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PHI SEEKS MARYLAND PSC APPROVAL FOR MAPP PROJECT

Project deemed vital to relieving transmission congestion, enhancing reliability

WASHINGTON---Pepco Holdings, Inc ((NYSE: POM) today filed applications with the Public Service Commission of Maryland for authorization to construct the Mid-Atlantic Power Pathway (MAPP), a 230-mile 500-kilovolt electric transmission system that will deliver a much-needed boost in system capacity and electric reliability to customers in Maryland and other states in the Mid-Atlantic region.

“This project is vital for ensuring that stable, reliable electricity will be available throughout the region, including the Baltimore-Washington metropolitan area and the Delmarva Peninsula,” said William M. Gausman, PHI Senior Vice President for Asset Management and Planning.

“No major line has been added to the electric transmission backbone in the Mid-Atlantic region in decades, yet the population of the region has risen dramatically and electricity consumption per household has grown significantly, Gausman continued. “The system is stressed. Without MAPP, the region will be exposed to increased risk of experiencing brownouts and blackouts in the future.”

Earlier this week, PHI also submitted a joint federal-state permit application to the Maryland Department of the Environment and the U.S. Army Corps of Engineers. These permits are necessary to build the MAPP transmission line in wetlands and waterways in the project rights-of-way in southern Maryland on the western shore of the Chesapeake Bay.

The project was approved by PJM Interconnection, the regional power grid operator, in 2007. PJM identified MAPP as the most effective transmission solution to address both near-term (five-year) and long-term (15-year) reliability problems facing the Mid-Atlantic region. PHI expects to obtain necessary permits and begin constructing the transmission line late in 2009 and complete it by 2013.

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MAPP will extend from Possum Point in northern Virginia, across southern Maryland and the Chesapeake Bay and continuing through the Delmarva Peninsula to Salem, N.J. The project will provide direct benefits to communities along its entire path, Gausman said. They include:

- **Reliability Benefits.** MAPP will relieve violations of the North American Electric Reliability Corporation's reliability criteria that if not corrected would result in violations that could eventually cause electric system brownouts and blackouts.
- **Economic Benefits.** MAPP will reduce transmission congestion in the Mid-Atlantic region, lowering the cost of delivered power to Maryland consumers in the Baltimore-Washington metropolitan region and on the Delmarva Peninsula, as well as to electricity consumers throughout the Mid-Atlantic region.
- **Renewable Generation Benefits.** MAPP will enhance the ability of existing and new wind resources being developed in the western and southern portions of PJM's territory, in the Midwest, as well as off the shore of the Delmarva Peninsula, to reach consumers in Maryland and throughout the eastern portion of PJM's territory.
- **Advanced Technology Benefits.** MAPP will use advanced technologies and design and construction techniques to improve efficiency, enhance operations and minimize environmental impacts. For example, the majority of the project will be installed along existing rights-of-way. MAPP will use a high voltage direct current (HVDC) system for that portion of the project that crosses the Chesapeake Bay through the Maryland Eastern Shore and over to Indian River, Del. The HVDC line will provide PJM increased ability to control the transmission system and address reliability and environmental concerns. PHI has conducted extensive community outreach to explain why the project is needed and to answer questions from interested citizens. PHI will continue its outreach activities until the project is completed.

Capital costs for MAPP are estimated at approximately \$1.4 billion, including \$820 million for the Maryland portion. However, since the project will benefit the entire Mid-Atlantic region, those costs will be paid for by all customers throughout the 14-state PJM region. PHI will also seek low-cost debt financing for the MAPP project from the U.S. Department of Energy under federal loan guarantee programs for capital-intensive projects that use innovative technology.

About PHI: *Pepco Holdings, Inc. (NYSE: POM) is one of the largest energy delivery companies in the Mid-Atlantic region, serving about 1.9 million customers in Delaware, the District of Columbia, Maryland and New Jersey. PHI subsidiaries Pepco, Delmarva Power and Atlantic City Electric provide regulated electricity service; Delmarva Power also provides natural gas service. PHI provides competitive wholesale generation services through Conectiv Energy and retail energy products and services through Pepco Energy Services.*