TAB 1

Dow Jones Idea Share Language Logout
Editor's Choice

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WGL Holdings Inc

Company Report [PDF] | Custom Repo

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General Information

Address/Contact

WGL Holdings, Inc.

101 Constitution Avenue., N.W.
Washington, DC 20080
United States
Map

Phone: 1-703-7502000

http://www.wglholdings.com/

Additional Company Links

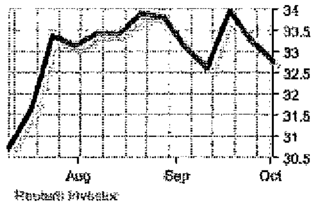
Ownership Type: Listed
DUNS provided by D&B : 153776278
Auditor/Accountant: Deloitte & Touche, LLP (Deloitte Haskins & Sells)

Most Recent Stock Split:
2.0 (2 May 1995)

Historical Stock Split(s):
2.0 (9 November 1984)

Stock Price Activity Quote | Add to Quote List

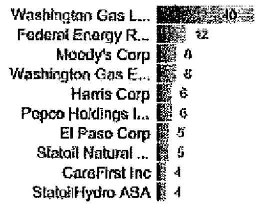
3 Months Weekly



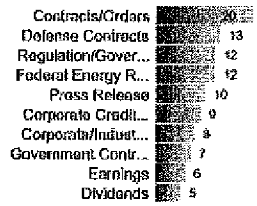
Ticker RIC
WGL WGL.N
Price
33.23
Change
0.17
Volume
58,600
Exchange
New York Stock Exchange
52-Week High
37.08
52-Week Low
22.4
Currency
USD

Discovery Pane
News discovered around this company.

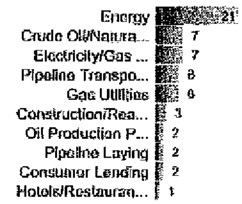
Companies



Subjects



Industries



Keywords

washington gas
gas light
natural gas
light company
wgl holdings

Business Description

WGL Holdings, Inc. (WGL Holdings) is a holding company that was established to own subsidiaries that sell and deliver natural gas and provide 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. The Company owns 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 three unregulated subsidiaries that include Washington Gas Energy Services, Inc. (WGEServices), Washington Gas Energy Systems, Inc. (WGESystems) and Washington Gas Credit Corporation (Credit Corp.). It operates in three business segments: regulated utility segment, retail energy-marketing segment, and the design-build energy systems segment.

Reuters Extended Business Description
Datamonitor Products and Services
Datamonitor Company Statement
Datamonitor Business Description
Datamonitor Overview and History
Datamonitor SWOT Analysis

Primary Industry Classification

Dow Jones Industry		Gas Utilities
SIC	4924	Natural Gas Distribution
NACE		N/A
NAICS	22121	Natural Gas Distribution

Secondary Industry Classification

Source: Reuters

Key Facts

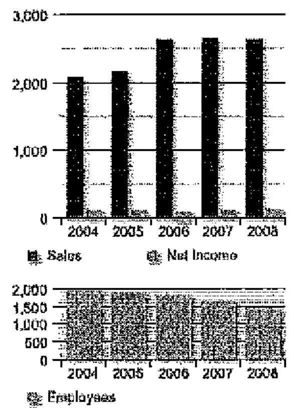
Key Executives
Chairman of the Board, Chief Executive Officer: Terry D. McCallister
President, Chief Operating Officer: Adrian P. Chapman
Chief Financial Officer, Vice President: Vincent L. Ammann Jr.
Vice President, General Counsel: Beverly J. Burke
Vice President - Regulatory Affairs and Energy Acquisition: Roberta Willis Sims

Key Financials	News
Currency:	USD
Sales:	2,628.19 m
Sales Growth (1 year):	-0.67%
Last Reported Employees (Date):	1,448 (1 December 2008)
Employees Growth (1 year):	-11.60%
Last Reported Auditor (Date):	Deloitte & Touche, LLP (Deloitte Haskins & Sells) (1 December 2008)
Market Cap (USD):	1,657.67 m (8 October 2009)
Net Income:	117.84 m
Net Profit Margin:	4.48%
EPS:	2.33
Audit Fees (Including Non-Audit Fees):	2,024,000.00
Non-Audit Fees:	24,000.00
Fiscal Year-End Date:	30 September 2008

