

The SERP provides a retirement benefit that supplements the benefit payable under the Pension Plan. The benefit amount is based on years of benefit service and the average of the participant's highest rates of annual basic compensation, including any short-term incentive awards, on December 31 of the three years out of the final five years of the participant's service as a participant. Benefit service under the SERP consists of years of accredited service under the Pension Plan plus the number of years of plan service under SERP, to a maximum of 30 years. There is a vesting schedule for the benefit that varies depending upon the point in time the individual became a participant in the SERP.

At normal retirement, the SERP participant is entitled to an annual benefit equal to the participant's vested percentage of an amount equal to 2% of final average compensation multiplied by the number of years of benefit service, reduced by the amount of the normal retirement benefit paid under the Pension Plan and the amount of any other supplemental pension benefit provided by Washington Gas. Participants in the WGL Holdings, Inc. and Washington Gas Light Company Change in Control Severance Plan for Certain Executives, described elsewhere in this proxy statement, may earn extra years of benefit service under the SERP in certain events of termination following a change in control, up to the maximum of 30 years of benefit service.

The SERP provides an unreduced retirement benefit at termination of employment at the normal retirement age of 65. An early retirement benefit, discounted for age, is available to participants at age 55 with 10 years of benefit service. Two Named Executive Officers, James H. DeGraffenreidt, Jr., our Chairman and Chief Executive Officer, and Beverly J. Burke, our Vice President and General Counsel, are currently eligible to receive an early retirement benefit under the SERP.

A participant in the SERP can elect the same forms of benefit available under the Pension Plan, and in addition can elect a lump sum payment form. For SERP benefits earned through December 31, 2004, the lump sum amount is limited to the amount of the benefit attributable to short-term incentive compensation. For benefits earned on and after January 1, 2005, participants may elect a lump sum benefit in any percentage. The lump sum amount is an actuarial determination based on the participant's life expectancy discounted using the yield on the zero-coupon U.S. Treasury security with maturity equal to the maturity of each year's payment. The lump sum shall equal the sum of the discounted payments.

### **Clawback Provision**

The SERP includes a "clawback" provision that requires a participant to forfeit SERP benefit payments under certain circumstances. Under this clawback provision, if a SERP participant willfully performs any act or willfully fails to perform any act that may result in material discredit or substantial detriment to Washington Gas, then upon a majority vote of the board of directors, the participant, his or her surviving spouse and any beneficiary of those persons, will forfeit any benefit payments owing on and after a date fixed by the board of directors. After this fixed date, Washington Gas will have no further obligation under the SERP to the participant, his or her spouse or any beneficiary. Also under this clawback provision, if a participant has received a lump-sum benefit under the SERP, the participant or the surviving spouse would be required to return a proportionate share of that lump sum payment to Washington Gas, as calculated under the SERP.