



## MANAGING TODAY'S CHALLENGES

### *Positioning for Tomorrow's Growth*



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# Safe Harbor Statement



Some of the statements contained in today's presentations are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. These statements include all financial projections and any declarations regarding management's intents, beliefs or current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. Any forward-looking statements are not guarantees of future performance, and actual results could differ materially from those indicated by the forward-looking statements. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. A number of factors could cause actual results or outcomes to differ materially from those indicated by the forward-looking statements contained in this presentation. These factors include, but are not limited to, prevailing governmental policies and regulatory actions affecting the energy industry, including with respect to allowed rates of return, industry and rate structure, acquisition and disposal of assets and facilities, operation and construction of plant facilities, recovery of purchased power expenses, and present or prospective wholesale and retail competition; changes in and compliance with environmental and safety laws and policies; weather conditions; population growth rates and demographic patterns; competition for retail and wholesale customers; general economic conditions, including potential negative impacts resulting from an economic downturn; growth in demand, sales and capacity to fulfill demand; changes in tax rates or policies or in rates of inflation; rules and changes in accounting standards or practices; changes in project costs; unanticipated changes in operating expenses and capital expenditures; the ability to obtain funding in the capital markets on favorable terms; restrictions imposed by Federal and/or state regulatory commissions, PJM and other regional transmission organizations (NY ISO, ISO New England), the North American Electric Reliability Council and other applicable electric reliability organizations; legal and administrative proceedings (whether civil or criminal) and settlements that affect our business and profitability; pace of entry into new markets; volatility in market demand and prices for energy, capacity and fuel; interest rate fluctuations and credit market concerns; and effects of geopolitical events, including the threat of domestic terrorism. Readers are referred to the most recent reports filed with the Securities and Exchange Commission.

# Opening Remarks



**Dennis Wraase**  
*Chairman*



# Strategic Overview



Joe Rigby  
*President and Chief Executive Officer*

# ***Today's Message***

- We are confident in the strategic direction of PHI
- We believe our business plan is flexible should market uncertainty continue in the short-term while positioning us for growth in the long-term
- We are focused on improving credit metrics as we take a disciplined approach to capital expenditures
- We have reduced collateral requirements for our retail energy business, and are pursuing strategic alternatives
- We intend to maintain the dividend
- We have demonstrated our ability over the past several years to achieve supportive regulatory outcomes in our jurisdictions
- We can execute the 2009 plan with no new financings

***We are confident in our plan and have a track record of delivering on our commitments***

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# Investing in PHI

## Transmission & Distribution



2009 – 2013  
Forecast  
Business Mix\*



70 – 75%

## Competitive Energy / Other



25 – 30%

PHI Investments

- Growing regulated infrastructure platform
- Well positioned for industry transformation
- Complementary competitive energy businesses
- Disciplined growth strategy
  - ... offers an
- Attractive total return

\* Percentages based on projected operating income.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# ***2008 – We Delivered Value***

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## **Financial**

- 21% increase in earnings in 2008, excluding special items and tax adjustments
- 4% dividend increase in January 2008 to an annual rate of \$1.08
- \$1.5 billion of cash and credit facility available at December 31, 2008
- Successfully completed first round of distribution base rate cases

## **Operating**

- Improved customer satisfaction
- Improved operating cost management

## **Growth**

- FERC approved incentives for MAPP; PJM approved direct current cabling
- DE PSC approved AMI Blueprint initiative
- Construction of two generating units in eastern PJM on budget and on schedule
- One of a select group of companies qualified to bid on Department of Energy performance contracts for energy services

## ***2009 Industry Challenges***

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- Significant infrastructure investments needed
- Lower customer usage due to economic conditions and conservation
- Higher operating costs (pension/bad debt)
- Commodity price volatility
- Uncertain and volatile debt/equity markets

***PHI's Response: Remain flexible, routinely assess the situation, proceed with utility investments based on clear regulatory support***



# ***We anticipated and managed the challenges...***

- **Accelerated the issuance of \$750 million of First Mortgage Bonds and \$225 million of equity to the 4<sup>th</sup> quarter of last year**
- **Focused on reducing overall spending**
  - Hiring freeze in place since Sept.; no management merit salary increases in 2009
  - Reduced Power Delivery construction spending in 2008, 2009, and 2010 by \$129 million, \$229 million, and \$178 million, respectively
- **Developed a construction plan that is flexible to meet uncertain market conditions and regulatory outcomes**
- **Reducing the collateral needs of the competitive energy businesses**
- **Positioned to file four distribution rate cases in 2009**
  - Represents almost 70% of our distribution rate base
- **Pursuing federal incentive programs to lower construction financing costs and fund a portion of our energy efficiency programs**

***Actions taken to date will enable us to fund our 2009 plan without accessing the capital markets***

## ***...and are positioning for long-term growth***

- **Pending supportive regulatory outcomes, current construction plans will grow rate base by more than 70% in the next 5 years**
  - Significant investment in transmission projects recovered through the FERC formula rates (45% of Power Delivery construction spend)
  - Significant investment in distribution reliability and upgrade projects (30% of Power Delivery construction spend)
  - Construction plan will remain flexible depending on economic conditions and regulatory outcomes
- **With appropriate cost recovery approval by states, certain projects eligible for federal incentives could be accelerated**
- **Conectiv Energy generation portfolio will grow by 645 MW, with the majority of spending in 2009**
- **Predominately gas-fired generation fleet should benefit from climate change legislation**
- **PES qualified to bid on Department of Energy performance contracts for energy services**

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# ***Strategic Analysis of PES Retail Energy Supply Business***

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- Profitable business – but cost of capital has increased dramatically
- Declining energy and gas prices, have significantly increased collateral requirements
- Executed a Credit Intermediary Agreement that significantly reduces collateral needs for the business
- Strategic options include restructuring, sale or wind down
- PES business focus will shift to energy services

***Reducing retail energy supply collateral requirements  
has improved liquidity and reduced the risk profile of PHI***

# ***PHI's Long-Term Strategic Objectives***

- Drive earnings growth
- Grow dividend in line with utility earnings growth
- Reduce overall business risk
- Strengthen investment grade ratings
- Invest in the core T&D business
- Implement Blueprint initiatives
- Achieve supportive regulatory outcomes
- Prudently manage complementary competitive energy businesses

***We are confident in our plan and are optimistic about longer term growth***

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# ***Today's Agenda***

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- ***Power Delivery*** – Dave Velazquez
- ***Power Delivery Regulatory Overview*** – Tony Kamerick
- ***Conectiv Energy*** – Gary Morsches
- ***Pepco Energy Services*** – John Huffman
- ***Financial Overview*** – Paul Barry
- ***Closing Remarks*** – Dennis Wraase and Joe Rigby



# Strategic Overview



Joe Rigby  
*President and Chief Executive Officer*

# Appendix

# Reconciliation of Earnings



## GAAP Earnings to Earnings excluding Special and Non-Operating items\*

	Twelve Months Ended December 31	
	2008	2007
	(Dollars in Millions)	
Reported (GAAP) Net Earnings	\$300	\$334
Special and Non-Operating Items:		
Adjustment to the equity value of cross-border energy leases	86	-
Interest accrued on the income tax obligations from the adjustment to the equity value of cross-border energy leases	7	-
Mirant bankruptcy damage claims settlement	-	(20)
Maryland income tax settlement	-	(18)
Income tax adjustments (primarily FIN 48 interest)	(25)	9
Net Earnings, excluding Special and Non-Operating Items	<u>\$368</u>	<u>\$305</u>

\* Management believes the Special and Non-Operating items are not representative of the Company's ongoing business operations.

# Power Delivery



Dave Velazquez  
*Executive Vice President, Power Delivery*

# Business Overview

## Power Delivery



**Electric**



**Electric**

**Gas**



**Electric**

<b>Customers</b>	▶ 767,000	▶ 498,000	▶ 122,000	▶ 547,000
<b>GWh</b>	▶ 26,863	▶ 13,015	▶ N/A	▶ 10,089
<b>Mcf (000's)</b>	▶ N/A	▶ N/A	▶ 20,300	▶ N/A
<b>Service Area</b> (square miles)	▶ 640	▶ 5,000	▶ 275	▶ 2,700
	▶ District of Columbia, major portions of Prince George's and Montgomery Counties	▶ Major portions of Delmarva Peninsula	▶ Northern Delaware	▶ Southern New Jersey
<b>Population</b>	▶ 2.1 million	▶ 1.3 million	▶ .5 million	▶ 1.1 million

Note: Based on 2008 annual data



## ***2008 – Strong Performance***

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- 12% growth in Power Delivery operating income (vs. 2007, excluding special item)
- Good operating cost management
- Improved customer satisfaction
- Approval of a direct current Bay crossing for MAPP
- Approval of the installation of advanced metering in Delaware

# ***Positioned for long-term growth...***

- Over \$5 billion in infrastructure investment planned
- Focusing on smart grid technology
- Alignment with federal / state economic stimulus plans
- Improving operating performance – customer satisfaction, reliability, cost

***...while managing through the economic downturn.***

***Note: See Safe Harbor statement at beginning of today's presentations.***

# ***Updated 2009-2013 Construction Plan***



- Delay of approximately \$400 million in capital spending in 2009 and 2010 from previous plan
- Maintains spending levels for system reliability projects and new/upgraded facilities to support load growth
- Reflects current Blueprint regulatory status
- Incorporates updated MAPP estimates
- Reduction in new service connections, meter installations and highway relocations

***Note: See Safe Harbor statement at beginning of today's presentations.***

# Construction Expenditures Comparison



<i>(Dollars in Millions)</i>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
March 2009	\$ 714	\$ 921	\$1,131	\$ 1,360	\$ 1,180
April 2008 *	<u>943</u>	<u>1,099</u>	<u>1,166</u>	<u>1,069</u>	N/A
Change	<u>(\$ 229)</u>	<u>(\$ 178)</u>	<u>(\$ 35)</u>	<u>\$ 291</u>	

**Total Decrease in Capital Expenditures 2009-2010: (\$ 407)**

***Key Drivers of Change:***

*Delay in MAPP Spending* (\$ 171)

*Delay in Blueprint Implementation* (\$ 148)

*Customer Driven* (\$ 66)

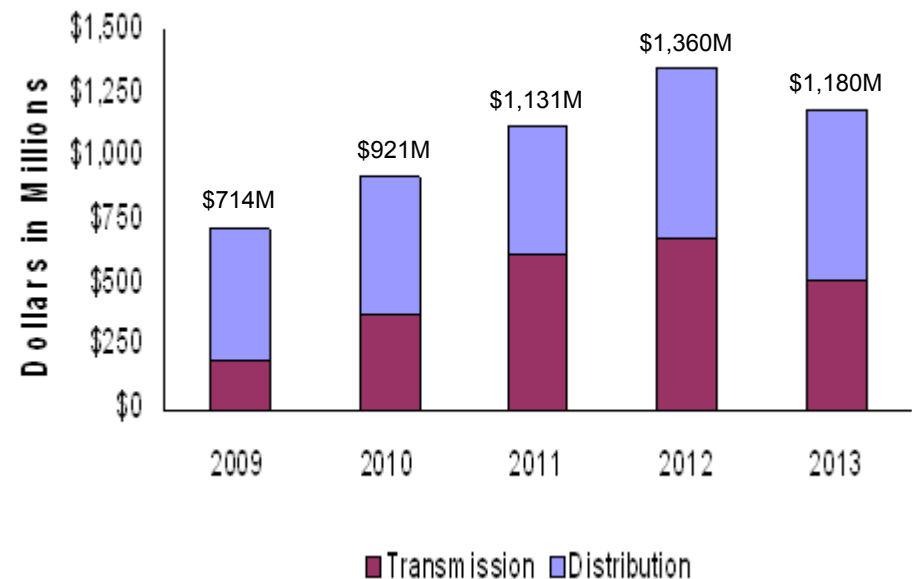
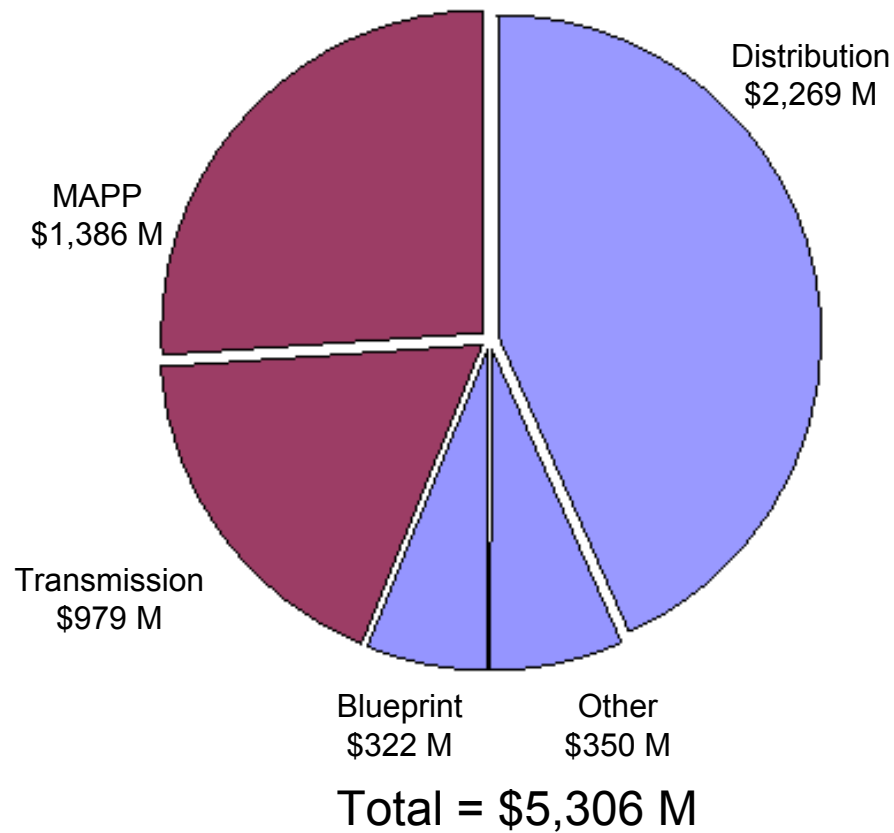
} (\$385)

\* Presentation given at April 2008 Analyst Conference

Note: See Safe Harbor Statement at the beginning of today's presentations.