Source: Reuters

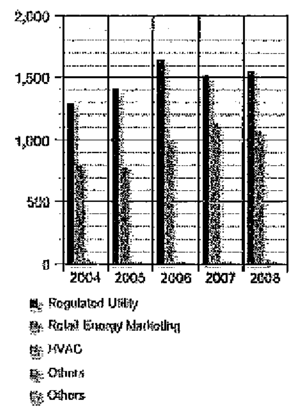
Performance/Segment Information

Financial Performance



Business Segment

Top 5 Segments



Source: Reuters

Latest News Web News Multimedia

Suggested Categories: All | Performance | Bankruptcy | Management Moves | Contracts/Orders | New Products/Services | Legal/Judicial | Ownership Changes | Press Releases | Trade Articles | Capacities/Facilities | Earnings

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1. **References to Ratings of Nationally Recognized Statistical Rating Organizations**
   Federal Register, 9 October 2009, 9762 words, (English)
2. **Washington Gas Expects Slight Decrease in Winter Heating Bills and Encourages Customers to...**
   Business Wire, 16:24, 8 October 2009, 737 words, (English)
3. **WGL's Washington Gas Expects Slight Decrease In Winter Heating Bills**
   Dow Jones News Service, 16:24, 8 October 2009, 11 words, (English)
4. **MOODY'S RATINGS SERVICE - WASHINGTON GAS LIGHT COMPANY - (CUSIP 938837AU5) -...**
   Moody's Investors Service Ratings Delivery Service, 6 October 2009, 118 words, (English)
5. **Washington Gas Energy Services, Inc . WGES; Washington Gas Energy Services Helps The Doubletree Hotel Go Green with CleanSteps SM Windpower**
   Science Letter, 6 October 2009, 494 words, (English)

Peer Group
Nearest 10 by Sales

Dow Jones Industry: Gas Utilities
Total Number of Companies: 176

Rank	Company Name	Sales USD m	Employees	Market Cap USD m	Net Income USD m	Net Profit Margin
21	Southern Union Company	3,070.15	2,413	2,575.41	291.62	9.61%
22	ATCO Ltd.	3,016.81	9,514	2,347.91	251.25	15.37%
23	Snam Rete Gas SpA	2,809.03	2,345	16,291.21	779.47	27.75%
24	**WGL Holdings, Inc.**	2,628.19	1,448	1,657.67	117.84	4.48%
25	Mainova AG	2,529.14	2,970	2,448.87	95.48	3.83%
26	Vectren Corporation	2,484.70	3,700	1,866.72	129.00	5.19%
27	National Fuel Gas Co.	2,400.36	1,943	3,836.00	268.73	11.20%
28	OGE Enogex Partners L.P.	2,367.80		0.00	29.20	0.00%
29	The Laclede Group, Inc.	2,208.97	1,795	703.59	77.96	2.61%
30	Atlas Energy, Inc.	2,149.90	978	1,123.83	-6.16	-0.29%

Competition List from Reuters Research

Source: Reuters

Note: Based on publicly traded company data.

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TAB 2

We successfully concluded rate proceedings in all of our jurisdictions. With a new rate structure and weather normalization adjustment in Virginia, we have effectively eliminated 90 percent of revenue volatility in our largest service territory. Combined with the complete decoupling of our financial performance from variations in customer usage in Maryland, we have neutralized the revenue effect of customer usage variances in over 80 percent of our entire service territory.

These steps allow us to improve the visibility and consistency of our utility earnings. As a result of these and other efforts, including our successful asset optimization program, our utility delivered record net income of $113.7 million.

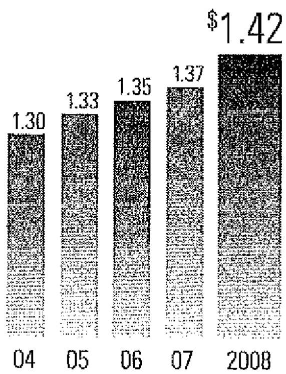
We also were successful in achieving rate recognition in Maryland and Virginia for our system rehabilitation efforts through hexane injection, which conditions liquefied natural gas entering our distribution system. We have two hexane injection facilities in Maryland, with a third planned for Virginia in 2009.

Through the successful transition and implementation of our business process outsourcing initiative, we are realizing service enhancements and cost reductions. According to two industry publications, we were rated number one in the East Region in the J.D. Power and Associates 2008 Gas Utility Residential Customer Survey. We also remain on track to deliver significant savings over the ten-year life of our outsourcing agreement.

