
NEWS RELEASE

701 Ninth Street NW
Washington, DC 20068
www.pepcoholdings.com
NYSE: POM

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Media Contact: Robert Dobkin
202-872-2680
Investor Contact: Donna Kinzel
302-429-3004

PHI's Mid-Atlantic Power Pathway Project Granted FERC Approval

Pepco Holdings, Inc. (NYSE-POM) today announced that federal regulators unanimously approved requested transmission rate incentives for PHI's Mid-Atlantic Power Pathway (MAPP) transmission line. The regulators noted that the incentives are an important part of ensuring construction of the 230-mile project, improving reliability in the mid-Atlantic region and providing access to more than 1,300 megawatts of renewable wind generation.

The Federal Energy Regulatory Commission voted 5-0 Friday to approve all components of PHI's August 18, 2008 request, stating that the MAPP project will improve import capability, reduce transmission congestion costs and improve reliability in the mid-Atlantic region. The commission also recognized that the incentives will promote those goals, given the importance of the new facilities and the risks inherent in bringing them to completion.

In its August 2008 filing with FERC, the company requested full recovery of construction work in progress in the rate base, an incentive return on equity (ROE) increase of 1.5 percent, resulting in a 12.8 percent ROE for the project, as well as recovery of prudently incurred costs in the event that the project is not completed for reasons beyond the company's control. The incentive rate treatments will be implemented through the PHI companies' individual formula rates.

"This project will significantly improve reliability throughout our service territories and throughout the region," said Dennis Wraase, PHI Chairman and Chief Executive Officer. "FERC's approval of our application is important as we move forward with the new transmission line in a financially responsible way protecting the interests of our customers and our shareholders."

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MAPP, initially estimated at a cost of about \$1.05 billion, will serve as a major backbone to the regional electric grid, relieve expected overloads on the existing transmission system and deliver power to PHI's utilities—Atlantic City Electric, Delmarva Power and Pepco—rural electric co-ops and municipal-owned generators in Maryland, Delaware and southern New Jersey. If the option to convert to direct current for the Chesapeake Bay crossing is implemented, the estimated project cost will be about \$1.4 billion.

“The MAPP project is an example of the type of large-scale transmission project investment that the nation needs, and one that will significantly strengthen the grid by providing major consumer and reliability benefits for the mid-Atlantic region,” FERC Chairman Joseph T. Kelliher said. “FERC’s granting of rate incentives for projects like this has helped us to nearly double the amount of grid investment across the country in recent years.”

The Commission noted that the incentives in the application are reasonable in light of the financial risks inherent in any project of this magnitude. FERC stated that the MAPP project provides significant regional benefits both from an economic and reliability standpoint providing better rate stability for customers.

In a statement, FERC Commissioner Jon Wellinghoff added that MAPP “is a non-routine investment worthy of the significant incentive ROE adder granted here because it will use advanced technologies that will benefit all users of the grid and ultimate consumers.”

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About PHI: Pepco Holdings, Inc., headquartered in Washington, D.C., delivers electricity and natural gas to about 1.9 million customers in Delaware, the District of Columbia, Maryland, and New Jersey, through its subsidiaries Pepco, Delmarva Power and Atlantic City Electric. PHI also provides competitive wholesale generation services through Conectiv Energy and retail energy products and services through Pepco Energy Services.

Forward-Looking Statements: Except for historical statements and discussions, the statements in this news release constitute "forward-looking statements" within the meaning of federal securities law. These statements contain management's beliefs based on information currently available to management and on various assumptions concerning future events. Forward-looking statements are not a guarantee of future performance or events. They are subject to a number of uncertainties and other factors, many of which are outside the company's control. Factors that could cause actual results to differ materially from those in the forward-looking statements herein include general economic, business and financing conditions; availability and cost of capital; changes in laws, regulations or regulatory policies; weather conditions; competition; governmental actions; and other presently unknown or unforeseen factors. These uncertainties and factors could cause actual results to differ materially from such statements. PHI disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This information is presented solely to provide additional information to further understand the results and prospects of PHI.