# Construction Forecast 2009-2013

## Power Delivery

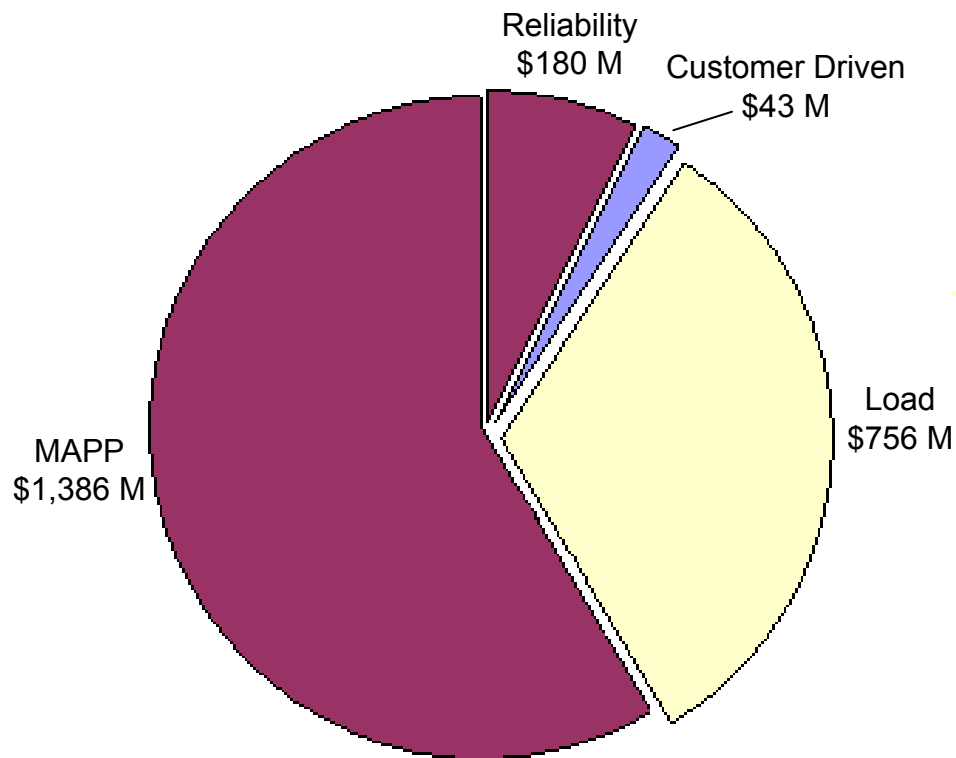


**Note: See Safe Harbor statement at the beginning of today's presentations.**



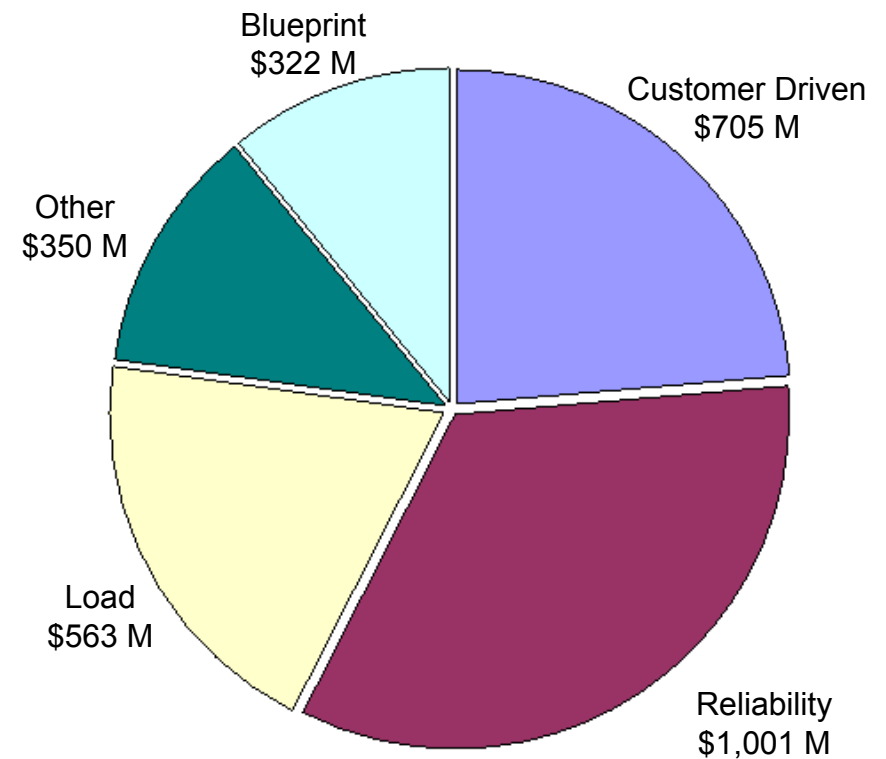
# Construction Forecast 2009-2013

## Transmission



**Total = \$2,365 M**

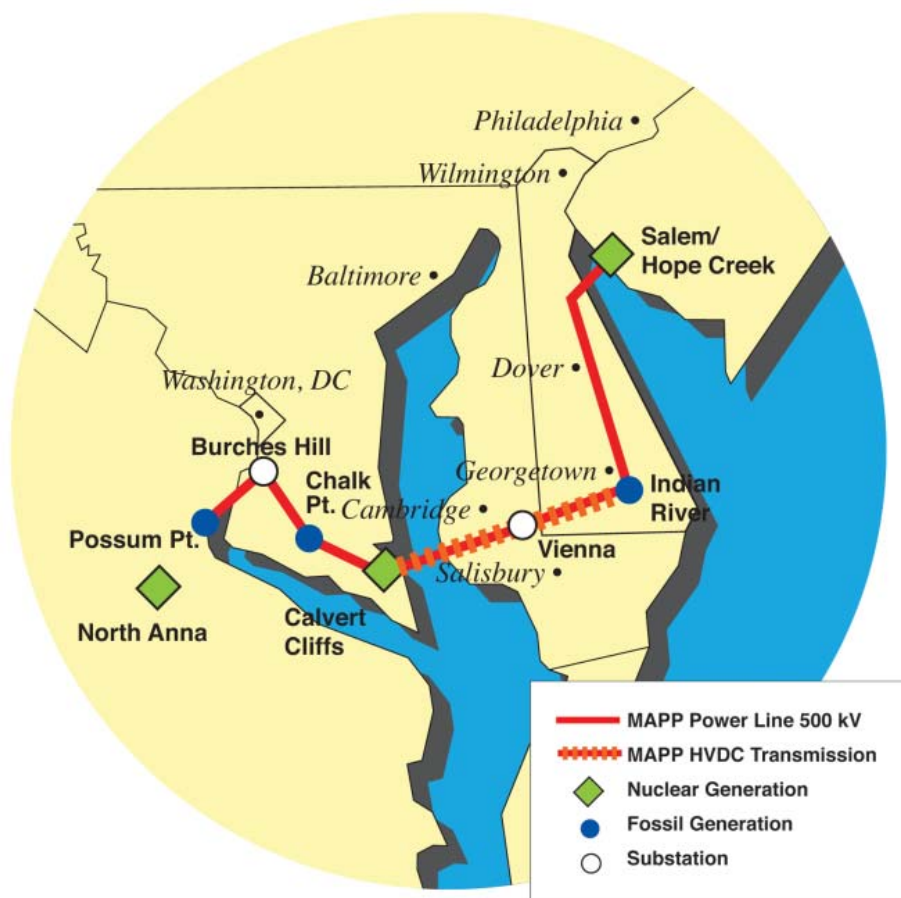
## Distribution



**Total = \$2,941 M**

*Note: See Safe Harbor statement at beginning of today's presentations.*

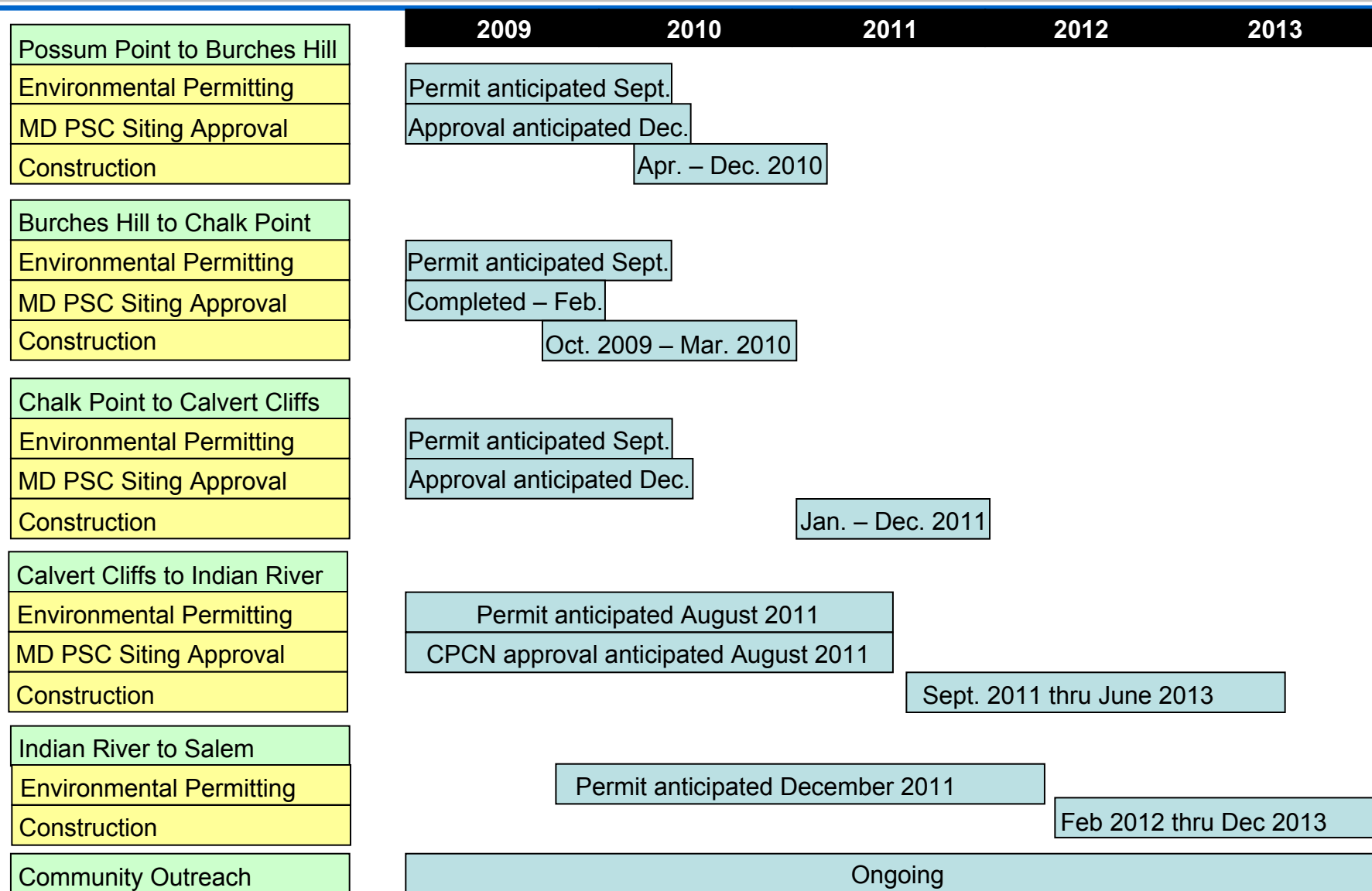
# Mid-Atlantic Power Pathway (MAPP)



Total length 230 miles. 80% of line will be on or along existing rights-of-way (ROW). 27 miles of new ROW required in Dorchester County, MD from the Bay exit point to Vienna Substation.

- December 2008 - PJM Board approved a High Voltage Direct Current system for the segment from Calvert Cliffs to Indian River.
- February 2009
  - MD PSC authorized Pepco to start construction on the Burches Hill to Chalk Point segment.
  - Pepco and Delmarva filed multiple applications seeking authority to construct certain segments in Southern MD.
  - Pepco filed a joint environmental permit application for the Southern MD segment.
- Planned In-Service Dates:
  - December 2011 - Possum Point to Calvert Cliffs (“Southern Maryland” Segment)
  - June 2013 - Calvert Cliffs to Indian River (“HVDC” Segment)
  - December 2013 - Indian River to Salem

# MAPP Project –Timeline



**Note: See Safe Harbor statement at beginning of today's presentations.**

# MAPP – Updated Construction Cost and Timing Estimates



(Dollars in Millions)

	<b>Pepco</b>	<b>Delmarva Power</b>	<b>Atlantic City Electric</b>	<b>500 kV Total</b>
<b>2009</b>	<b>\$ 46</b>	<b>\$ 10</b>	<b>\$ -</b>	<b>\$ 56</b>
<b>2010</b>	<b>99</b>	<b>94</b>	<b>-</b>	<b>193</b>
<b>2011</b>	<b>182</b>	<b>181</b>	<b>-</b>	<b>363</b>
<b>2012</b>	<b>128</b>	<b>345</b>	<b>1</b>	<b>474</b>
<b>2013</b>	<b>60</b>	<b>220</b>	<b>20</b>	<b>300</b>
<b>TOTAL</b>	<b>\$ 515</b>	<b>\$ 850</b>	<b>\$ 21</b>	<b>\$ 1,386</b>

- Current total estimated construction cost (2008-2014) is \$1.4 billion.
- MAPP construction cost estimate in April 2008 was \$1.05 billion.
- Current estimate includes cost of direct current line from Calvert Cliffs to Indian River, and escalation of material, contract labor and right of way costs.
- In-service dates currently under review by PJM which may affect timing of certain expenditures.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Blueprint for the Future – Overview

## Blueprint for the Future

### Customer Benefits

- Enables more responsive customer service
- Puts decision making in customers' hands
- Helps customers manage energy bills
- Reduces outage duration

### Environmental Benefits

- More efficient delivery of energy
- Enables renewable energy and distributed generation
- Promotes energy efficiency programs

### PHI Benefits

- Deeper value proposition with the customer
- Operate more efficiently
- Optimize design and operation of the system

### Advanced Metering Infrastructure (AMI)

### Communications Infrastructure

### Energy Efficiency Programs

### Demand Response Programs

**Transforming the customer experience and the way we do work.**



# ***Blueprint for the Future Progress to Date***

## **Vendor Selection**

- Comverge – selected vendor for Direct Load Control in Maryland
- Silver Spring Networks – selected vendor for AMI communication network
- IBM – system integrator for Delaware deployment to enable over the air meter read, outage detection, on demand meter reads and remote disconnect
- GE and Landis + Gyr – selected as meter manufacturers
- Meter Installation Contractor – expect to sign contract in April

## **Delaware Deployment**

- 3Q 2009 Complete field acceptance testing of the AMI equipment and systems
- 4Q 2009 Commence deployment of AMI equipment in Delaware

## **Smart Community Demonstration**

- 4Q 2009 deployment potentially begins for ACE and Pepco Maryland
  - Maryland - Bethesda (Montgomery County) and Fort Washington (Prince George's County)
  - New Jersey - Glassboro (Gloucester County) and Absecon (Atlantic County)



# Blueprint for the Future – Construction Cost and Timing Estimates\*



(Dollars in Millions)

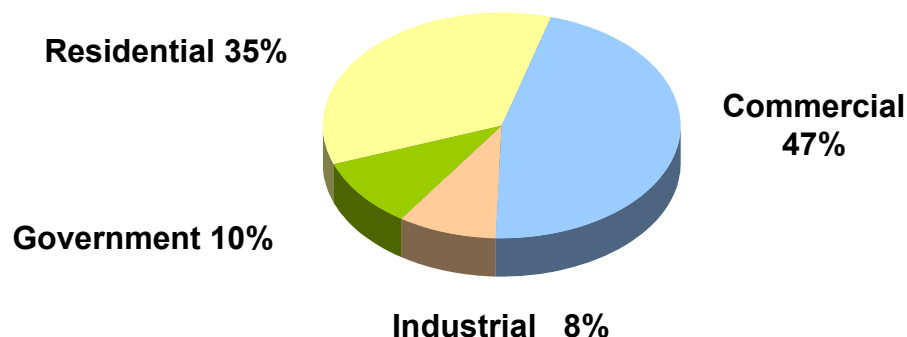
	2009	2010	2011	2012	2013	Total
<b>Advanced Metering Infrastructure</b>						
Atlantic City Electric	\$ 1	\$ -	\$ -	\$ -	\$ 8	\$ 9
Delmarva Power	29	39	-	40	-	108
Pepco	1	-	-	72	79	152
AMI System Improvements	14	29	5	-	-	48
 <b>Meter Data Management System</b>	 2	 3	 -	 -	 -	 5
 <b>Total</b>	 \$ 47	 \$ 71	 \$ 5	 \$ 112	 \$ 87	 \$ 322

\* Current total estimated cost of project (2008-2014) is \$422 million.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Sales and Customer Growth - Background

- PHI's service territory is less impacted by a recessionary environment due to its customer makeup



- Small industrial load (< 10%)
- Strong governmental presence (10%)

Based on 2008 MWh Sales

- Employment in PHI's service territory tends to remain more stable.

## Total Non-Agricultural Employment

	<u>2007</u>	<u>2008</u>	<u>2009E</u>
PHI	0.47%	-0.45%	-1.32%
National	0.84%	-2.17%	-2.80%

Source: US Bureau of Labor Statistics; 2009 based on Moody's Economy.com and internal estimates.

*Even so, 2009 sales are expected to be essentially flat to 2008 actual sales.*

# Sales and Customer Growth - Statistics



	2008 Sales <sup>(1)</sup> (GWh)	Forecasted Sales Growth <sup>(1)</sup>		Forecasted Customer Growth	
		2008-2009	2008-2013	2008-2009	2008-2013
Pepco	26,624	1.7%	1.3%	0.3%	0.6%
Delmarva Power <sup>(2)</sup>	13,041	-0.8%	1.1%	-0.6%	0.6%
Atlantic City Electric	10,040	0.5%	0.9%	0.4%	0.8%
Total Power Delivery	49,705	0.8%	1.1%	0.1%	0.7%

(1) Weather Normalized Sales

(2) Excludes Virginia

*While the economic downturn has slowed growth, we have confidence in the long-term growth prospects of our service territory.*

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

## ***Power Delivery – O&M Summary***

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- 2008 actual O&M 1.5% over 2008 projections (\$702 million vs. \$691 million).
- 2009 Power Delivery O&M estimated at \$757 million, which reflects higher pension (\$48 million) and bad debt (\$4 million) expenses.
- Actions taken to mitigate increases:
  - Freezing employee levels and eliminating management merit salary increases
  - Holding other expenses at growth of 2% or lower
  - Continued focus on productivity improvements
- Power Delivery O&M includes various items that are passed through or recoverable through rates that range between \$70-80 million per year.

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# ***2009 is all about Executing our Strategy***

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- Building infrastructure
- Gaining MD regulatory approvals for MAPP
- Deploying smart meters
- Improving customer satisfaction
- Driving operational excellence
- Managing through the economic downturn

# Power Delivery



Dave Velazquez  
*Executive Vice President, Power Delivery*



# ***Appendix***

# Operating Income Reconciliation

<i>(Dollars in Millions)</i>	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Change %</u>
Operating Income (GAAP)	\$ 556	\$ 531	\$ 25	5%
Less : Special Item - Settlement of Mirant Bankruptcy Claim	-	\$ 33	\$ (33)	
Operating Income (less Special Item)	<u>\$ 556</u>	<u>\$ 498</u>	<u>\$ 58</u>	12%

# Construction Forecast - 2009-2013



(Dollars in Millions)	2009	2010	2011	2012	2013	5 Year Totals
<b>Distribution:</b>						
Customer Driven (new service connections, meter installations, highway relocations)	\$ 123	\$ 138	\$ 141	\$ 148	\$ 155	\$ 705
Reliability (facility replacements/upgrades for system reliability)	197	190	208	201	205	1,001
Load (new/upgraded facilities to support load growth)	87	73	84	147	172	563
<b>Distribution - Blueprint:</b>						
Advanced Metering & Data Mgmt.	47	71	5	112	87	322
<b>Transmission:</b>						
Customer Driven	13	3	9	9	9	43
Reliability (facility replacements/upgrades for system reliability)	35	35	44	37	29	180
Load and Other	95	145	196	154	166	756
Mid Atlantic Power Pathway	56	193	363	474	300	1,386
<b>Gas Delivery</b>	20	21	20	21	19	101
<b>Information Technology</b>	17	17	27	29	23	113
<b>Corporate Support and Other</b>	24	35	34	28	15	136
<b>Total Power Delivery</b>	<b>\$714</b>	<b>\$921</b>	<b>\$1,131</b>	<b>\$1,360</b>	<b>\$1,180</b>	<b>\$ 5,306</b>

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Construction Forecast – 2009 - 2013



(Dollars in Millions)		2009	2010	2011	2012	2013
<b>Atlantic City Electric</b>						
	Distribution	\$97	\$96	\$104	\$109	\$111
	Transmission	26	25	32	34	33
	Other	11	14	18	17	12
	Blueprint	5	8	1	0	8
	MAPP	0	0	0	1	20
<b>Delmarva Power</b>						
	Distribution	104	98	108	120	119
	Transmission	65	46	60	72	122
	Other	18	23	18	14	11
	Gas Delivery	20	21	20	21	19
	Blueprint	31	47	1	40	0
	MAPP	10	94	181	345	220
<b>Pepco</b>						
	Distribution	206	207	221	267	302
	Transmission	52	112	157	94	49
	Other	12	15	25	26	15
	Blueprint	11	16	3	72	79
	MAPP	46	99	182	128	60
<b>Totals</b>						
	Distribution	407	401	433	496	532
	Transmission	143	183	249	200	204
	Other	41	52	61	57	38
	Gas Delivery		20	21	20	21
19	Blueprint	47	71	5	112	87
	MAPP	56	193	363	474	300
<b>Total Power Delivery</b>		<b>\$714</b>	<b>\$921</b>	<b>\$1131</b>	<b>\$1360</b>	<b>\$1180</b>

**Note: See Safe Harbor statement at beginning of today's presentations.**

# Sales and Customer Growth



	<b>2007 Sales (GWh) <sup>(1)</sup></b>	<b>2008 Sales (GWh) <sup>(1)</sup></b>	<b>2009 Sales (GWh) <sup>(1)</sup></b>	<b>Forecasted Sales Growth 2008 / 2009 <sup>(1)</sup></b>	<b>Forecasted Annual Average Sales Growth 2008 – 2013 <sup>(1)</sup></b>	<b>Forecasted Annual Average Customer Growth 2008 – 2013</b>
<b>Potomac Electric Power Company</b>	<b>26,786</b>	<b>26,624</b>	<b>27,077</b>	<b>1.7%</b>	<b>1.3%</b>	<b>0.6%</b>
<b>Delmarva Power &amp; Light Company <sup>(2)</sup></b>	<b>13,082</b>	<b>13,041</b>	<b>12,930</b>	<b>-0.08%</b>	<b>1.1%</b>	<b>0.6%</b>
<b>Atlantic City Electric Company</b>	<b>10,022</b>	<b>10,040</b>	<b>10,093</b>	<b>0.05%</b>	<b>0.9%</b>	<b>0.8%</b>
<b>Total Power Delivery</b>	<b>49,890</b>	<b>49,705</b>	<b>50,100</b>	<b>0.8%</b>	<b>1.1%</b>	<b>0.7%</b>

(1) Weather Normalized Sales

(2) Excludes Virginia

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# Sales and Customer Growth



## Sales and Customer Growth by Utility

	2007 Sales (GWh) <sup>(1)</sup>	2008 Sales (GWh) <sup>(1)</sup>	Forecasted Annual Average Sales Growth 2008 - 2013 <sup>(1)</sup>	Forecasted Annual Average Customer Growth 2008 - 2013
<b>Potomac Electric Power Company</b>				
Residential	7,699	7,598	1.6%	0.7%
Commercial	18,926	18,865	1.1%	0.2%
Industrial	-	-	0.0%	0.0%
Other	161	161	0.0%	-0.2%
Subtotal	26,786	26,624	1.3%	0.6%
<b>Delmarva Power &amp; Light Company <sup>(2)</sup></b>				
Residential	5,019	5,057	1.3%	0.6%
Commercial	5,236	5,282	1.4%	0.8%
Industrial	2,777	2,652	-0.1%	0.3%
Other	50	50	-0.6%	0.6%
Subtotal	13,082	13,041	1.1%	0.6%
<b>Atlantic City Electric Company</b>				
Residential	4,412	4,383	0.6%	0.9%
Commercial	4,412	4,478	1.2%	0.8%
Industrial	1,149	1,129	1.1%	0.1%
Other	49	50	0.2%	0.1%
Subtotal	10,022	10,040	0.9%	0.8%
<b>PHI Power Delivery</b>				
Residential	17,130	17,038	1.3%	0.7%
Commercial	28,574	28,625	1.2%	0.6%
Industrial	3,926	3,781	0.3%	0.1%
Other	260	261	-0.1%	0.3%
Total	49,890	49,705	1.1%	0.7%

(1) Weather Normalized Sales

(2) Excludes Virginia

**Note: See Safe Harbor statement at beginning of today's presentations.**

# Power Delivery Regulatory Overview



**Tony Kamerick**  
*Senior Vice President and Chief Regulatory Officer*



# ***Regulatory Highlights***

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- Achieved approval of FERC incentive rates for MAPP and other projects
- Implemented revenue decoupling in MD, gained approval in DE, gained approval in concept in DC, and pursuing in NJ
- Achieved approval of certain “Blueprint for the Future” programs; recovery mechanisms in place
  - Energy Efficiency and Demand Response programs approved in MD
  - AMI approved in DE
  - Energy Efficiency programs approved in DC
- Preparing to file four electric distribution base rate cases

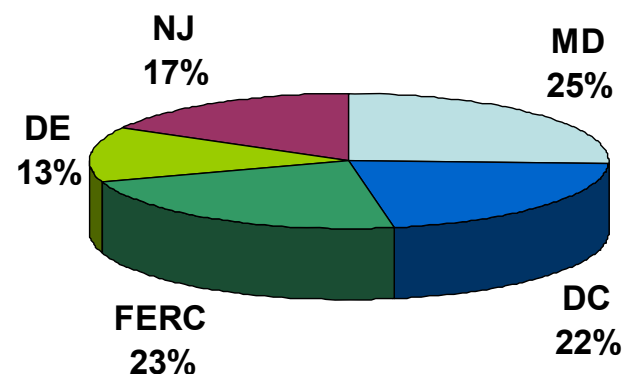
# Regulatory Environment

- Regulators substantially adhered to ratemaking precedents in distribution rate cases in 2007 and 2008
- Regulators have been supportive of energy efficiency and demand response initiatives
- Regulators have generally been supportive of decoupling efforts
- Formula rates in place at FERC
- PHI emphasizes to regulators that supportive regulation is crucial to credit quality

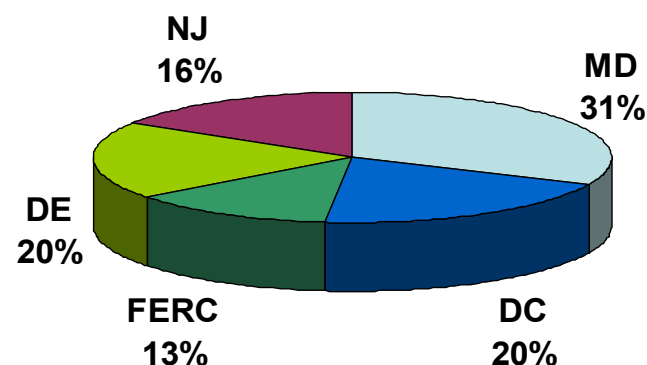
## Supportive Regulation

### Regulatory Diversity

2008 Rate Base (1)



2008 Revenues (2)



(1) Based on regulated electric transmission rate base estimated at 12/31/08 and regulated electric and gas distribution rate base at 9/30/08, adjusted to annualize rates and to conform results to regulatory precedents.