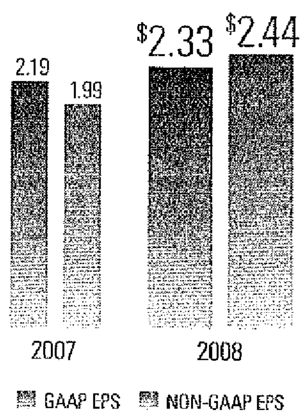
A new Performance-Based Rate mechanism and rate freeze in Virginia provides rate stability and enables us to share with customers and investors any earnings above a targeted return on equity. Our District of Columbia customers are benefiting from a multi-year rate freeze, while shareholders benefit from any improvements over the ratemaking assumptions during this period. Each of our jurisdictions now permits investors to share profits with customers based on optimization of gas supply assets.

Finally, we continue to strengthen and grow our unregulated businesses. Washington Gas Energy Services overcame challenging market conditions and made strong contributions to overall earnings this year. This retail energy marketing business continues to expand into new opportunities, including renewable energy and energy conservation services. Washington Gas Energy Systems continues to position itself as a provider of environmentally responsible energy solutions to commercial customers, including agencies of the United States government, and state and local governments.

2008 Annualized Dividends
(in dollars)



GAAP & NON-GAAP Earnings Per Share
(in dollars)



Please see our Reconciliation of GAAP Net Income to non-GAAP Operating Earnings.

The maturity dates of our net assets (liabilities) associated with the retail energy-marketing segment's energy-related derivatives recorded at fair value at September 30, 2008, is summarized in the following table based on the approach used to determine fair value:

Retail Energy Marketing Segment
Maturity of Net Assets (Liabilities) Associated with our Energy-Related Derivatives

		Years Ended September 30,					
(In millions)	**Total**	2009	2010	2011	2012	2013	Thereafter
Prices actively quoted	$ –	$ –	$ –	$ –	$ –	$–	$–
Prices provided by other external sources	–	–	–	–	–	–	–
Prices based on models and other valuation methods	(3.4)	(3.8)	0.1	0.2	0.1	–	–
Total net assets (liabilities) associated with our energy-related derivatives	$(3.4)	$(3.8)	$0.1	$0.2	$0.1	$–	$–

Value-at-Risk. WGEServices 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 customers and renewing customers for which supply commitments have been secured. Based on a 95 percent confidence interval for a one-day holding period, WGEServices' value-at-risk at September 30, 2008 was approximately $48,000 and $28,000, related to its natural gas and electric portfolios, respectively.

Weather Risk

We are exposed to various forms of weather risk in both our regulated utility and unregulated business segments. For Washington Gas, a large portion of its revenues is volume driven and its current rates are based upon an assumption of normal weather, however, billing adjustment mechanisms described below address variations from this assumption. Without weather protection strategies, variations from normal weather will cause our earnings to increase or decrease depending on the weather pattern. Washington Gas currently has a weather protection strategy that is designed to neutralize the estimated negative financial effects of warmer-than-normal weather on its net income, as discussed below.

The financial results of our non-regulated energy-marketing business, WGEServices, are also 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. WGEServices manages these weather risks with, among other things, weather derivatives.

Billing Adjustment Mechanisms. In Maryland, Washington Gas has a 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. Effective October 1, 2007, Washington Gas implemented a WNA mechanism in Virginia which is a billing adjustment mechanism that is designed to eliminate the effect of variations in weather from normal levels on utility net revenues. The staff of the SCC of VA (VA Staff) has approved the WNA calculation for the 2007-2008 winter heating season, and Washington Gas included a billing adjustment in customers' August 2008 bills.

For both the RNA and the WNA mechanisms, periods of colder-than-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 to function conversely because it adjusts billed revenues to provide a designed level of net revenue per meter.

Weather Insurance. Effective October 1, 2005, Washington Gas purchased a weather insurance policy designed to mitigate the negative effects of warmer-than-normal weather in the District of Columbia. The policy had a three-year term that expired on September 30, 2008. The policy's pre-tax average annual expense was $1.9 million (pre-tax) over its term and Washington Gas received $5.9 million (pre-tax) of benefits over the term of this contract. In fiscal year 2009, Washington Gas will use weather derivatives, as described below, to mitigate the negative effects of warmer-than-normal weather in the District of Columbia.

