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PHI Awarded \$168.1 Million for Smart Grid Projects *DOE Award Will Offset Cost to Customers of Building Smart Grid*

WASHINGTON – The U.S. Department of Energy today announced that Pepco Holdings, Inc., (POM:NYSE) has been selected to receive \$168.1 million dollars in federal stimulus funds to help build the smart grid in the District of Columbia, Maryland and New Jersey. The grants will be finalized in the coming weeks through negotiations with DOE.

PHI will use the money to help offset the cost to customers for installing meters and modernizing the electric grid. The smart grid will create new green jobs, boost the economy and lay the technological groundwork for customers to better manage their energy use and reduce carbon emissions generated by fossil-fueled power plants.

“Pepco Holdings is extremely pleased to learn that the Department of Energy has awarded the company \$168.1 million in federal stimulus funds under President Obama’s American Recovery and Reinvestment Act,” said Joseph M. Rigby, PHI Chairman, President and CEO. “The awards are an extraordinary opportunity to accelerate the delivery of customer benefits through building an integrated smart grid composed of advanced metering infrastructure, distribution automation and demand response technologies. We look forward to working with regulators to implement smart meters for our customers.”

Once installed, the smart grid will provide several key services to consumers including over-the-air meter reads that minimize the need for estimated bills, detailed information on energy use to enable better energy management, and proactive customer communications by e-mail or text messaging to notify customers about power outages and service restoration.

“Dollars we obtain from the federal government will offset by 50 percent the amount customers would otherwise pay to make these important improvements to the system, which are designed to enable customers to better manage their energy use and save money, improve customer service and reliability and create a cleaner environment,” said Rigby.

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DOE AWARD RELEASE 2

Building a smart grid is a complex process that will involve installing 850,000 smart meters in homes and businesses in Pepco's District of Columbia and Maryland service areas as well as hundreds of thousands of devices to modernize the electric system through digital communications and automated functioning. In addition, Pepco plans to work with its state regulatory commissions to institute dynamic pricing programs that provide customers with the opportunity to save money by shifting their energy use to off peak periods.

Atlantic City Electric is set to receive funding to deploy 25,000 demand response devices, intelligent grid sensors, distribution automation technology and communications infrastructure to enhance grid reliability, optimize the grid's operations and help consumers manage their energy use. Atlantic City Electric and Pepco are utility affiliates of Pepco Holdings, Inc.

Advanced metering infrastructure (AMI) improves reliability by letting the utility know when a customer is out of service. AMI also is the key to providing customers with greater usage data, which will enable them to make more informed choices regarding their energy use.

Distribution automation technology enhances the reliability of the electric system, so PHI will be better able to manage the flow of power and, when the flow is interrupted, restore service more quickly and safely.

Demand response technologies give customers the ability to have their air conditioning equipment or thermostats cycled on and off at critical times or in response to price signals. This helps to reduce overall usage, keep energy costs down and preserve the integrity of the electric system during critical load consumption periods.

"PHI applied for smart grid funding for all jurisdictions we serve, and we thank the many federal, state and local government officials, including executives, legislators and regulators as well as community leaders who provided their support," Rigby said. "We look forward to working with these parties to move our smart grid vision forward in all areas we serve."

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PHI 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.