(2) Based on 2008 regulated transmission revenue, regulated distribution electric revenue (excluding revenue associated with the Panda PPA), and regulated gas revenue.

# Distribution Summary

(Dollars in Millions)

	Pepco		Delmarva Power			Atlantic City Electric
	MD <sup>(1)</sup>	DC <sup>(1)</sup>	DE <sup>(1)</sup>	MD <sup>(1)</sup>	DE Gas <sup>(1)</sup>	NJ <sup>(2)</sup>
Operating Income (Adjusted)	\$69	\$60	\$27	\$17	\$16	\$55
Rate Base (Adjusted)	\$910	\$1,018	\$388	\$278	\$228	\$788
Earned Return on Rate Base	7.55%	5.85%	6.83%	6.26%	7.03%	6.97%
Authorized Return on Rate Base	7.99%	7.96%	7.17%	7.68%	7.73%	8.14%
Most Recent Authorized Return on Equity	10.00%	10.00%	10.00%	10.00%	10.25%	9.75%
Most Recent Test Period	Sep-06	Sep-06	Mar-05	Sep-06	Mar-06	Dec-02
Next Anticipated Filing	Q1-10	Q2-09	Q3-09	Q2-09	Q2-10	Q3-09
Earned ROE	8.80%	5.40%	8.20%	6.60%	8.60%	6.70%
Revenue Requirement to Achieve Authorized ROE	\$9.7	\$40.4	\$5.8	\$7.9	\$3.1	\$18.7
- Total Residential Bill % Change	< 1%	3%	< 1%	1%	< 1%	1%
Revenue Requirement – Equating to 25 Basis Point Change in ROE	\$1.8	\$2.0	\$0.8	\$0.6	\$0.5	\$1.6

(1) As filed with Quarterly Earned Return Reports for the twelve months ended 9-30-08 (updated for estimated 2009 pension expense), which is developed in accordance with PSC instructions and, therefore, does not reflect all costs the companies believe are appropriate to include in their rate case filings.

(2) Estimate as of 9-30-08; does not reflect all costs the Company believes are appropriate to include in its rate case filing.

**Note: See Safe Harbor Statement at the beginning of today's presentations.**

# Transmission Summary

(Dollars in Millions)

	Pepco	Delmarva Power	Atlantic City Electric	Total
<b>Period End Rate Base <sup>(1)</sup></b>				
Base Amount - 11.3%	\$335	\$299	\$324	\$958
Incentive Amount 12.8%	42	5	57	104
<b>Total</b>	<b>\$377</b>	<b>\$304</b>	<b>\$381</b>	<b>\$1,062</b>
<b>Current Authorized Return on Equity <sup>(2)</sup></b>	11.3 - 12.8%	11.3 - 12.8%	11.3 - 12.8%	
<b>Estimated 2009/2010 Annual Income, after-tax</b>	<b>\$22</b>	<b>\$17</b>	<b>\$22</b>	<b>\$61</b>
<b>2008/2009 Annual Income, after-tax</b>	<b>\$19</b>	<b>\$17</b>	<b>\$17</b>	<b>\$53</b>

(1) Estimated rate base at 12/31/08 based on FERC-approved Formula. Rates become effective on June 1, 2009.

(2) Projects with a FERC-approved incentive ROE adder earn 12.8%. Authorized return on equity is 11.3% for all other transmission.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Transmission Formula Rate Process

## Formula Rate Components

### Return on Rate Base

Debt % in Capital Structure x Debt Rate x Total Rate Base →  
 Equity % in Capital Structure x 11.3% ROE x Base Rate Base →  
 Equity % in Capital Structure x 12.8% ROE x Incentive Rate Base →

### Cost Recovery

Operation and Maintenance  
 Depreciation and Amortization  
 Other Taxes  
 Income Tax at statutory rate  
 Total Costs →

### True-up

True-up From Prior Year →

## Revenue Component

Cost of Debt  
 Equity Return - Base  
 Equity Return - Incentive

Recovery of Operating Costs

True-up

Sum of Above Equals  
 Total Transmission  
 Revenue Requirement

Rates effective June 1<sup>st</sup>

### Minimizes Regulatory Lag

- Rates updated annually
- Better match between rates and costs
- Current year recovery of projected capital additions

# ***Transmission Incentives***

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- Mid-Atlantic Power Pathway (MAPP) incentive filing approved
  - FERC issued unanimous order on October 31, 2008
  - Full forward year CWIP in rate base
  - 150 basis point ROE adder; project will earn 12.8% ROE
  - 100% recovery of prudently incurred costs in case of project cancellation for reasons beyond PHI's control
  - Construction cost of \$1.4 billion
- RTEP regional-benefit upgrades incentive filing approved
  - FERC issued order on August 22, 2008
  - 150 basis point ROE adder; projects will earn 12.8% ROE
  - Eight projects with an aggregate construction cost of \$290 million\*

\* See appendix for details.

# ***Department of Energy Filing - MAPP***

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- Title XVII of the Energy Policy Act of 2005 provided for \$30 billion in loan guarantees
- In the summer of 2008, DOE issued a \$10 billion solicitation for loan guarantees related to advanced renewables, transmission and other capital-intensive projects
- PHI's application seeks \$684 million in the form of a direct loan, or a loan guarantee
- Final loan terms are subject to negotiation upon acceptance of the application
- A final decision is expected in the third quarter of 2009



# ***Blueprint Initiatives***

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- Maryland (Pepco and Delmarva Power)
  - Decoupling implemented in 2007, works effectively
  - Surcharges approved for energy efficiency and demand response programs
  - Smart Community demonstration is under consideration
- Delaware
  - Decoupling approved; to be implemented in next rate case
  - Energy efficiency/conservation to be performed by 3<sup>rd</sup> parties; demand response programs under study
  - AMI approved; cost recovery mechanism established; installations begin in 2009
- District of Columbia
  - Decoupling approved in concept; hearings scheduled
  - Energy efficiency/conservation/demand response to be performed by 3<sup>rd</sup> parties
  - AMI pilot underway, live billing began in July 2008
- New Jersey
  - Decoupling is under consideration
  - Energy efficiency/conservation/demand response being performed by 3<sup>rd</sup> parties now, but will transfer to ACE in 2010 after adequate cost recovery is agreed upon
  - Smart Community demonstration is under consideration

# ***NJ Filing – Infrastructure Investment***



- Proposal to accelerate previously identified infrastructure investments in response to New Jersey's Economic Assistance and Recovery Plan
- Projects include energy efficiency, distribution automation, reliability, environmental
  - If approved, incremental spending of \$15 million in 2009 and \$18 million in 2010 above current construction budget
- Surcharge requested
- Decision expected April 2009

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# ***Regulatory Summary***

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- **Demonstrated regulatory effectiveness**

- Recent rate case outcomes substantially reflected commission precedent
- Blueprint related filings progressing in all jurisdictions
- Decoupling implemented in MD, approved in DE, approved in concept in DC

- **Focused on timely recovery**

- Transmission formula rate process in place at FERC
- Distribution rate case activity expected to continue
- Several surcharges and adjustment mechanisms in place\*
- Identify and seek available federal funding for projects

\* See appendix for details.

# Power Delivery Regulatory Overview



**Tony Kamerick**  
*Senior Vice President and Chief Regulatory Officer*

# APPENDIX

# ***RTEP\* Projects Granted 150 Basis Point ROE Adder***



(Dollars in Millions)	Project	Estimated Cost	In-Service Years
<b>Pepco</b>			
	Dickerson-Station H	\$23	2009, 2012
	Burches Hill	\$81	2011, 2012
	Brighton	\$53	2009, 2012
<b>Delmarva Power</b>			
	Red Lion	\$20	2009
	Cool Spring	\$13	2010
	Oak Hall	\$8	2009
	Indian River	\$23	2010, 2011
<b>Atlantic City Electric</b>			
	Orchard & Mickleton	<u>\$69</u>	2008, 2009
<b>Total</b>		<b>\$290</b>	

**The annual revenue requirement increase as a result of the 150 basis point ROE adder varies by year due to multiple in-service dates, and is approximately \$3 million in total for the projects in each initial year.**

- \* The PJM Regional Transmission Expansion Plan is a grid-wide plan based on a foundation of bulk power system reliability to ensure a stable and economic regional market. The Plan is updated annually and approved by the independent PJM Board.

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# Default Service Procurement

	Load for Bid	
	2010/11	2011/12
<b>Pepco - District of Columbia <sup>(1)</sup></b>	<b>37.2%</b>	<b>37.2%</b>
<b>Pepco - Maryland <sup>(1) (2)</sup></b>	<b>50.0%</b>	<b>50.0%</b>
<b>Delmarva Power - Maryland <sup>(1) (2)</sup></b>	<b>50.0%</b>	<b>50.0%</b>
<b>Delmarva Power - Delaware <sup>(1)</sup></b>	<b>33.3%</b>	<b>33.3%</b>
<b>Atlantic City Electric - New Jersey <sup>(3)</sup></b>	<b>33.3%</b>	<b>33.3%</b>

(1) Includes Residential & Small Commercial

(2) Two year contracts bid twice a year; contracts start June and October

(3) Includes all fixed price load



# Default Service Auction/Bidding Process

	MARYLAND (Pepco/Delmarva Power)	DISTRICT OF COLUMBIA (Pepco)	DELAWARE (Delmarva Power)	NEW JERSEY (Atlantic City Electric)
Transition to Competitive Market	July 2004	February 2005	May 2006	August 2003
Procurement	<p>Public Service Commission approves and monitors competitive SOS bid process</p> <p>Power acquired in multiple tranches each bid year to limit market timing risk</p>	<p>Public Service Commission approves and monitors competitive SOS bid process</p> <p>Power acquired in multiple tranches each bid year to limit market timing risk</p>	<p>Public Service Commission approves and monitors competitive SOS auction process</p> <p>Power acquired in multiple tranches each auction year to limit market timing risk</p>	<p>Board of Public Utilities approves and conducts state wide BGS auction process</p> <p>Power acquired in state-wide auction</p>
Pricing	<p>Residential and small commercial customers have rolling 2-year contracts; 25% bid out two times per year</p> <p>Medium commercial customers bid quarterly; large commercial customers receive hourly prices</p>	<p>Residential and small commercial have rolling 3-year contracts bid out annually</p> <p>Large commercial customers have rolling 2-year contracts bid out annually</p>	<p>Residential and small commercial have rolling 3-year contracts auctioned annually</p> <p>Large commercial customers (transmission level) receive hourly prices; all others have 1-year contracts</p>	<p>Power acquired in rolling 3-year contracts with 1/3 acquired each year</p> <p>Large commercial customers over 1000kW on hourly prices</p>
Switching Restrictions	None	None on residential customers; commercial customers returning to fixed priced SOS must stay for 12 months	None	None

## ***Timely Cost Recovery - Recovery Mechanisms MD (Pepco and Delmarva Power)***



- **Procurement Cost Adjustment (PCA)**
  - Reconciles purchased power and retail transmission costs
- **Decoupling Mechanism**
  - Decouples sales and revenue
- **Demand Side Management Surcharge (DSM)**
  - Recovers program expenses over five years and demand response equipment costs over 15 years
- **Gross Receipts Tax, Delivery Tax, Montgomery County Fuel and Energy, and Environmental Surcharges**
  - Recovers State and local taxes

## ***Timely Cost Recovery - Recovery Mechanisms District of Columbia***

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- **Procurement Cost Adjustment (PCA)**
  - Reconciles purchased power and retail transmission costs
- **Decoupling Mechanism**
  - Decouples sales and revenue
  - Currently under consideration with hearings scheduled for May 12 & 13
- **Sustainable Energy Trust Fund Surcharge**
  - Recovers program expenditures
- **Delivery Tax Surcharge, Public Space Occupancy Surcharge, and Energy Assistance Trust Fund Surcharge**
  - Recovers State and local taxes

# ***Timely Cost Recovery - Recovery Mechanisms Delaware***

## **Electric**

- Procurement Cost Adjustment (PCA)
  - Reconciles purchased power costs
- Annual Transmission Update
  - Provides mechanism for retail rate to reflect FERC-approved formula rate
- Reasonable Allowance for Retail Margin (RARM)
  - Reconciles SOS administrative costs
- Decoupling Mechanism
  - Decouples sales and revenue
  - To be implemented upon completion of the next base rate case

## **Gas**

- Gas Cost Rate (GCR)
  - Reconciles purchased gas costs
- Environmental Surcharge Rider
  - Recovers costs associated with manufactured gas plant site clean up
- Decoupling Mechanism
  - Decouples sales and revenue
  - To be implemented upon completion of the next base rate case

# ***Timely Cost Recovery - Recovery Mechanisms New Jersey***



## **Existing**

- Basic Generation Service Reconciliation Charge (BGS RC)
  - Reconciles purchased power costs
- Non-Utility Generation (NUG) Charge (NGC)
  - Provides full and timely recovery of BPU-approved NUG contract costs
- Societal Benefits Charge (SBC)
  - Provides full and timely recovery of all bad debt expense
  - Provides full and timely recovery of BPU-approved programs for clean energy, Lifeline, Universal Service
- Annual Transmission Update
  - Provides mechanism for retail rate to reflect FERC-approved formula rate

## **Proposed**

- Infrastructure Investment Surcharge (IIS)
  - Provides recovery of revenue requirements for approved distribution investment prior to base rate case filing
  - Utility filings made in January 2009; BPU decision expected April 2009
- Regional Greenhouse Gas Initiative (RGGI) Recovery Charge
  - Provides for recovery of costs for Energy Efficiency, Demand Response and Solar Energy Initiatives
  - Energy Efficiency filing made February 2009; May 1, 2009 effective date requested

***15-Minute Break***

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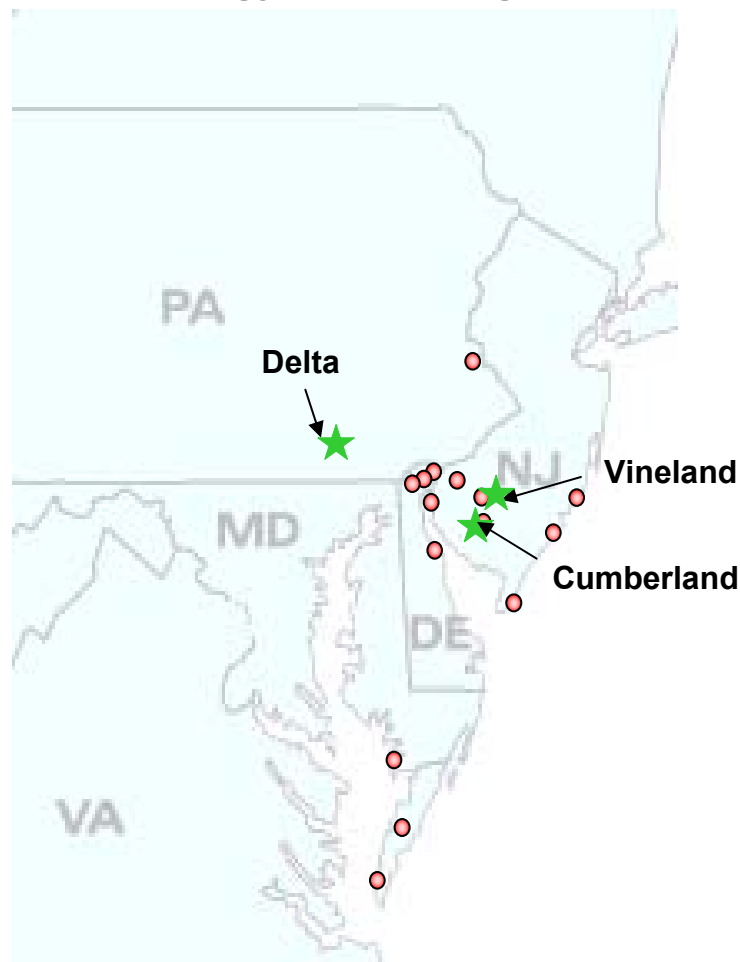
# Conectiv Energy Overview



**Gary Morsches**  
*President and Chief Executive Officer*

# An Eastern PJM, mid-merit focused generator

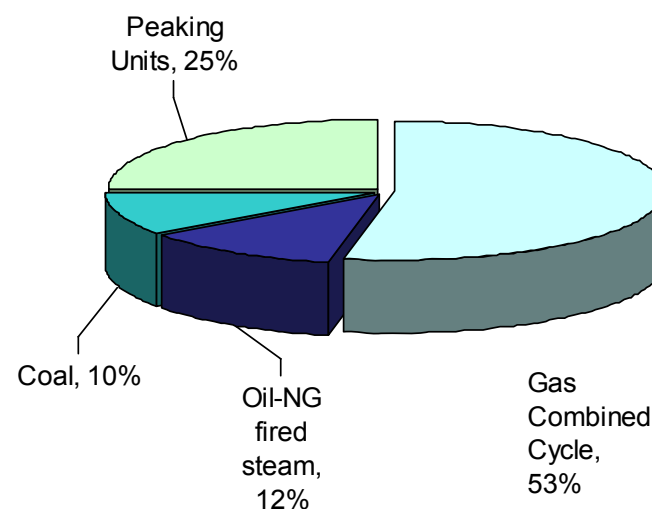
## Conectiv Energy Generating Facilities



● Existing sites

★ Construction projects (649 MW)

## 2008 Capacity (4,283 MW) (Owned and contracted)



Note: Excludes units under development

## Financials (as of 12/31/08)

Property, Plant & Equipment	\$1,225 M
Construction Work in Process	\$ 249 M
2008 Earnings	\$ 122 M



## ***Leveraging strong market position***

---

### **Well-positioned to weather the current economic downturn**

- Predictable gross margins
- Outstanding execution – strong 2008 results
- Disciplined hedging and value creation techniques
- Provides sufficient internally-generated cash to fund construction program through 2011 and then significant free cash flow thereafter

### **Ample opportunities for future growth**

- Construction programs on time and on budget
  - New capacity – Delta (2011), Cumberland (2009), Vineland (2009/10)
  - On target to meet emission reduction requirements for the fleet
- Expected future growth in PJM market
- Capitalize on additional renewable/climate legislation
- Inventory of sites for future development

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# ***Well-positioned to weather the current economic downturn***



*A New Generation of Energy*

## **Predictable Gross Margins**

- ~70% of expected 2009 gross margin is hedged
- Capacity prices locked in through May 2012
- Four consecutive years of achieving gross margin within forecasted ranges