Weather Derivatives. On October 1, 2008, Washington Gas purchased an HDD derivative to protect against warmer-than-normal weather in the District of Columbia. Washington Gas will receive $11,000 for every HDD below 3,835 during the period of October 1, 2008 through September 30, 2009. The maximum amount that Washington Gas can *(iv)* amortization accounting, over a ten-year period, for initial implementation costs allocable to the District of Columbia related to our BPO plan. As a result of this approval, during the first quarter of fiscal year 2008, Washington Gas recorded to a regulatory asset $1.9 million of costs, net of amortization, incurred in prior periods;

(v) continuation of previously-approved rate levels and accounting for the annual expense for pension costs and other post-employment benefit costs, including previously implemented trackers to match the actual expense levels;

(vi) implementation of the proposed gas administrative charge which is a cost allocation mechanism that allocates certain gas-related costs to specific customer classes and

(vii) new rates effective for meters read on or after December 31, 2007.

Maryland Jurisdiction

Disallowance of Purchased Gas Charges. Each year, the PSC of MD reviews the annual gas costs collected from customers in Maryland to determine if Washington Gas's purchased gas costs are reasonable. On March 14, 2006, in connection with the PSC of MD's annual review of Washington Gas's gas costs that were billed to customers in Maryland from September 2003 through August 2004, a Hearing Examiner of the PSC of MD issued a proposed order approving purchased gas charges of Washington Gas for the twelve-month period ending August 2004 except for $4.6 million (pre-tax) of such charges that the Hearing Examiner recommended be disallowed because, in the opinion of the Hearing Examiner, they were not reasonably and prudently incurred. Washington Gas filed a Notice of Appeal on April 12, 2006 and a Memorandum on Appeal on April 21, 2006 with the PSC of MD asserting that the Hearing Examiner's recommendation is without merit. A reply memorandum was filed on May 11, 2006. After consideration of these issues, we expect the PSC of MD to issue a Final Order. Over the past ten years, Washington Gas has incurred similar purchased gas charges which the PSC of MD has reviewed and approved as being reasonably and prudently incurred and therefore subject to recovery from customers. Among other issues included in the appeal, we highlighted for the PSC of MD this prior recovery and requested that similar treatment be granted for this matter. During the fiscal year ended September 30, 2006, Washington Gas accrued a liability of $4.6 million (pre-tax) related to the proposed disallowance of these purchased gas charges. If the PSC of MD rules in Washington Gas's favor, the liability recorded in fiscal year 2006 for this issue will be reversed to income.

Investigation of Asset Management and Gas Purchase Practices. On July 24, 2008, the Office of Staff Counsel of the PSC of MD submitted a petition to the PSC of MD to establish an investigation into Washington Gas's asset management program as well as into the cost recovery of its gas purchases. On September 4, 2008, the PSC of MD issued a letter order docketing a new proceeding to consider the issues raised in the petition filed by the Office of Staff Counsel. In accordance with the procedural schedule, Washington Gas filed direct testimony on November 21, 2008; direct testimony by intervening parties is due by January 30, 2009, and rebuttal testimony by all parties is due March 6, 2009. A public hearing is scheduled on March 19, 2009. Washington Gas intends to demonstrate that both its asset management program and its gas cost recovery mechanisms are consistent with regulatory requirements and in the best interest of both its customers and shareholders.

Performance-Based Rate Plans

In recent rate case proceedings in all jurisdictions, Washington Gas requested permission to implement PBR plans that include performance measures for customer service and an ESM that enables Washington Gas to automatically share with shareholders and customers the earnings that exceed a target rate of return on equity.

Effective October 1, 2007, the SCC of VA approved the implementation of a PBR plan through the acceptance of a settlement stipulation, which includes: *(i)* a four-year base rate freeze; *(ii)* service quality measures to be determined in conjunction with the VA Staff and reported quarterly for maintaining a safe and reliable natural gas distribution system while striving to control operating costs; *(iii)* recovery of initial implementation costs associated with achieving Washington Gas's BPO initiatives over the four-year period of the PBR plan and *(iv)* an ESM that enables Washington Gas to share with shareholders and Virginia customers the earnings that exceed a target of 10.5 percent return on equity. The calculation of the ESM excludes $2.4 million of asset management revenues that is being refunded to customers as part of a new margin sharing agreement in Virginia. On an interim basis, we record the effects of the ESM based on year-to-date earnings in relation to estimated annual earnings as calculated for regulatory purposes. At September 30, 2008, Washington Gas had accrued a customer liability of $4.8 million for estimated sharing under the Virginia ESM.

On November 16, 2007, the PSC of MD issued a Final Order in a rate case, which established a phase-two proceeding to review Washington Gas's request to implement a PBR plan and issues raised by the parties associated with Washington Gas's BPO agreement. On September 4, 2008, a Proposed Order of Hearing Examiner was issued in this phase-two proceeding. Consistent with