/peak	20.00		21.240		20.70%		04.576		20.209	
day sendout	29.66%		31.34%		28.79%)	24.57%		29.39%	0
Degree Days in Heating Season	2 750		A 111		2.760		2.700		2 770	
Normal Actual	3,758 3,929		4,111 3,751		3,769 3,775		3,799 3,036		3,770 3,999	
Percent colder (warmer) than normal	3,929		9.6%		(0.2)%	%	(20.1)9	%	5,999	,
1 creent colder (warmer) than normal	7.0 /0		7.070		(0.2)		(20.1)		0.1 /	
Average Annual Residential Bill										

WGL Holdings, Inc. Utility Design Day by Source

(Dekatherms)	Fiscal Year 2	2015 ^(a)	Fiscal Year 2	2016 ^(a)
Columbia Gas Transmission Company (Columbia)				
Transportation storage	533,122		533,122	
Firm transportation	248,201		248,201	
TOTAL COLUMBIA	781,323	40.3%	781,323	39.8%
Transcontinental Gas Pipe Line Corporation (Transco)				·
Transportation storage	53,303		53,303	
Firm transportation	197,511		272,511	
TOTAL TRANSCO	250,814	13.0%	325,814	16.6%
Dominion Transmission Incorporated (DTI)				
Transportation storage	186,776		186,776	
Firm transportation	85,224		85,224	
TOTAL DTI	272,000	14.0%	272,000	13.9%
Other—transportation storage	79,742	4.1	79,742	4.1
Delivery service volumes	12,829	0.7	12,829	0.6
Peaking and company-owned storage	541,292	27.9	489,292	25.0
TOTAL	1,938,000	100.0%	1,961,000	100.0%

⁽a) Forecasted, excluding reserve margin.

Retail Energy-Marketing Statistics

	Years Ended September 30,				
	2015	2014	2013	2012	2011
Natural Gas Sales					
Therm sales (In thousands of therms)	713,000	718,090	702,471	610,420	678,424
Number of Customers (year-end)	143,800	156,600	167,900	177,500	172,200
Electricity Sales					
Electricity sales (In thousands of kWhs)	12,057,000	11,692,366	12,133,019	11,794,872	10,793,095
Number of accounts (year-end)	138,000	162,100	179,900	194,300	182,500

SHAREHOLDER & INVESTOR INFORMATION

SHAREHOLDER INQUIRIES

Computershare serves as the Transfer Agent and shareholder recordkeeper for WGL Holdings, Inc. (WGL Holdings) common stock and for Washington Gas Light Company (Washington Gas) preferred stock. All shareholder inquiries, such as name and and payments, transfer matters, Form 1099-DIV,

PO Box 43006 Providence, RI 02940-3006 1-800-330-5682

ANNUAL MEETING

of Shareholders at 10 a.m. on March 1, 2016, 101 Constitution Ave., NW, Washington, D.C.

STOCK AND DIVIDEND INFORMATION

WGL Holdings' common stock is listed on the New York Stock Exchange. The ticker symbol is "WGL." Washington Gas preferred stock will be payable on: February 1, May 1, August 1 and November 1.

Dividends paid by WGL Holdings and Washington Gas are 100 percent taxable. Both companies are required to perform back-up withholding of federal income taxes if they have not received cases, this is the shareholder's social security 1099-DIV, will be mailed to shareholders by January 31 of the year following the one in which the dividends were paid.

DIVIDEND REINVESTMENT PLAN

WGL Holdings offers a Dividend Reinvestment and Common Stock Purchase Plan (DRP) to its shareholders. The plan provides a convenient, economical way to purchase additional shares of WGL Holdings' common stock.

Participants may invest all or part of their \$50.00 and \$10,000 per transaction.

for the WGL Holdings plan, please contact Computershare at 1-800-330-5682.

REQUEST FOR PUBLICATIONS

WGL Holdings Investor Relations department at 202-624-6461:

- Form 10-0

Performance Report, please call Washington Gas Corporate Communications at 202-624-6092.

FINANCIAL COMMUNITY INQUIRIES

202-624-6129.

CORPORATE GOVERNANCE

The following information is available via the Investor Relations section of the company's website, www.wglholdings.com:

- Corporate governance guidelines, bylaws and code of conduct
 Proxy statement

The board of directors also has established a

leave a confidential, anonymous message that will be transcribed and forwarded to the Chairman of the Audit Committee.

INFORMATION ON THE INTERNET

on the Internet at www.wglholdings.com.
Computershare also maintains a site on the
Internet at www.computershare.com/investor.

our earnings, revenues and other future financial These forward-looking statements involve risks date of this report, and we assume no duty to update them. For a detailed discussion of these risks and uncertainties, please refer to the sections entitled, "Safe Harbor for Forward-Looking Statements" and "Risk Factors," included in Part I of our Annual Report on Form 10-K, which is

COMPANY OFFICERS

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



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



Rick Moore (1) Vice President, Corporate Development



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



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



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



Mark A. Lowe (2) Vice President



Roberta Willis Sims (2) Vice President



Douglas A. Staebler (2) Senior Vice President



Tracy L. Townsend (2)
Vice President

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



Stephen C. Beasley (3) Founder and Chief Executive Officer Eaton Group Inc.



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 PricewaterhouseCoopersLLP



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



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