## **Continued Outstanding Execution**

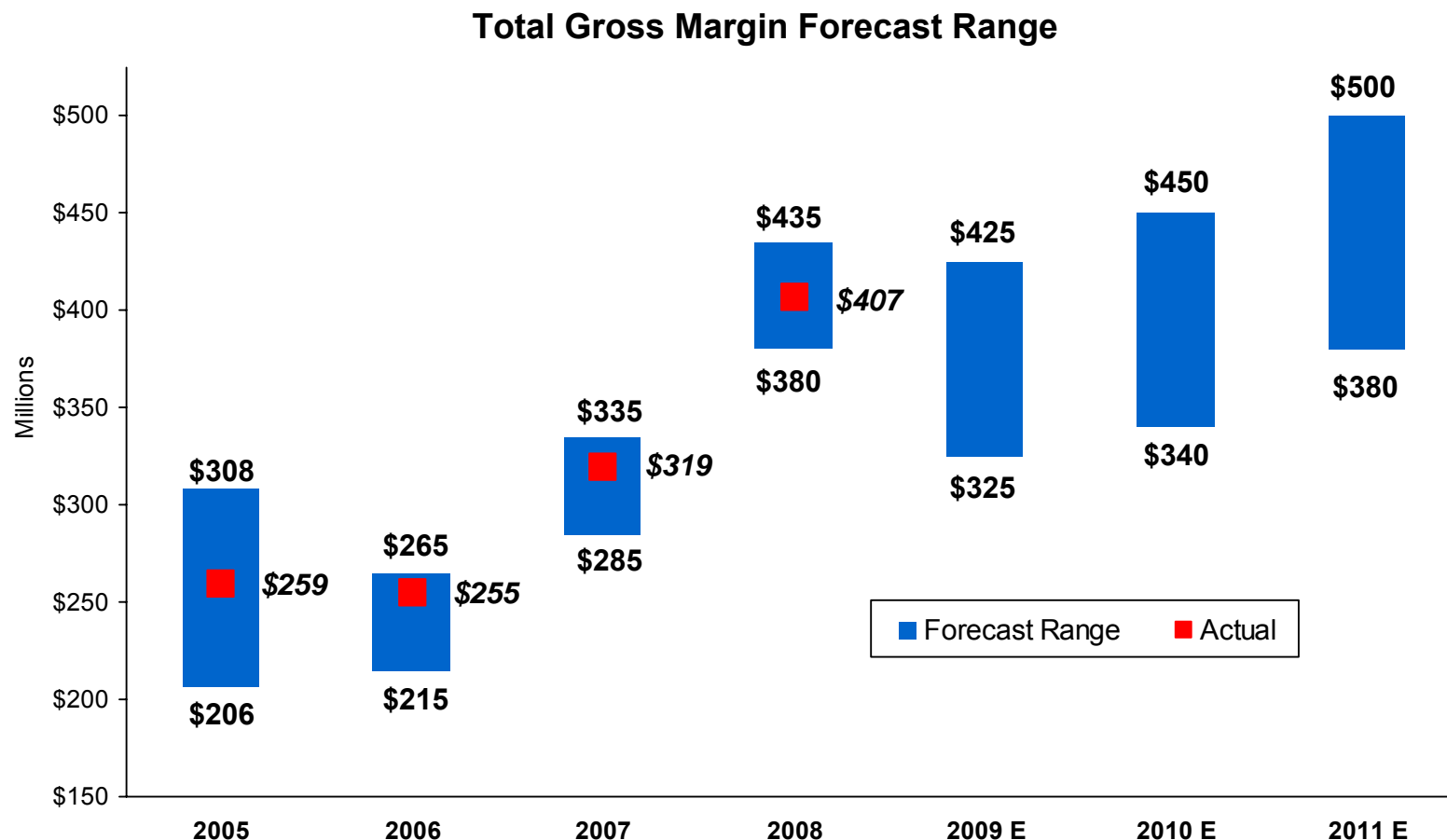
- Unit performance achieved 97% on-dispatch in 2008
- Leveraged unit flexibility and fuel switching
- Meeting fleet environmental requirements

## **Strong Market Position**

- Sustainable competitive advantage in PJM
  - Unique plant operating characteristics
  - Favorable plant locations
  - Dual fuel capability at all combined cycle plants
  - Intimate knowledge of the PJM market, rules, and customers

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

## CE historically delivers within forecasted range



**Note: See Safe Harbor Statement at the beginning of today's presentations.**

# ***Continue to actively hedge to manage risks and provide margin certainty***



*A New Generation of Energy*

**PJM capacity auctions allow for hedging that has resulted in strong revenue capture**

Capacity Hedges			
2009	2010	2011	2012*
100%	100%	100%	42%

\* 100% hedged through May 2012. Balance of 2012 will be hedged in 2012/13 auction scheduled for 5/15/09.

**Continue to manage commodity risk within defined targets**

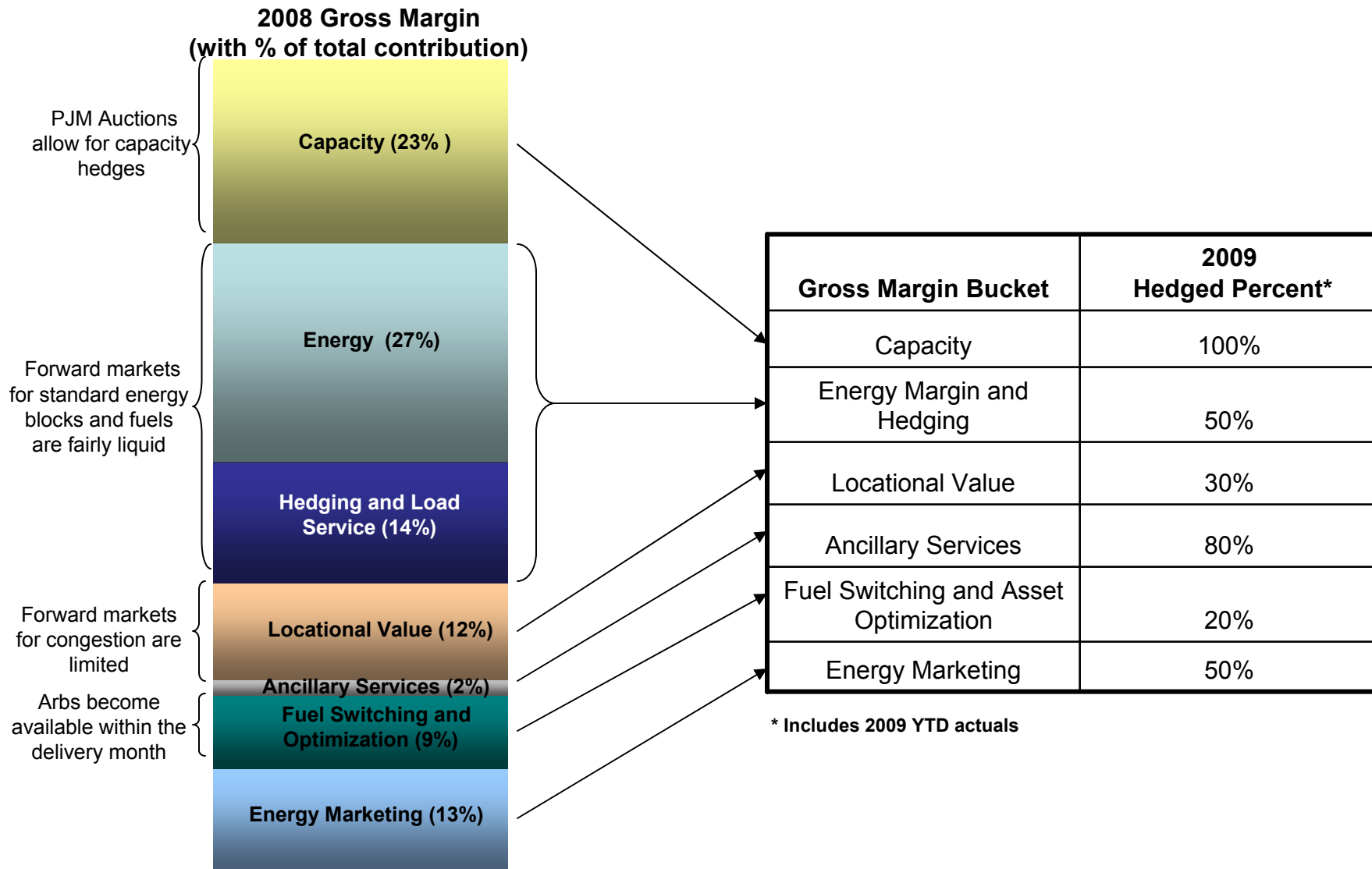
ATC Power Hedges* (MWh)		
Hedge Period	Target	12/31/08
Months 1-12	50-100%	81%
Months 13-24	25-75%	75%
Months 25-36	0-50%	39%

\* Around The Clock power

***Commodity price, locational basis and capacity are hedged when liquidity and price levels allow for reasonable value capture***

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# Mid-merit / peaking generation portfolio is actively managed to contain risk and optimize value



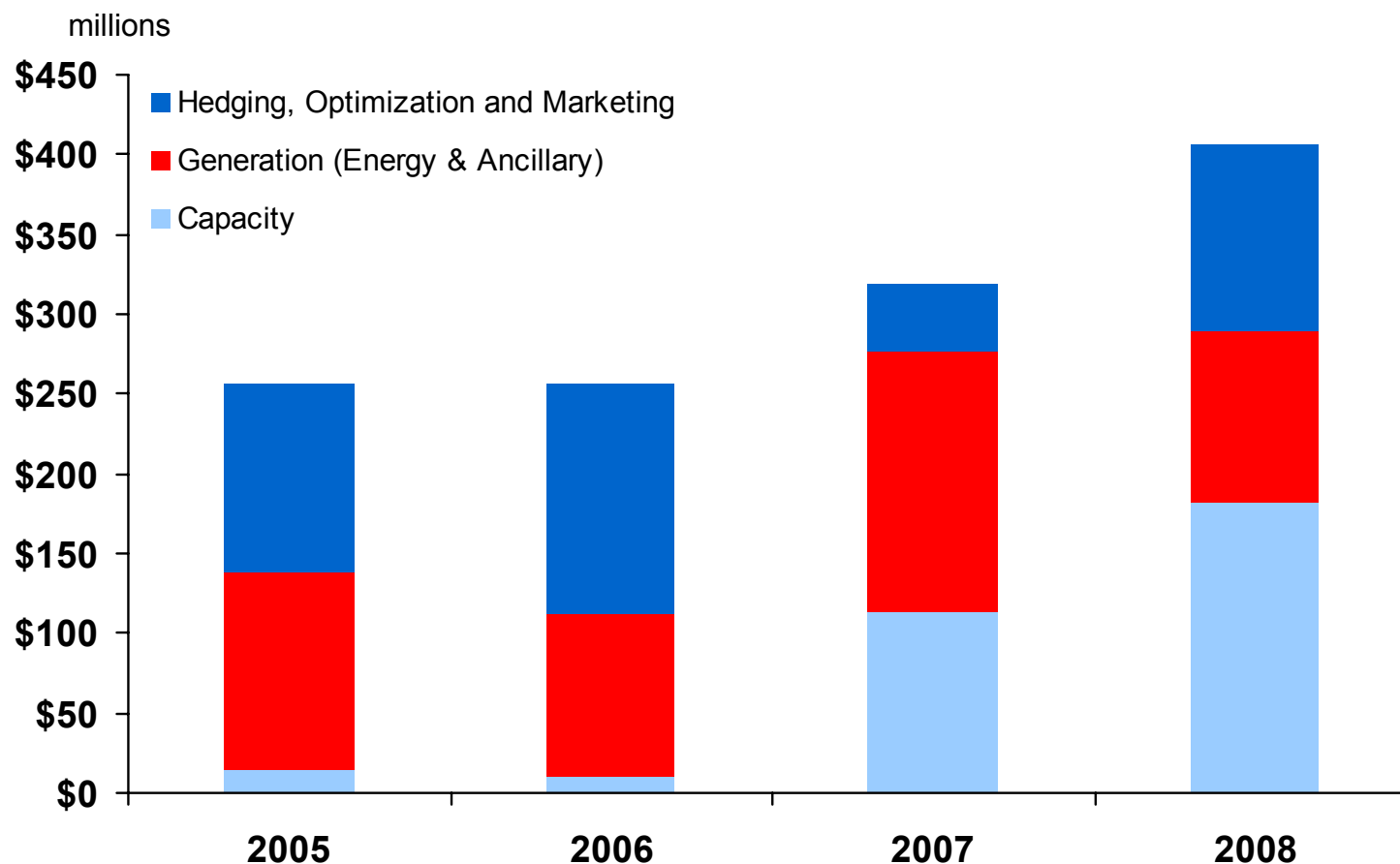
**Note: See Safe Harbor Statement at the beginning of today's presentations.**

# ***Hedging, optimization and marketing activities contribute significant value***

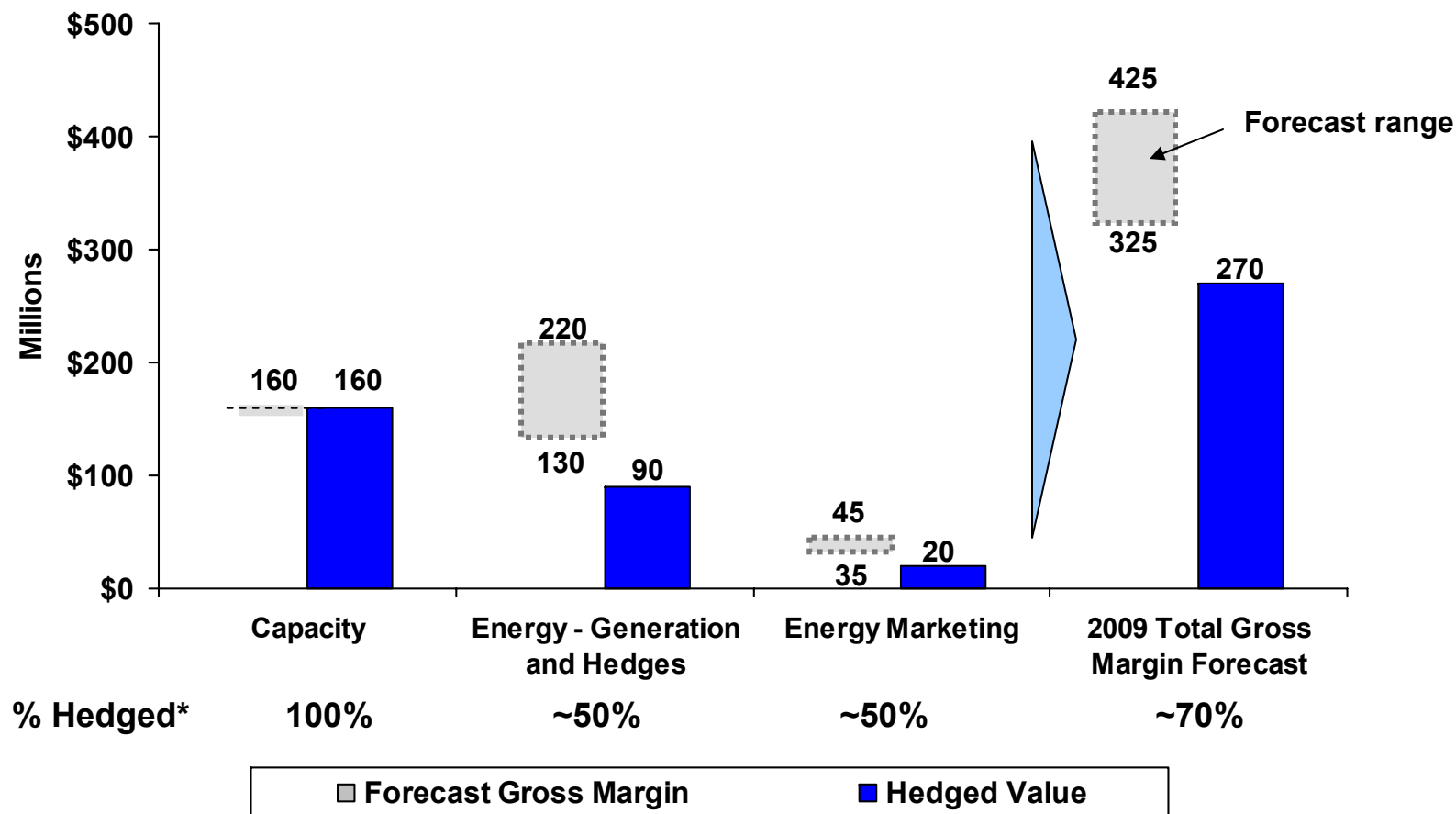


*A New Generation of Energy*

## **CE Gross Margins**



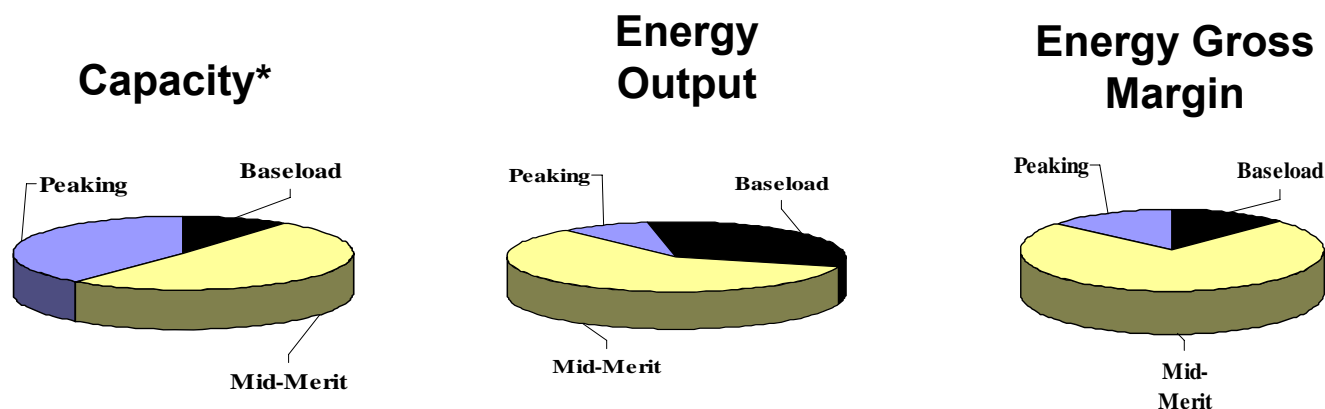
## 70% of 2009 forecasted gross margin is already hedged



\* % Hedged = Hedged value/ Midpoint of forecast range

**Note: See Safe Harbor Statement at the beginning of today's presentations.**

# Volumetric hedge percentage is not equivalent to expected Gross Margin percentage



Base load	10%	30%	10%
Mid-Merit	50%	60%	75%
Peaking	40%	10%	15%

2009 volumetric percent hedged as of 12/31/2008 ~ 81%

2009 energy Gross Margin effectively hedged ~ 50%

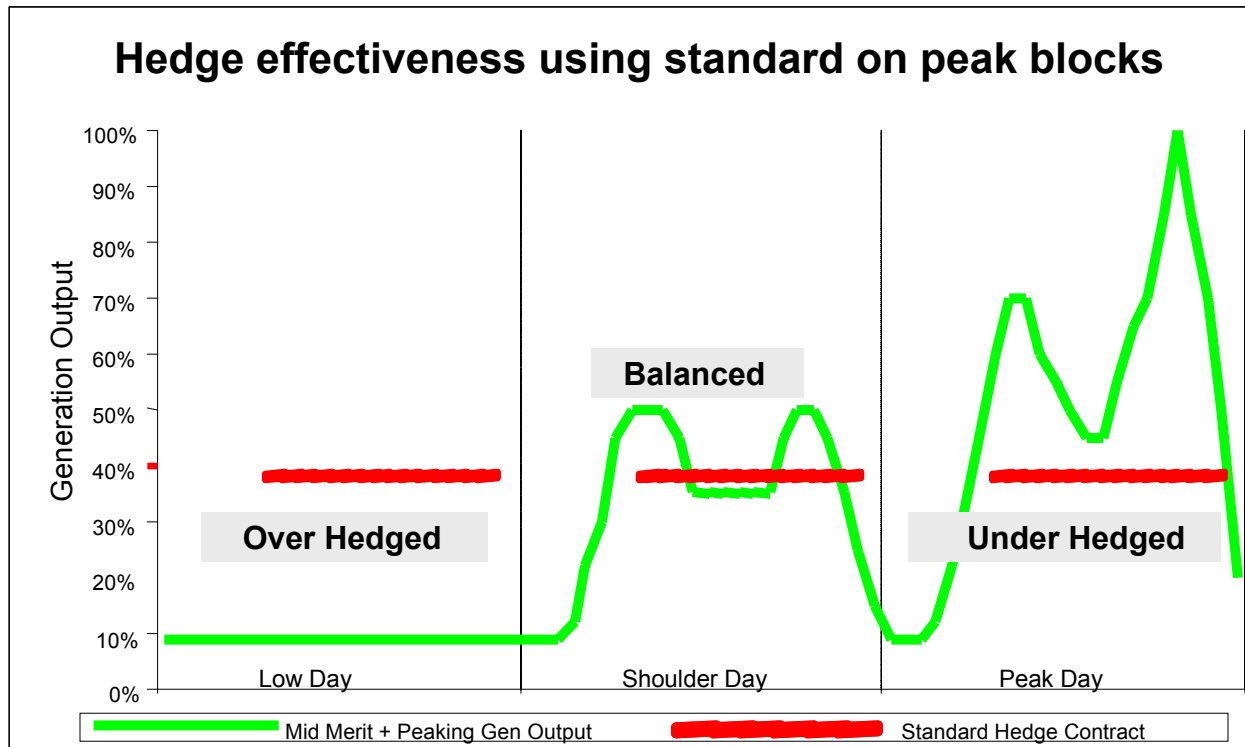
***Although mid-merit units represent 50% of fleet capacity, they produce about 60% of the energy output and contribute 75% of the gross margin***

\* Represents equivalent 2008 capacity including tolled units

**Note: See Safe Harbor Statement at the beginning of today's presentations.**



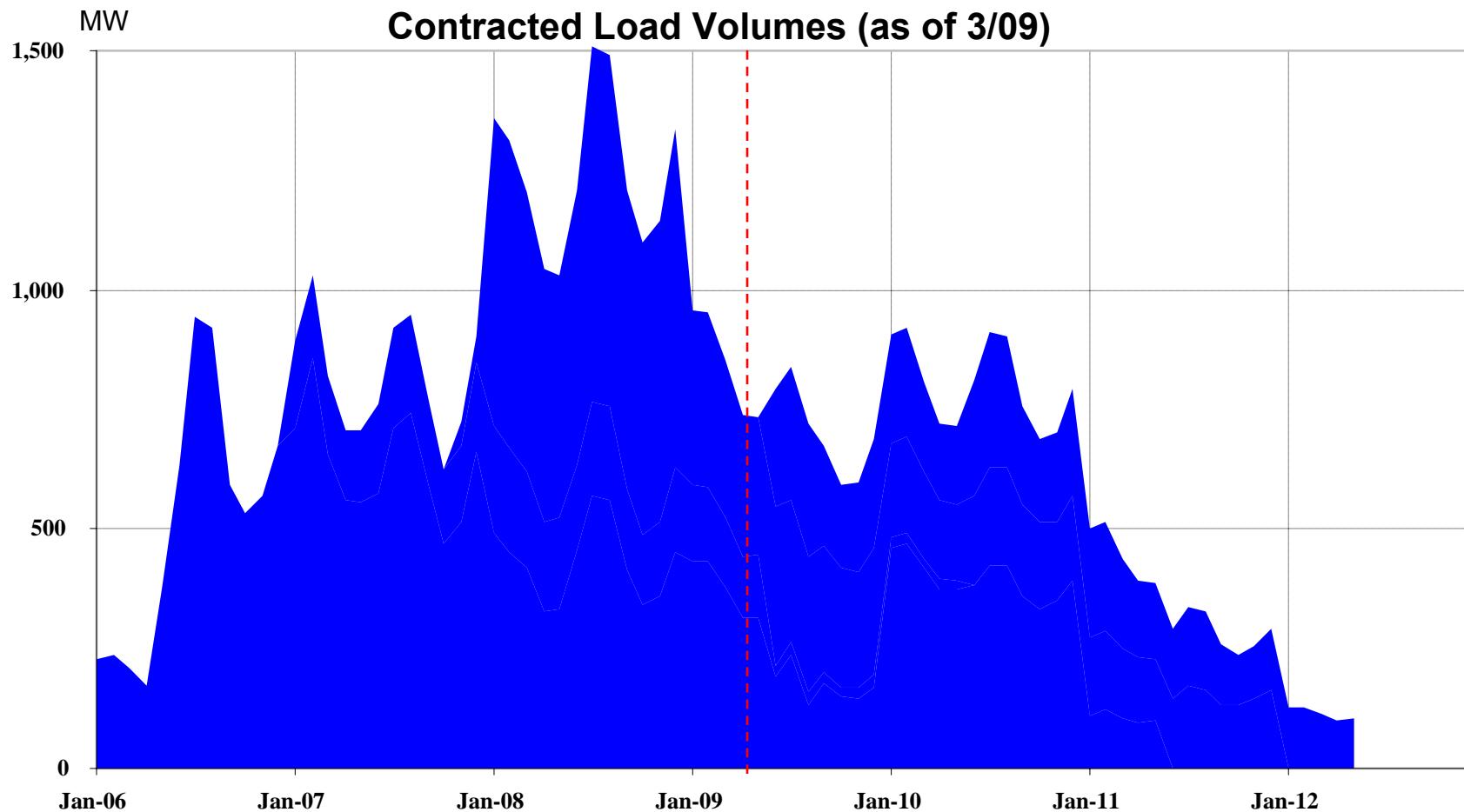
# Difficult to capture mid-merit fleet value with standard forward products



**Standard 16-hour block On-Peak electricity contracts (5x16) essentially represent baseload prices and do not match the hourly nature of mid-merit and peaking plant output**

**A significant amount of the energy generation margin is obtained during the high priced hours that occur when demand is high or when demand exceeds scheduled supply**

# ***Active participation in Utility Load Auctions allows for value capture and generation portfolio hedging***



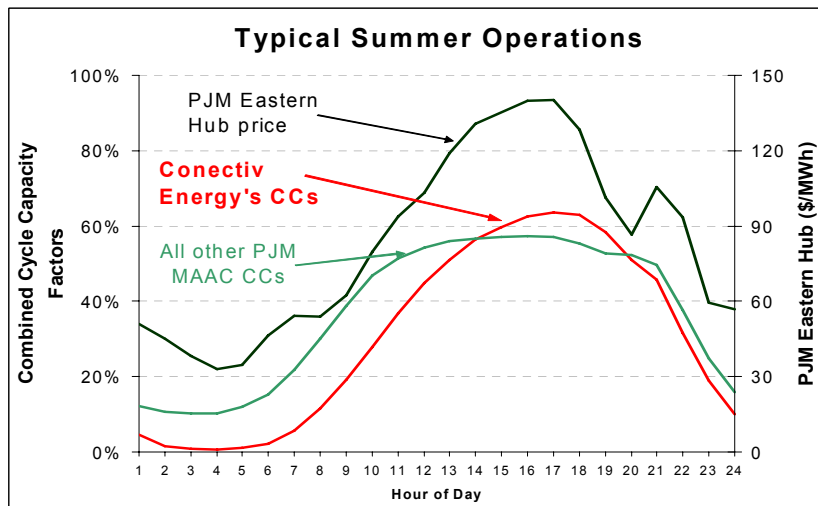
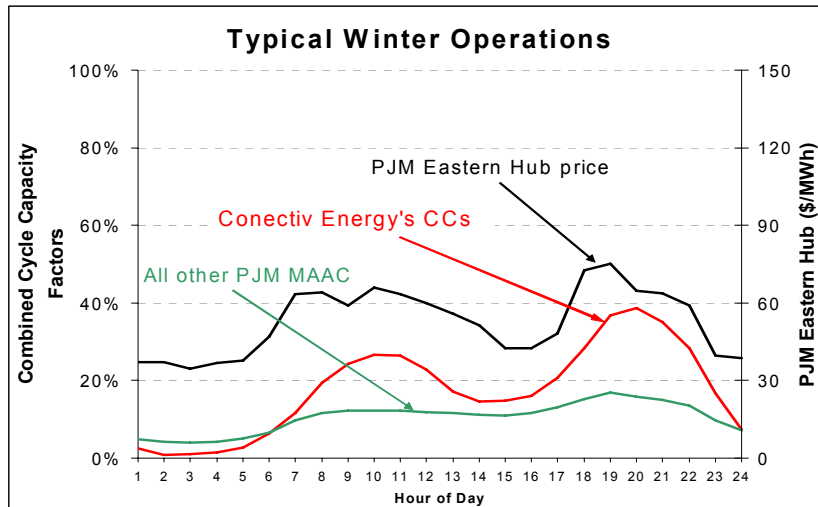
***Will continue to participate in future Utility Load Auctions***

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# Significant value creation from CE CCGT design that allows for more responsiveness to power prices

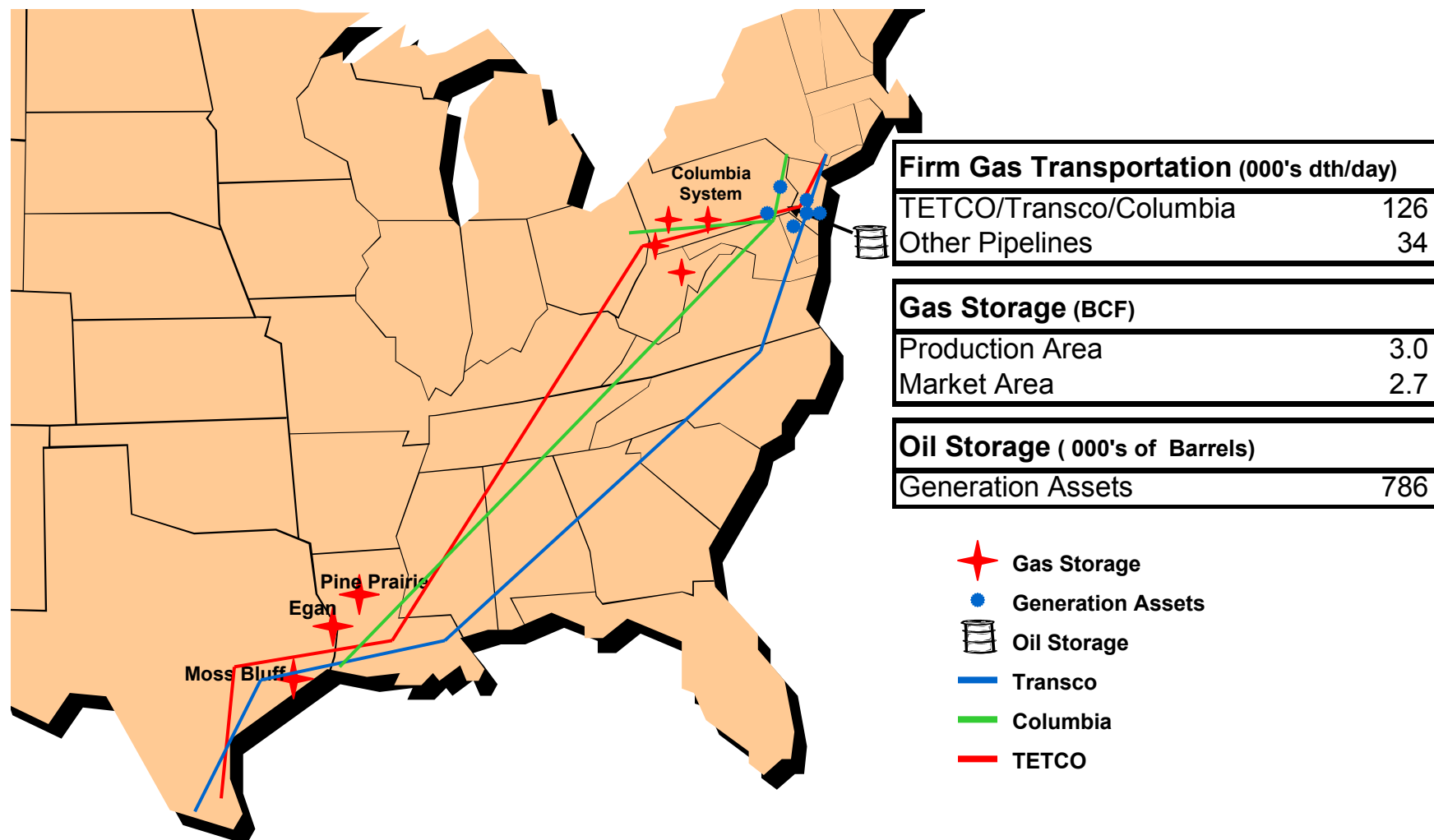


A New Generation of Energy

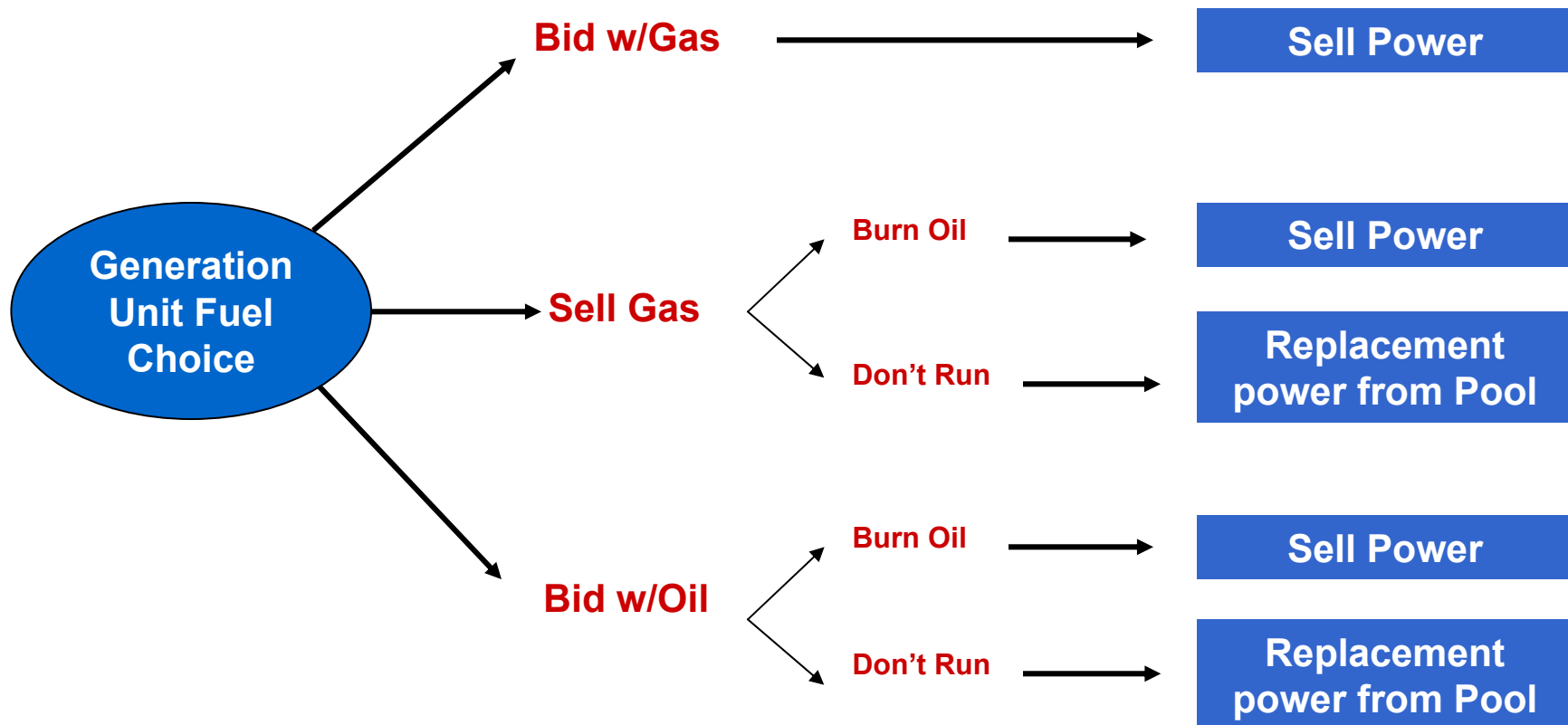


Combined Cycle Design	Conectiv Energy	Typical
Time for CT's to Reach Full Load	20 Minutes	2 Hours
Ability to Run only CT's	Yes	No
Minimum Run Time (hours)	4	8-16
Allowable Starts per Day	2	1
Multi-fuel Capability	Yes	No
Pipeline Access	2 or 3	1

# Significant value creation by optimizing portfolio of multiple fuel sources

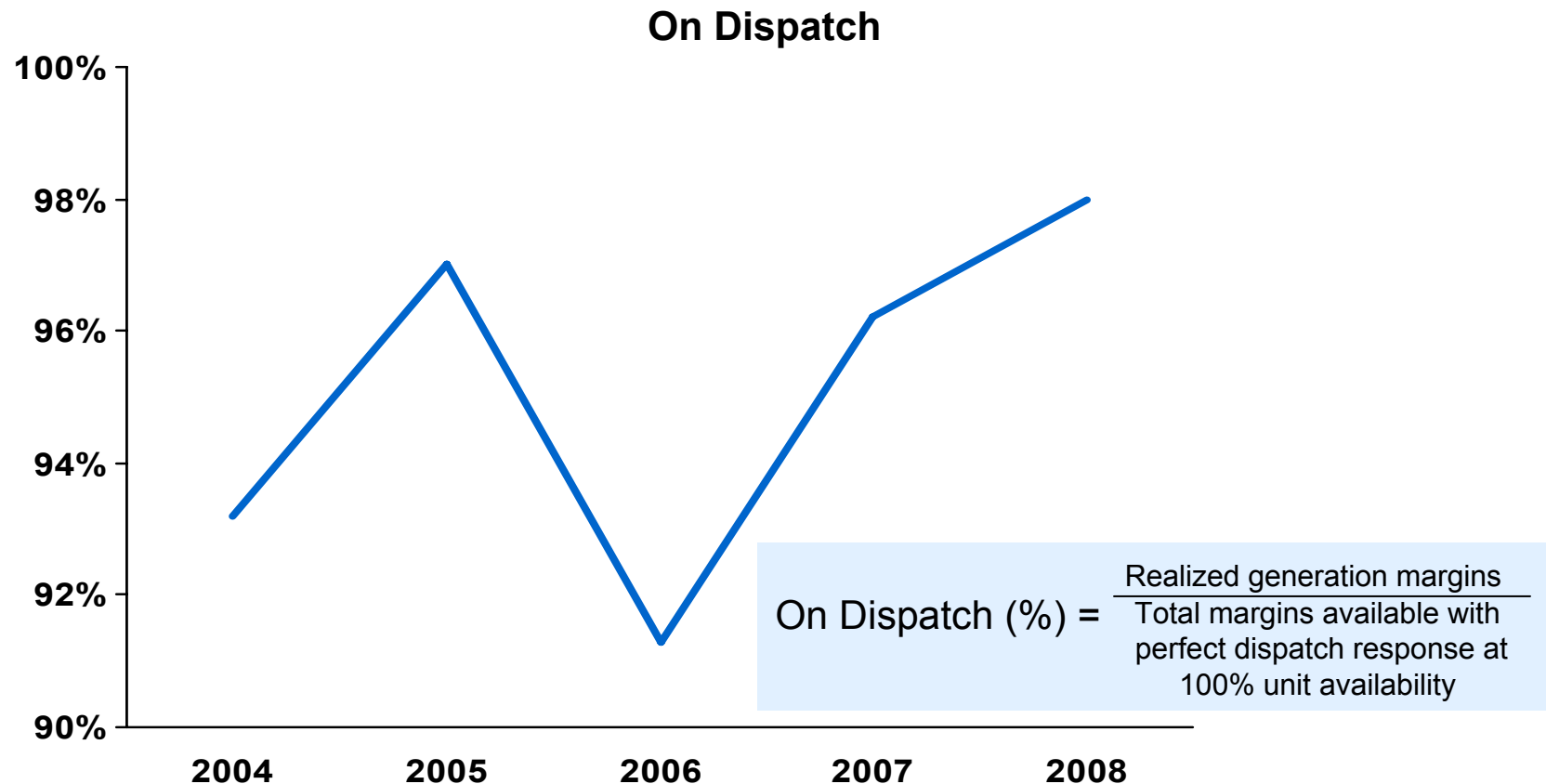


# Significant value creation from unit fuel flexibility that allows for arbitrage and optimization



- Can change intraday generation strategies based on spot market prices
- Typical CCGT run time - 4 to 16 hours

## Significant value creation from a fleet that is available for dispatch



# ***Ample opportunities for future growth***

---

## **Construction programs**

- Construction projects on time and on budget
  - 650 MW new capacity – Delta (2011), Cumberland (2009), Vineland (2009/10)

## **New Plants**

- No current plans to develop additional facilities
- However, have inventory of sites with PJM queue positions for new combined cycle, combustion turbine, and solar installations

## **Regional strength**

- Expected future growth in PJM market

## **Capitalize on additional renewable/climate legislation**

- Expanded offering of renewable products and services
- Predominant gas-fired fleet in favored position over other fossil fuel types

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

## ***Delta Project – On time (2Q-11 COD); on budget***



**545 MW dual fuel combined cycle plant located in Peach Bottom Township, PA**

**Project Cost: \$470 million (\$862/kW-installed)**

**6-year tolling agreement (6/1/2011 – 5/31/2017) with Constellation Energy provides a stable and predictable earnings profile**

**Projected net income of \$24-28 million/year**

### **Project Status**

- All major permits acquired
- Site grading/ foundations and underground work in progress
- Major equipment ordered/delivery confirmed to meet commercial operation date
- Commercial operation date – June 2011

**Permits and infrastructure allow for expansion (additional 545 MW block)**

***Note: See Safe Harbor Statement at the beginning of today's presentations.***



# ***Cumberland Project – On time (2Q-09 COD); better than budget***



**100 MW dual fuel combustion turbine - flexible and efficient GE LMS 100 technology**

**Project Cost: \$75 million budget  
\$72 million projection (\$720/kW-installed)**

**Projected net income of \$4-7 million/ year**

- Capacity value contributes 50% of project value
- Included in 2009/10 and 2010/11 PJM capacity auctions

## **Project Status**

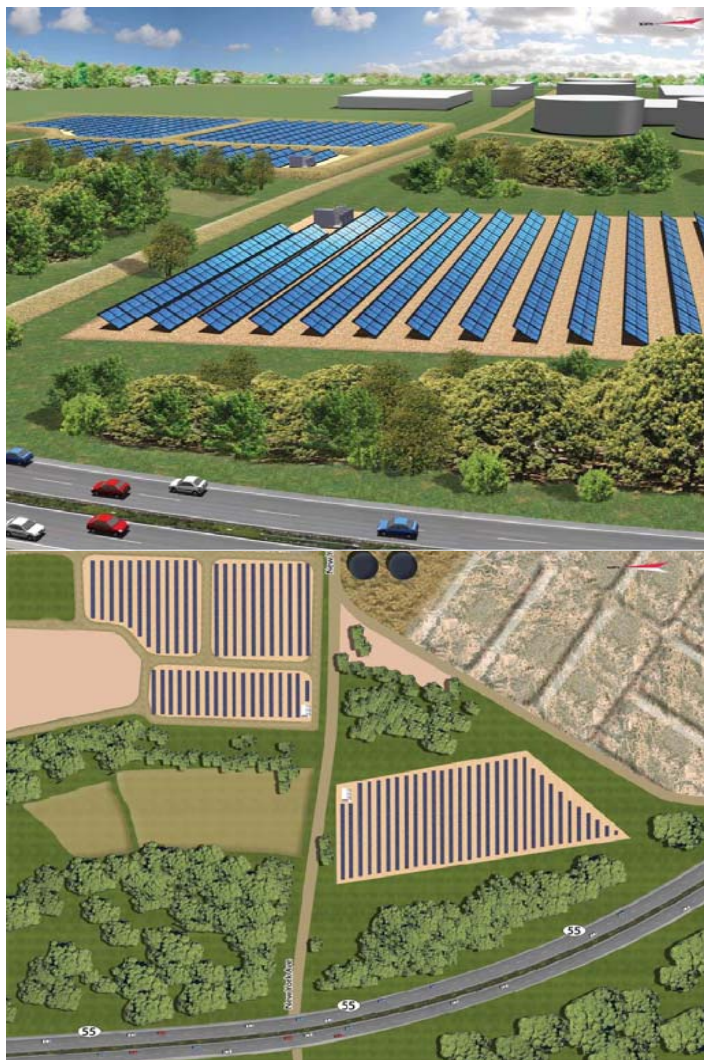
- All equipment has been installed
- Gas & Electrical interconnection installation complete
- Cold Commissioning & Testing in progress
- Commercial operation date – 2Q-09 (on schedule)

## **Existing CT site (Cumberland, NJ)**

- Land available for further expansion (additional 100 MW)
- Additional natural gas and oil storage capacity
- Minimal transmission system upgrades (PJM Queue P06)
- Other infrastructure and resources on site

**Note: See Safe Harbor Statement at the beginning of today's presentations.**

## ***Vineland Solar Project – Solar RECs in New Jersey***



**4 MW Solar PV project located in Vineland, NJ**

**Project Cost: \$24 million (\$6,000/kW-installed)**

**Projected Net Income of ~\$1 million/ year**

### **Project Summary**

- Supports initiative to increase renewable energy portfolio
- 25 Year PPA with City of Vineland for capacity, energy and ancillaries (unit contingent)
- SREC's meet approximately 50% of CE's RPS requirements
- Located on 28 acres (City of Vineland)
- Connected to VMEU's 13-kV System

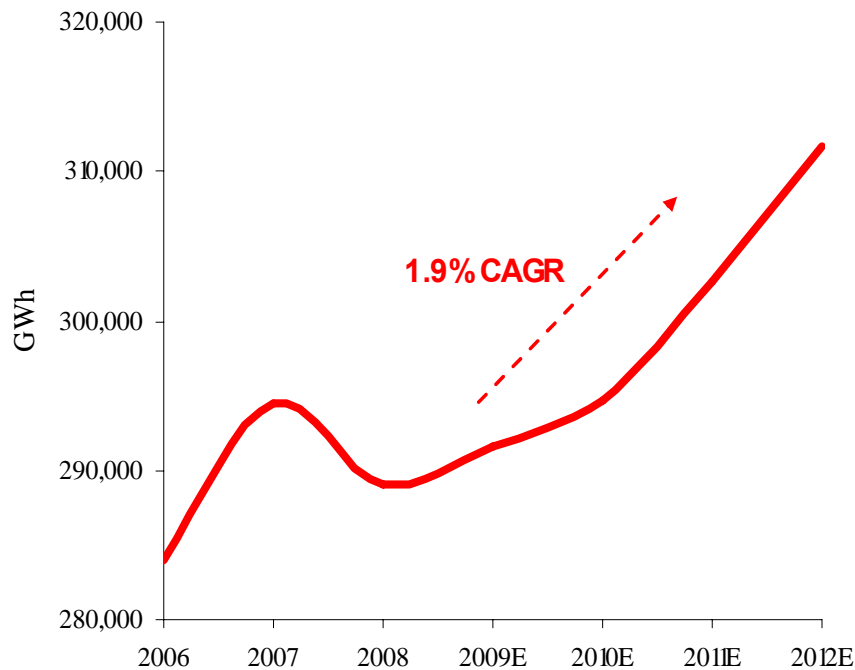
### **Project Status**

- Land lease and major permits acquired
- Major equipment ordered/delivery confirmed to meet commercial operation date
- Commercial operation date:
  - Phase I: 2 MW 3Q-09
  - Phase II: 2 MW 2Q-10

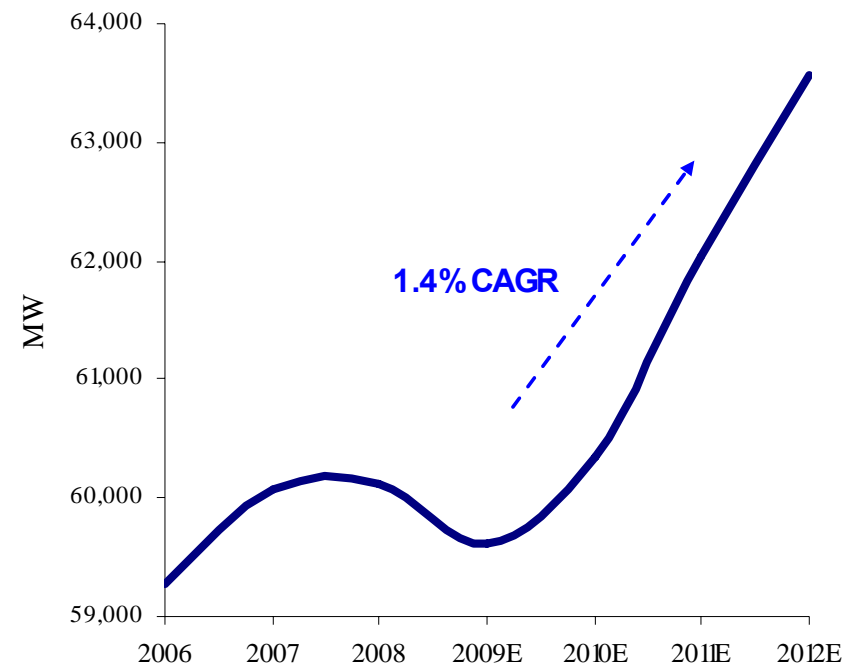
***Note: See Safe Harbor Statement at the beginning of today's presentations.***

## ***PJM Mid Atlantic (MAAC) forecasts near term demand decrease, but expects rebound in 2010***

**Projected MAAC Energy Consumption**



**Projected MAAC Weather Normalized Summer Peak**

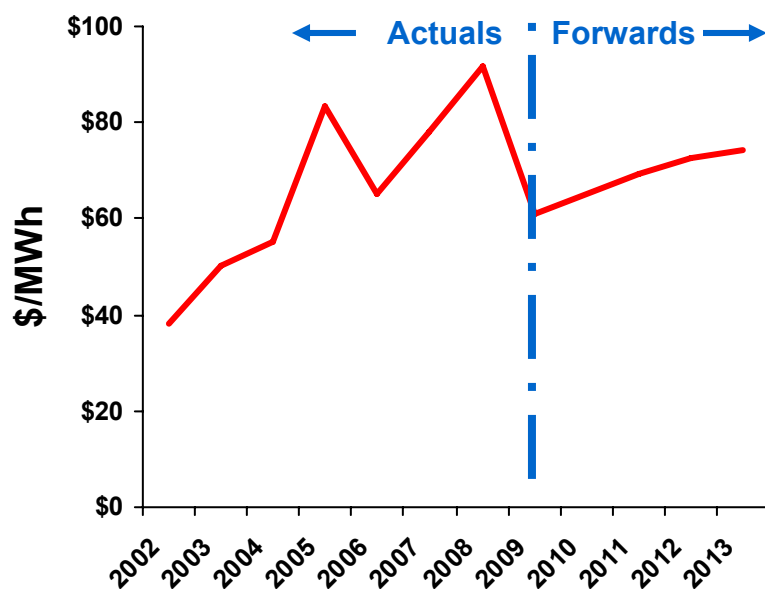


Source: PJM Load Forecast Report, January 2009

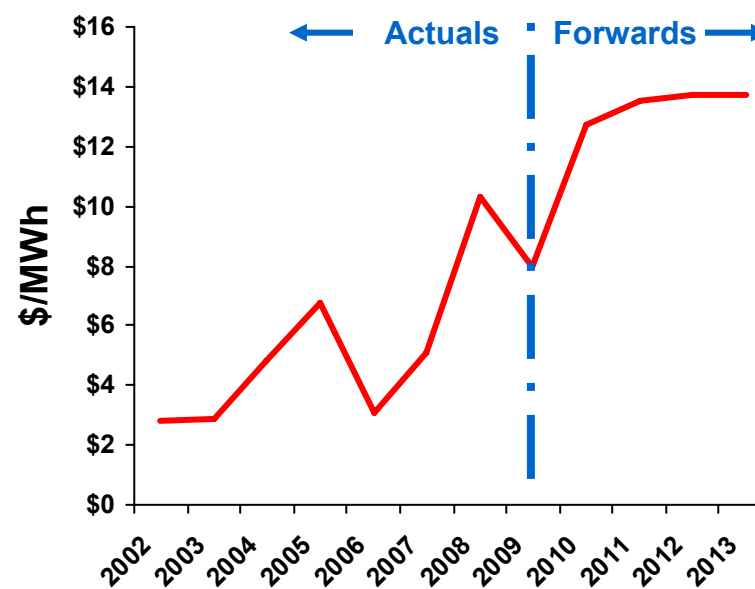
***Peak growth favors mid-merit and peaking generation units***

## Forward PJM pricing also reflects market recovery

**PJM Eastern Hub On-Peak Electricity**



**On-Peak Congestion  
PJM Western to Eastern Hub**



Source: Forward markets as of March 20, 2009 (Kiodex/ICE)

**Note: See Safe Harbor Statement at the beginning of today's presentations.**

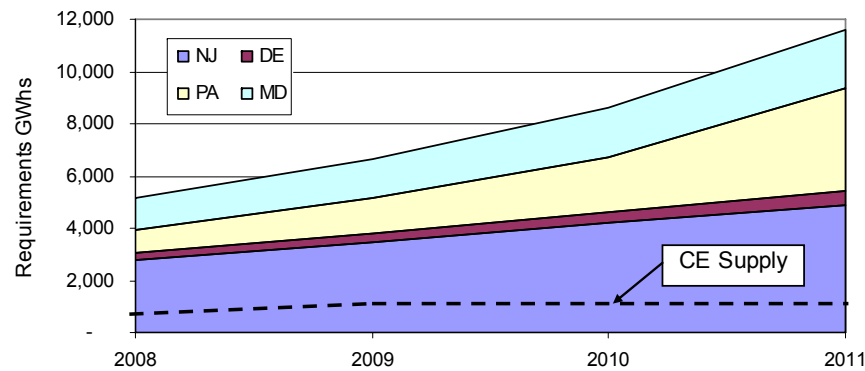


# Expanding RPS requirements provides marketing opportunities

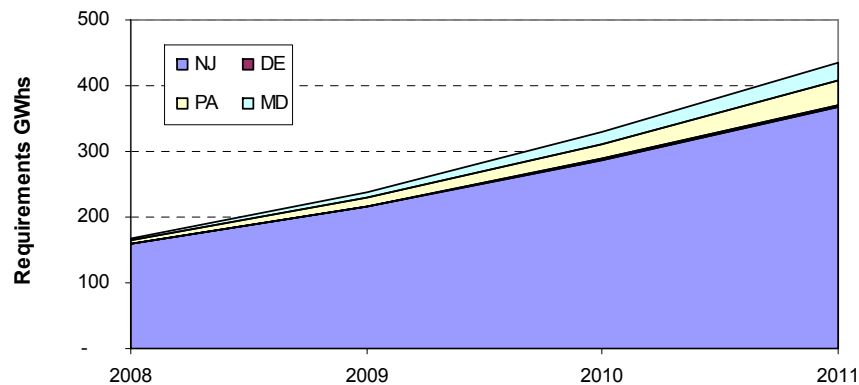


A New Generation of Energy

MAAC States - Tier 1 REC Requirements



MAAC States - Solar REC Requirements



## 10 Eastern states have adopted renewable portfolio standards (RPS)

- Requires a percentage of the energy sold within the state to be supplied from approved renewable sources
- Includes special solar requirements

## CE renewables include:

- Landfill gas to generate qualifying energy
- Purchased wind farm output
- Vineland Solar Project

## Current CE supply exceeds internal needs which provides marketing opportunities

- New Jersey SREC's have increased significantly to \$675/MWh

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# Actively managing Regional Greenhouse Gas Initiative (RGGI) impacts



A New Generation of Energy

## RGGI cap-and-trade program applies only to electricity generation emissions

- First compliance period from 2009 to 2011

## Impacts CE plants in DE and NJ

- DE granted allowances to in-state generators
- NJ is auctioning their allowances

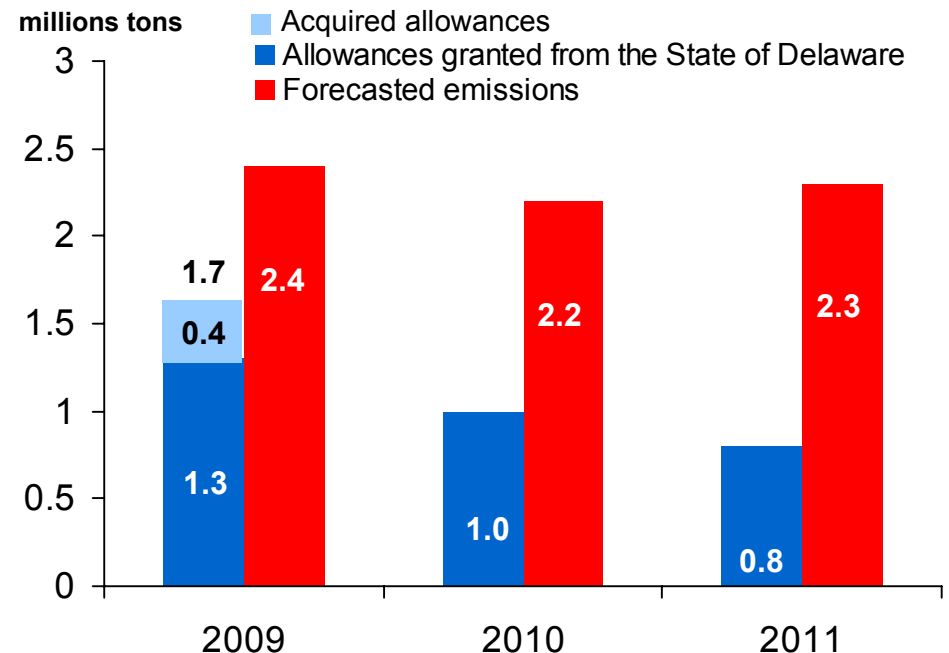
## Participated in the three auctions for 2009 vintage allowances

- Resulting auction prices have ranged from \$3.07-3.51/ton
- Will participate in future auctions

## Currently hold ~50% of forecasted allowance requirements for the initial compliance period

## Could be precursor to new federal carbon program

## CE RGGI Allowance Balance (3/09)



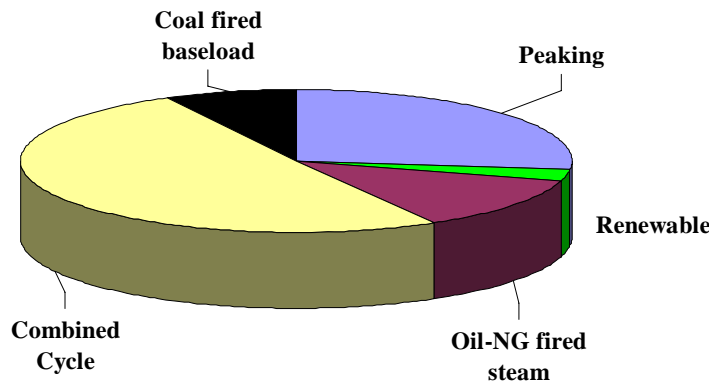
***Should benefit from RGGI due to predominant gas fired generation fleet, renewable energy supply and PA plants***

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# ***Renewable/climate legislation favors gas fuel and mid-merit/peaking units in the PJM region***

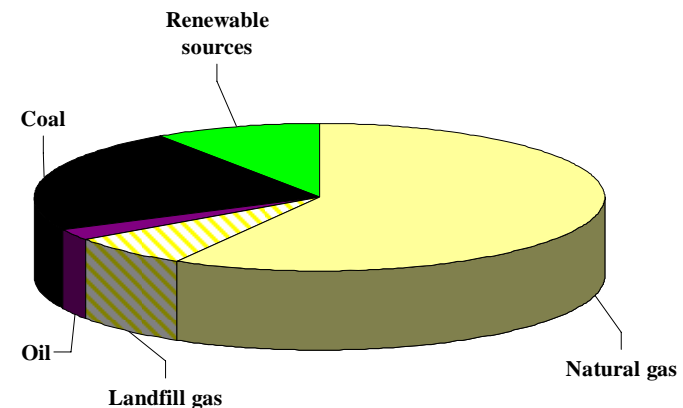
Intermittent renewable (wind and solar) generation necessitates mid-merit and peaking backup capacity  
Weather variability (wind /cloud cover) amplifies regional supply volatility  
RGGI and any federal climate legislation advantages efficient gas-fired generation over coal

**Generation Capacity by Type**



**Expected 2011 fleet will have 90% mid-merit and peaking capacity**

**Generation Fleet Output by Fuel Source**



**Natural Gas can fuel 70% of the 2011 fleet output**

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

## ***Summary – Creating value today and in the future***

---

**We will continue to deliver forecasted gross margins through active hedging, portfolio optimization, marketing and outstanding fleet operations**

**We are well positioned to weather the current economic downturn**

**We have proven capability to construct and operate CCGT and CT generation**

**We are effectively managing increasing environmental requirements to take advantage of opportunities from renewable and climate regulations**

**We have opportunities for future growth**

*Note: See Safe Harbor Statement at the beginning of today's presentations.*



# Conectiv Energy Overview



**Gary Morsches**  
*President and Chief Executive Officer*

# Appendix

# Natural gas spark spreads have not collapsed to the extent of dark spreads

**Average Natural Gas, Residual Oil & Coal Spark Spreads**  
**12 Month On-Peak Rolling Forward Market Prices at PJM Western Hub**

Broker quotes as of : Friday March 20, 2009



## Annual capacity factors and output by fuel type

	2006		2007		2008	
	Output (GWh)	Capacity Factor	Output (GWh)	Capacity Factor	Output (GWh)	Capacity Factor
<b>Coal Fired Baseload</b>	1,814	61%	2,232	75%	1,711	57%
<b>Oil/Gas Fired Steam</b>	115	2%	190	4%	74	2%
<b>Combined Cycle</b>	2,082	11%	3,342	17%	2,626	14%
<b>Peaking Units</b>	132	2%	146	3%	78	1%
<b>Tolls</b>	94	3%	160	5%	117	4%

	2009 estimate		2010 estimate		2011 estimate	
	Output (GWh)	Capacity Factor	Output (GWh)	Capacity Factor	Output (GWh)	Capacity Factor
<b>Coal Fired Baseload</b>	1100-1600	37%-54%	1000-1600	34%-54%	1000-2000	34%-67%
<b>Oil/Gas Fired Steam</b>	75-300	2%-6%	50-450	1%-10%	50-450	1%-10%
<b>Combined Cycle</b>	2500-3500	13%-18%	2500-3500	13%-18%	2500-4000	13%-21%
<b>Peaking Units</b>	150-350	2%-5%	175-400	3%-6%	175-425	3%-7%
<b>Tolls</b>	130-350	3%-9%	310-550	7%-12%	300-520	6%-11%

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# Gross Margin drivers

	2009	2010	2011
Capacity prices	↑	↑	↓
Energy margins	↓	↑	↑
Load auction results	↑	↑	↑
Cumberland plant	↑	↑	↑
Delta plant			↑
Delaware Multi-pollutant costs	↓	↓	↓
RGGI impacts	↑	↑	↑

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Gross margin and EBITDA forecast

(Dollars in millions)

	Energy Hedges & Other	Capacity	Energy Marketing	Total Gross Margin	Hedge* Impact (as of 12/31/08)	Unhedged (Open) Gross Margin	Add Back O&M	Unhedged (Open) EBITDA
2009	\$130 – \$220	\$160	\$35 - \$45	\$325 - \$425	\$45	\$370 - \$470	\$156	\$214 - \$314
2010	\$90 - \$180	\$215 - \$220	\$35 - \$50	\$340 - \$450	\$12	\$352 - \$462	\$156	\$196 - \$306
2011	\$160 - \$260	\$185 - \$190	\$35 - \$50	\$380 - \$500	(\$44)	\$336 - \$456	\$166	\$170 - \$290

•Hedges include all load and fuel hedges (e.g., forward power contracts, utility load auctions, capacity sales, fuel inventory, forward fuel contracts).

**Note: See Safe Harbor Statement at the beginning of today's presentations.**

# Projected construction expenditures

Dollars in Millions	2009	2010	2011	2012	2013
<b>Existing assets</b>	8	10	13	12	13
<b>Environmental</b>					
- DE Multi-Pollutant (Total= \$81)	18	10	6	-	-
- Other	3	3	-	-	-
<b>New Projects</b>					
- Cumberland (Total Cost = \$75)	10	-	-	-	-
- Delta Site (Total Cost = \$470)	230	95	20	-	-
- Vineland Solar (Total Cost = \$24)	12	12	-	-	-
<b>Total</b>	<b>\$281</b>	<b>\$130*</b>	<b>\$39</b>	<b>\$12</b>	<b>\$13</b>

\* Includes \$12 million of construction expenditures for Vineland Solar project that are not included in the projected construction expenditures as reported in the 2008 Form 10-K.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*



# Pepco Energy Services Overview



John Huffman  
*President and Chief Executive Officer*



# ***PES Overview***



- PES provides retail energy services to large commercial, industrial, and government customers
- Energy Services
  - Energy efficiency and renewable energy
  - Heating and cooling facilities, including combined heat and power
- Energy Supply
  - Retail Electric and Natural Gas Supply
    - PHI is conducting a strategic analysis of this business
  - Power Generation
    - Slated for retirement in 2012

**PES is shifting its strategic focus from  
Energy Supply to Energy Services**

# ***PES's retail electric and natural gas business had record profits in 2008***



- PES sells electricity and natural gas to large energy users in PJM, New York, New England, and Texas

- Beginning in October 2008, PES increased the cost of capital component for all retail proposals to reflect credit market conditions

- For all successful proposals since October 2008, PES has been using collateral-free hedges

- PES has not further increased its exposure to collateral postings
- However, PES success in retaining customers has diminished

- 4<sup>th</sup> Quarter 2008 retention: 39%
- 2009 year-to-date retention: 10%

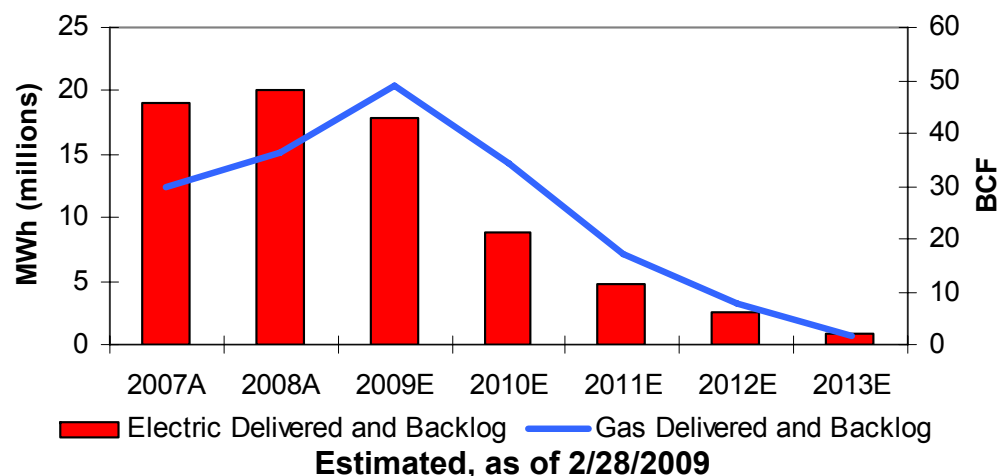
Key Metrics	2007	2008
Load Served - MW	4,294	4,388
MWh Delivered	19.0	20.1
Electric Retention Rate	70%	56%
BCF Delivered	30.0	36.1
Gross Margins		
\$/MWh	\$3.27	\$3.71
\$/Dth	\$0.11	\$0.37

# ***PES has been carefully managing its collateral requirements***



- Contract backlog is 32 million MWh at 2/28/09, down from 33 million at 12/31/08
- PES expects to realize gross margins over the long term:

- \$3.00/MWh range for electric
- \$0.30/Dth range for natural gas



- PES has been moving existing wholesale supply contracts to an expanded pool of counterparties to take advantage of unused unsecured credit capacity
- PES recently transferred 32% of its power supply to an investment bank for which collateral posting is not required; PES is working to transfer additional contracts

**Our focus has changed from growth to reducing collateral requirements**

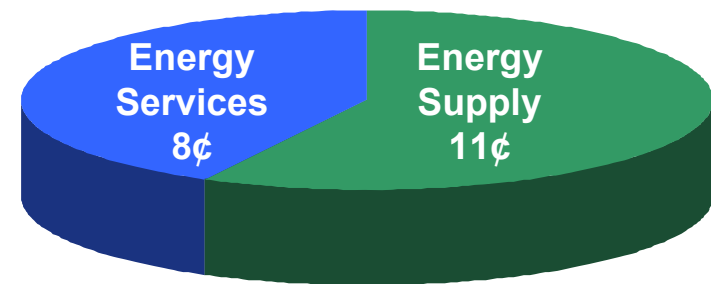
*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Shifting focus to Energy Services



- PES provides PHI with an important connection to its large customers
- While Energy Supply has contributed significant earnings, it requires considerable contingent capital that is inconsistent with the growth plans of PHI's Power Delivery business
- Going forward, Energy Services will allow PHI to maintain continued contact with large customers, especially through long-term energy efficiency contracts
- Energy Services also allows PHI to help its customers "go green" through renewable energy projects
- PES will continue to focus on large commercial, industrial and government customers

PES earnings contributed 19¢/share in 2008



## ***PES is focused on growing its energy efficiency business***



- PES's energy efficiency business fits well with PHI's strategic focus
  - Does not require capital expenditures or contingent capital
- PES has a successful track record of implementing energy efficiency projects
  - Approximately \$750 million of energy efficiency projects installed since 1995
  - With over 200 employees, PES has developed this as core competency
- The recently enacted federal stimulus bill may provide PES with increased opportunities
  - \$3.2 billion block grants to States for energy efficiency measures
  - \$4.5 billion to GSA to invest in "high performance green buildings"
  - \$3.2 billion to DOD to invest in energy efficiency for its facilities

# Energy Services Overview



- Energy Efficiency
  - PES is a leading developer of energy efficiency projects
- Retail Power and Thermal
  - PES develops and owns central heating and cooling plants
    - 70,000 tons of cooling
    - 950 MMBtu/hour of heating
  - Includes Combined Heat and Power
    - 23 MW at NIH, Bethesda, MD
- Renewable Energy
  - PES owns and operates 12 MW of renewable energy facilities
    - Landfill gas to energy
    - Solar energy

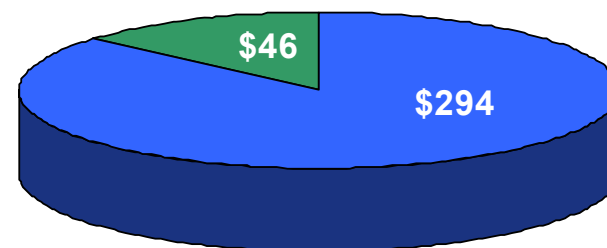


## ***PES obtains earnings from construction of energy efficiency projects and long-term contracts***



- PES designs, develops, and constructs energy efficiency projects
  - Contracts typically range in size from \$5 to \$25 million with gross margins in the 20% to 30% range
  - Construction typically takes 1 to 1.5 years
  - PES has signed an average of \$50 million of contracts in each of the last three years
- PES's long-term contract backlog is \$340 million of gross margin as of 12/31/08
  - 13 year weighted average contract length
  - Central Heating and Cooling is primarily made up of our Atlantic City district energy system
  - O&M contracts often included as part of energy efficiency projects
  - In 2008, PES's gross margin from these long-term contracts was \$34 million

Estimated Contract Backlog  
Gross Margin  
(\$ in millions)



- Central Heating and Cooling
- Energy Efficiency O&M Contracts

***Note: See Safe Harbor Statement at the beginning of today's presentations.***



# Prince George's County Public School System – a typical energy efficiency project



**Location:** Prince George's County, MD

**Construction Value:** \$32 million to date

## Project Summary

- New high efficiency boilers for heating
- New energy efficient chillers for cooling
- Lighting upgrades
- Water conservation
- 102 schools and facility buildings
- Phased implementation
  - 2007 through 2010
  - \$72 million estimated total construction value

## Project Benefits

- Provided much needed upgrades to the school system's energy infrastructure
- Reduced energy consumption by 22%
  - Energy savings of over \$88 million cover capital cost over 15 year term
  - Reduced annual CO<sub>2</sub> emissions by 15 million pounds, the equivalent of 1,800 cars



**Note:** See Safe Harbor Statement at the beginning of today's presentations.



## ***PES's recent US Department of Energy contract award provides a significant opportunity***



- In December, PES was selected as an eligible contractor to perform energy efficiency work for the US DOE
  - 5-year term with options to extend
  - Allows PES to compete for projects at all federally owned facilities
  - Includes renewable energy projects
- Marketing to federal agencies is underway
  - Leveraging relationships from energy efficiency work performed for a number of federal agencies in Washington, DC
  - Excellent federal track record
    - PES installed the single largest energy efficiency project awarded by the federal government - the \$71 million Military District of Washington project
  - PES has significant renewable energy experience

**PES is well-positioned to grow its energy efficiency business**

# ***PES has a successful track record of providing renewable energy to its customers***



- Federal and state incentives provide increasing opportunities for PES to develop renewable energy projects
  - New Jersey is second only to California in stimulating solar energy development
  - High value of solar RECs helps make economics work
- PES has seen an increased interest from customers desiring renewable energy
- Renewable energy fits well with energy efficiency projects

## **Atlantic City Solar Project**



- 2.4 MW Solar PV project located in Atlantic City, NJ
  - Project cost: \$20 million
  - Largest solar array on a single rooftop in the US
  - Polycrystalline technology
  - 20-year power supply contract with the Atlantic City Convention Center
  - PES retains the Solar RECs
- PES commissioned the project in December 2008
  - 7-month construction period

# Summary

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- PES is shifting its focus from Energy Supply to Energy Services
- PES is well positioned to grow its energy efficiency and renewable energy businesses
  - The DOE contract vehicle and the emphasis on environmental sustainability provide excellent growth opportunities
  - PES Energy Services fits well with PHI's strategic focus
- PHI is conducting a strategic analysis of the Retail Energy Supply business
  - PES is carefully managing its collateral requirements

# Pepco Energy Services Overview



John Huffman  
*President and Chief Executive Officer*



# Financial Overview



**Paul Barry**  
*Senior Vice President and Chief Financial Officer*

# ***Financial Objectives***

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- Strengthen investment grade credit ratings
- Maintain ample liquidity to execute business plan
- Maintain ready access to capital markets
- Disciplined capital spend
- Long-term earnings and dividend growth

***All business and financial decisions are made with these objectives in mind.***

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# Managing the Challenges

## Actions Taken Fourth Quarter 2008/First Quarter 2009

### Global Capital and Credit Market Crisis

- Prefunded \$1 billion of 2009 financing needs; no funding requirements until 2010
- Secured \$400 million of additional credit
- Applied for DOE funding/guarantees

### Liquidity

- Reduced/deferred construction spending in 2009 and 2010
- Cost reductions; hiring freeze, no merit salary increases for management
- Entered into credit intermediation agreement for retail energy supply

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# ***Commitment to Investment Grade Credit Ratings***

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- Maintain a low risk profile
  - Utility operations remain the predominant source of earnings
  - Conectiv Energy's continued use of hedges
  - Collateral management
  - Retail Energy Supply strategic analysis
- Continue to focus on investment in infrastructure
  - 40% of 2009-2013 planned construction expenditures is transmission
  - 50% of 2009-2013 planned construction expenditures is distribution
- Timely rate case filings, formula rates and surcharges minimize regulatory lag
- Maintain a consolidated equity ratio in the mid to high 40% range for PHI and the high 40% range for the utilities



# ***Credit Intermediation Agreement***

- Financial arrangement with an investment bank entered into on March 20, 2009
- Certain wholesale power supply contracts were novated
  - PES has no obligation to post collateral under these contracts
  - Approximately \$200 million of collateral was released, thereby strengthening PHI's liquidity position
- PES entered into mirror wholesale power trades with no collateral requirement
- Fee for transaction to be amortized over 2.5 years; after-tax earnings impact expected to be approximately \$7 million in 2009 and \$3 million in 2010
- Currently pursuing additional contracts for novation

# Liquidity Position

Millions of Dollars

At March 25, 2009\*

	PHI Consolidated	Parent	Utilities
Credit Facilities (Total Capacity)	\$1,900	\$1,275	\$625
Less:			
Borrowings under Credit Facilities	(250)	(150)	(100)
Letters of Credit	(405)	(400)	(5)
Commercial Paper Outstanding	(142)	(142)	0
Remaining Credit Facilities Available	1,103	583	520
Plus: Cash Balance	586	89	497
Total Credit Facilities and Cash Available	<u>\$1,689</u>	<u>\$672</u>	<u>\$1,017</u>

***PHI maintains sufficient liquidity to execute the business plan***

\*The company does not undertake any obligation to publicly update this information until the filing of the Form 10-Q for the quarter ended March 31, 2009.

**Note: See Safe Harbor Statement at the beginning of today's presentations.**

# ***Collateral Impacts – Retail Energy Supply***



- PES's current collateral position is approximately \$563 million, of which \$205 million is not affected by commodity price changes
  - Approximately \$293 million of collateral will roll off in 2009\*
  - Approximately \$145 million of collateral will roll off in 2010\*
- A 1% change in forward prices will result in a \$11 million change in PES collateral (down from \$17 million at 12/31/08 and \$22 million at 9/30/08)

\* Assumes current backlog; based on forward prices as of March 19, 2009.  
2009 - \$227 million in Letters of Credit, \$66 million in cash; 2010 - \$86 million in Letters of Credit, \$59 million in cash.

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# Projected Net Cash From Operations



*Millions of Dollars*

## Projected Net Cash From Operations Range

2009	2010	2011	2012	2013
\$600 – \$700	\$700 – \$800	\$700 – \$800	\$850 – \$1,000	\$1,050 – \$1,200

- Over the planning period, approximately 75% of net cash from operations is generated by Power Delivery
- The increase in cash is primarily driven by higher transmission and distribution rates and higher Conectiv Energy cash flow

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# 2009 Principal Sources & Uses of Cash



Millions of Dollars

	Projection
Principal Sources of Cash:	
Beginning Cash	\$ 384
Cash from Operations <sup>(1)</sup>	650
Remarketing of Tax-exempt Bonds	277
Dividend Reinvestment Plan	40
Total Sources of Cash	<u>\$ 1,351</u>
Principal Uses of Cash:	
Capital Expenditures	\$ 1,011
Debt Maturities <sup>(2)</sup>	53
Current Dividends	237
Total Uses of Cash	<u>\$ 1,301</u>
Net Cash Flow	<u>\$ 50</u>

***No equity or long-term debt funding requirements until 2010***

(1) Midpoint of projected cash from operations range; net of \$190 million pension funding, after tax.

(2) Excluding debt maturities related to the Atlantic City Electric securitization bonds.

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# ***Financing Current 2010 Business Plan***

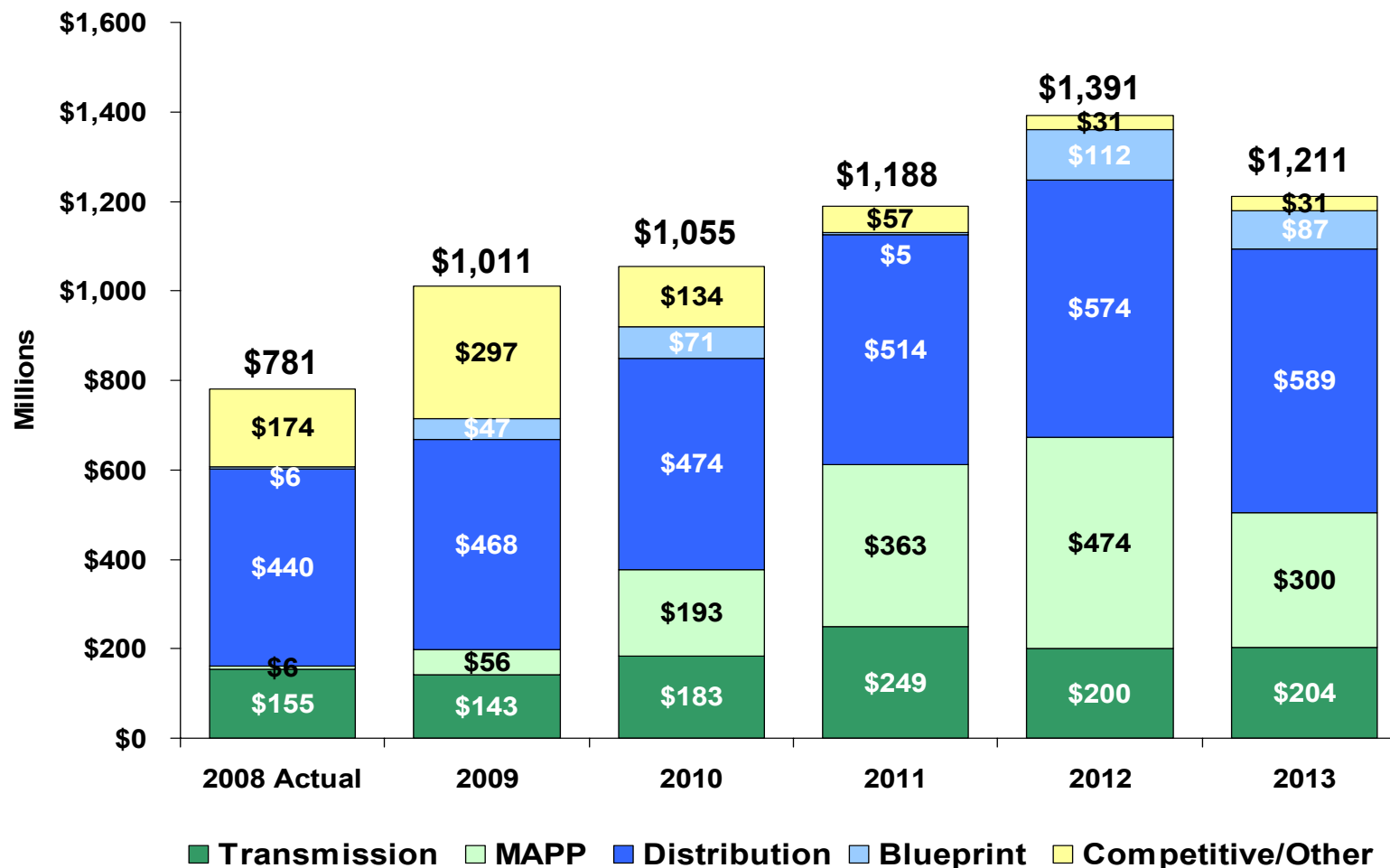
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- Current 2010 business plan calls for external financing
- We have alternatives to mitigate long-term financing needs
  - Reduce/delay capital spending
  - Use of short-term debt
- We will continue to assess our options – financing will be dependent upon market conditions

***Note: See Safe Harbor Statement at the beginning of today's presentations.***

# Construction Expenditures – Projection\*

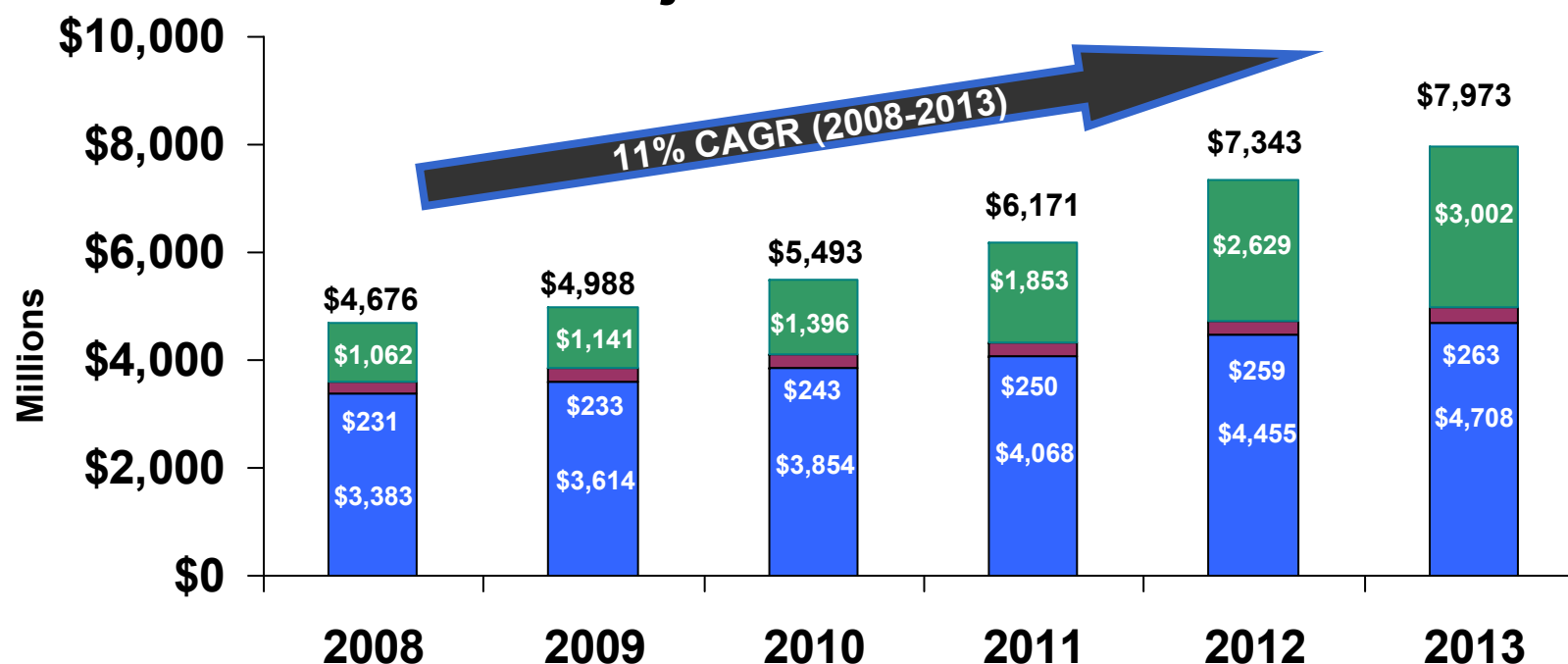


\* Projected construction expenditures as reported in 2008 Form 10-K.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Power Delivery – A Driver of Growth

## Projected Rate Base \*



■ Electric Distribution
 ■ Gas Distribution
 ■ Transmission

**Total Rate Base  
Growth - 71%**

**Electric Distribution Rate  
Base Growth - 39%**

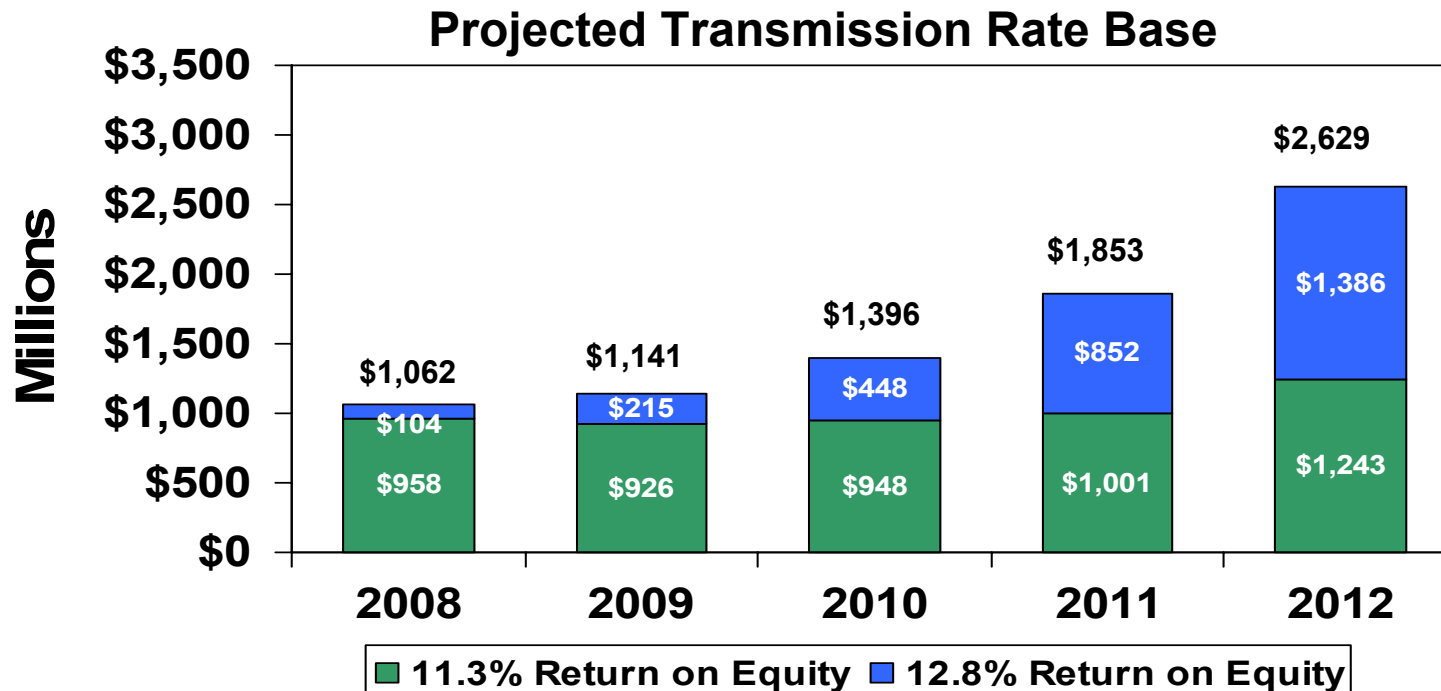
**Transmission Rate  
Base Growth - 183%**

\* Estimated 2008 year end rate base, projected 2009 – 2013 year end rate bases. See appendix for projection by utility.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*



# Transmission Rate Base and Earnings\*



Projected Transmission Earnings by Rate Year					
Millions	2009-10	2010-11	2011-12	2012-13	2013-14
Earnings – 11.3% ROE	\$54	\$52	\$54	\$57	\$70
Earnings – 12.8% ROE	\$7	\$14	\$28	\$54	\$89
Projected Earnings	\$61	\$66	\$82	\$111	\$159

\* Projected earnings based on a simplified computation: projected year end rate base x 50% equity x authorized returns on equity. Projected earnings are shown for the FERC formula rate year June 1 through May 31.

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Major Earnings Drivers

Directional Impact on Earnings		
	2009 “Challenging” (1)	2010 “Improving” (2)
Sales	–	↑
Revenues – Transmission Revenues	↑	↑
Revenues – Distribution Rate Relief	–	↑
Expenses – Operation & Maintenance	↓	–
Expenses – Interest	↓	–
Expenses – Depreciation & Amortization	↓	↓
Tax Adjustments	↓	–
Conectiv Energy Gross Margin	↑ ↓	↑ ↓
Pepco Energy Services	↓	↑ ↓
PHI Investments – Cross-Border Leases	↓	–

(1) As compared to 2008 actual results.

(2) As compared to 2009 plan.

*Note: See Safe Harbor Statement at the beginning of today’s presentations.*

# ***POM Investment Case***

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- Earnings base derived primarily from regulated utility business
- Long-term earnings growth
- Commitment to dividend
- Investment grade credit quality
- Improved liquidity position
- Focus on lowering business risk

*Note: See Safe Harbor Statement at the beginning of today's presentations.*

# Financial Overview



**Paul Barry**  
*Senior Vice President and Chief Financial Officer*

# Appendix

# Sales and Financial Information



## Potomac Electric Power Company (Dollars in millions, except sales)

### Electric GWh Sales

	DC Electric Delivered*	MD Electric Delivered*	Total Electric Delivered*	Standard Offer Service
2008 Actual	11,616	15,247	26,863	11,445
Projected				
2009	11,600	15,500	27,100	12,000
2010	11,700	15,500	27,200	12,100
2011	12,000	15,700	27,700	12,300
2012	12,100	16,000	28,100	12,400
2013	12,200	16,100	28,300	12,500

### Construction Expenditures

	Transmission	Distribution	Total
2008 Actual	\$52	\$223	\$275
Projected			
2009	\$98	\$229	\$327
2010	\$211	\$238	\$449
2011	\$339	\$249	\$588
2012	\$222	\$365	\$587
2013	\$109	\$396	\$505

### Depreciation Expense

	Transmission	Distribution	Total
2008 Actual	\$15	\$116	\$131
Projected			
2009	\$16	\$118	\$134
2010	\$17	\$127	\$144
2011	\$20	\$140	\$160
2012	\$28	\$157	\$185
2013	\$36	\$168	\$204

### Amortization Expense

	Transmission	Distribution	Total
2008 Actual	\$0	\$10	\$10
Projected			
2009	\$0	\$10	\$10
2010	\$0	\$12	\$12
2011	\$0	\$16	\$16
2012	\$0	\$20	\$20
2013	\$0	\$21	\$21

\* Weather normalized GWh sales for 2008 Electric Delivered were 11,531 for DC Delivered, 15,093 for MD Delivered and 26,624 for Total Electric Delivered; projected sales are presented as weather normalized.

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# Sales and Financial Information



## Delmarva Power & Light Company (Dollars in millions, except sales)

Electric GWh Sales					Gas Mcf	Construction Expenditures				
	DE Electric Delivered*	MD Electric Delivered*	Total Electric Delivered*	Standard Offer Service	Gas Delivered*		Transmission	Electric Distribution	Gas Delivery	Total
2008 Actual	8,767	4,248	13,015	7,586	20,291	2008 Actual	\$42	\$89	\$19	\$150
Projected						Projected				
2009	8,600	4,300	12,900	7,800	21,100	2009	\$75	\$153	\$20	\$248
2010	8,600	4,400	13,000	7,800	20,800	2010	\$140	\$168	\$21	\$329
2011	8,700	4,500	13,200	7,900	21,100	2011	\$241	\$127	\$20	\$388
2012	8,800	4,700	13,500	8,000	21,400	2012	\$417	\$174	\$21	\$612
2013	8,900	4,900	13,800	8,100	21,800	2013	\$342	\$130	\$19	\$491

Depreciation Expense					Amortization Expense				
	Transmission	Electric Distribution	Gas Delivery	Total		Transmission	Electric Distribution	Gas Delivery	Total
2008 Actual	\$15	\$44	\$10	\$69	2008 Actual	\$0	\$3	\$0	\$3
Projected					Projected				
2009	\$16	\$44	\$12	\$72	2009	\$0	\$4	\$0	\$4
2010	\$18	\$52	\$12	\$82	2010	\$0	\$6	\$0	\$6
2011	\$20	\$58	\$13	\$91	2011	\$0	\$7	\$0	\$7
2012	\$24	\$62	\$12	\$98	2012	\$0	\$9	\$0	\$9
2013	\$34	\$67	\$12	\$113	2013	\$0	\$9	\$0	\$9

\* Weather normalized GWh sales for 2008 were 8,785 for DE Delivered, 4,256 for MD Delivered and 13,041 for Total Electric Delivered, weather normalized Mcf sales for 2008 Gas were 20,750; projected sales are presented as weather normalized.

**Note:** See Safe Harbor Statement at the beginning of today's presentations.

# Sales and Financial Information



## Atlantic City Electric Company (Dollars in millions, except sales)

### Electric GWh Sales

	NJ Electric Delivered(1)	Basic Generation Service
2008 Actual	10,089	7,895
Projected		
2009	10,100	7,900
2010	10,200	8,000
2011	10,300	8,000
2012	10,400	8,200
2013	10,500	8,200

### Construction Expenditures

	Transmission	Distribution	Total
2008 Actual	\$67	\$95	\$162
Projected			
2009	\$26	\$113	\$139
2010	\$25	\$118	\$143
2011	\$32	\$123	\$155
2012	\$35	\$126	\$161
2013	\$53	\$131	\$184

### Depreciation Expense

	Transmission	Distribution	Total
2008 Actual	\$14	\$40	\$54
Projected			
2009	\$15	\$44	\$59
2010	\$16	\$49	\$65
2011	\$18	\$53	\$71
2012	\$18	\$59	\$77
2013	\$21	\$69	\$90

### Amortization Expense

	Transmission	Distribution(2)	Other(3)	Total
2008 Actual	\$0	(\$13)	\$63	\$50
Projected				
2009	\$0	(\$13)	\$66	\$53
2010	\$0	(\$13)	\$50	\$37
2011	\$0	(\$13)	\$51	\$38
2012	\$0	(\$13)	\$54	\$41
2013	\$0	(\$13)	\$62	\$49

(1) Weather normalized GWh sales for 2008 Electric were 10,040; projected sales are presented as weather normalized.

(2) Amortization expense related to Distribution is the excess depreciation reserve recorded as part of the New Jersey rate case settlement. The excess is being amortized over an 8.25 year period which began in June 2005.

(3) Other amortization is related to the recovery of securitized stranded costs through the issuance of transition bonds by Atlantic City Electric Transition Funding LLC. The stranded costs are being amortized over the life of the bonds maturing in 2010 and 2023.

**Note: See Safe Harbor Statement at the beginning of today's presentations.**



# ***Cross-Border Energy Leases***

- Status
  - Carrying value of cross-border leases is evaluated each quarter
  - In the second quarter of 2008, PHI recorded a non-cash after-tax charge to earnings of \$93 million; reduces cash and earnings by approximately \$20 million annually (half year impact in 2008)
  - Global settlement offer received from the IRS in August 2008; PHI has elected not to respond
  - Equity investment of \$1.3 billion as of December 31, 2008
- Path forward
  - Currently in appeals process with IRS; expect outcome of appeals by year-end 2009
  - Two litigation paths - Tax Court or Federal Direct Court; either process could take 18-24 months
- Cash payment to the IRS for a disallowance of tax benefits would only be required if one of the following occurs:
  - Future settlement with the IRS
  - Litigation is pursued in Federal Court, in which case a payment would be made currently to the IRS for the two tax years under audit (approximately \$72 million); a suit for refund of the payment is sought through the litigation process
  - Litigation is pursued in Tax Court, and PHI receives an unfavorable decision; in the worst case of a total disallowance of tax benefits, PHI would be obligated to pay approximately \$520 million of additional taxes and \$83 million of interest at the time a decision is rendered based on December 31, 2008 balances

# Cross-Border Lease Portfolio



## Potomac Capital Investment (PCI) As of December 31, 2008

<u>Year</u>	<u>Country</u>	<u>Asset Description</u>	<u>% Owned</u>	<u>Lease Expiration</u>	<u>Book Value (\$ in Millions)</u>
94	Netherlands	Co-Fired Generation (210 MW)	35%	2017	\$ 94
95	Australia	Co-Fired Generation (700 MW)	100%	2019	181
99	Netherlands	Gas Transmission/Distribution	100%	2025	233
99	Netherlands	Gas Transmission/Distribution	100%	2025	143
01	Austria	Hydro Generation (781 MW)	56%	2035	237
02	Austria	Hydro Generation (184 MW)	100%	2030-36	158
02	Austria	Hydro Generation (239 MW)	100%	2033-42	210
02	Austria	Hydro Generation (80 MW)	100%	2039	79
					<u>\$ 1,335</u>

# Long-term Debt Maturities\*

(Millions of dollars)	Maturity Date	Interest Rate	2009	2010
Pepco - MTN	1/20/09	6.25%	\$50	
Pepco Energy Services - VRDB	12/1/09	Variable	3	
Pepco - TE- Fixed	3/15/10	5.75%		\$16
PHI - Unsecured Notes	5/15/10	4.00%		200
PHI - Unsecured Notes	6/1/10	Variable		250
Delmarva Power - TE- Fixed (Put Bond)	7/1/10	5.50%		15
Delmarva Power - TE- Fixed (Put Bond)	7/1/10	5.65%		16
Atlantic City Electric - MTC	8/30/10	7.25%		1
Total Maturities			<u>\$53</u>	<u>\$498</u>

\* Excludes debt maturities related to Atlantic City Electric securitization bonds.

# Credit Facilities

Millions of Dollars

## Credit Facility Commitments as of 12/31/08

<u>Institution</u>	<b>\$1.5 Billion Credit Facility (1)</b>		<b>\$400 Million Credit Facility(3)</b>		<b>Total Credit Commitments</b>	
	<b>2008 Commitment</b>	<b>% of Commitment</b>	<b>2008 Commitment</b>	<b>% of Commitment</b>	<b>2008 Commitment</b>	<b>% of Commitment</b>
Wachovia	\$127.5	8.5%	\$48.0	12.0%	\$175.5	9.2%
Citibank (2)	102.5	6.8%	-		102.5	5.4%
Bank of Nova Scotia	115.0	7.7%	49.0	12.3%	164.0	8.6%
Bank of Tokyo Mitsubishi	115.0	7.7%	-		115.0	6.1%
JPMorgan	115.0	7.7%	49.0	12.3%	164.0	8.6%
RBS	115.0	7.7%	-		115.0	6.1%
Credit Suisse	100.0	6.6%	48.0	12.0%	148.0	7.8%
Bank of America (2)	25.0	1.6%	50.0	12.5%	75.0	3.9%
Merrill Lynch	100.0	6.6%	-		100.0	5.3%
Key Bank	85.0	5.7%	49.0	12.2%	134.0	7.1%
Mizuho	85.0	5.7%	-		85.0	4.5%
Morgan Stanley	85.0	5.7%	48.0	12.0%	133.0	7.0%
SunTrust	85.0	5.7%	49.0	12.2%	134.0	7.1%
Bank of New York	65.0	4.3%	-		65.0	3.4%
M&T Bank	60.0	4.0%	10.0	2.5%	70.0	3.7%
Northern Trust	60.0	4.0%	-		60.0	3.1%
PNC	60.0	4.0%	-		60.0	3.1%
<b>Total Credit Facility Commitments</b>	<b>\$1,500.0</b>	<b>100.0%</b>	<b>\$400.0</b>	<b>100.0%</b>	<b>\$1,900.0</b>	<b>100.0%</b>

(1) The 2008 commitments are \$875 million available to PHI and \$625 million available to the Utilities; credit facility termination date is May 5, 2012.

(2) Citibank assigned \$25 million of commitment to Bank of America on September 15, 2008.

(3) Credit Facility available to PHI; term is from November 7, 2008 to November 6, 2009.

# Projected Rate Base by Utility

<i>(Dollars in Millions)</i>	2008	2009	2010	2011	2012	2013
	Estimated	Projected	Projected	Projected	Projected	Projected
<b>Distribution - Electric</b>						
Pepco	\$1,912	\$2,035	\$2,139	\$2,232	\$2,437	\$2,604
Delmarva Power	714	795	893	950	1,056	1,102
Atlantic City Electric	757	784	822	886	962	1,002
<b>Total Distribution</b>	<b>3,383</b>	<b>3,614</b>	<b>3,854</b>	<b>4,068</b>	<b>4,455</b>	<b>4,708</b>
<b>Distribution – Gas</b>						
Delmarva Power	231	233	243	250	259	263
<b>Transmission</b>						
Pepco	376	435	550	784	1,138	1,199
Delmarva Power	305	324	456	661	1,071	1,350
Atlantic City Electric	381	382	390	408	420	453
<b>Total Transmission</b>	<b>1,062</b>	<b>1,141</b>	<b>1,396</b>	<b>1,853</b>	<b>2,629</b>	<b>3,002</b>
<b>Total Distribution &amp; Transmission</b>	<b>\$4,676</b>	<b>\$4,988</b>	<b>\$5,493</b>	<b>\$6,171</b>	<b>\$7,343</b>	<b>\$7,973</b>

*Note: See Safe Harbor Statement at the beginning of today's presentations.*