

# NEWS RELEASE

701 Ninth Street NW  
Washington, DC 20068  
[www.pepcoholdings.com](http://www.pepcoholdings.com)  
NYSE: POM

FOR IMMEDIATE RELEASE  
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Media Contact: Robert Hailey  
202-872-2680  
Investor Contact: Donna Kinzel  
302-429-3004

## **Pepco Holdings Reports Second-Quarter 2010 Financial Results; Reaffirms Full-Year 2010 Earnings Guidance**

Pepco Holdings, Inc. (NYSE: POM) today reported second quarter 2010 earnings from continuing operations of \$76 million, or 34 cents per share, compared to \$39 million, or 18 cents per share, in the second quarter of 2009. The weighted average number of basic shares outstanding for the second quarter of 2010 was 223 million compared to 220 million for the second quarter of 2009.

The increase in earnings from continuing operations in the second quarter of 2010, as compared to the 2009 quarter, was driven by higher distribution revenue (primarily due to higher sales caused by warmer weather as well as higher distribution rates in certain jurisdictions), higher transmission revenue (primarily due to the accrual of true-ups for the prior rate year), higher unbilled revenue associated with Atlantic City Electric basic generation service, lower operation and maintenance expenses, and a favorable income tax adjustment.

“Our earnings from continuing operations for the quarter reflect the positive impacts of our infrastructure investments and constructive regulatory outcomes,” said Joseph M. Rigby, Chairman, President and Chief Executive Officer. “We also continue to make significant progress in executing our business plan. We have completed the sale of Conectiv Energy’s wholesale generation business, used the sale proceeds to pay down parent company debt, and filed a natural gas base rate case for Delmarva Power.” Rigby added, “As we continue with our infrastructure build out, we will maintain our focus on customer satisfaction and earning our authorized rates of return.”

For the six months ended June 30, 2010, earnings from continuing operations were \$104 million, or 47 cents per share, compared to \$80 million, or 37 cents per share, for the same period in the prior year. There were no special items in the 2010 period. Excluding a special item (as described below under the heading “Special Item”), earnings from continuing operations for the six months ended June 30, 2009, would have been \$72 million, or 33 cents per share. The weighted average number of basic shares outstanding for the six months ended June 30, 2010 was 223 million compared to 220 million for the same period in the prior year.

The increase in earnings from continuing operations for the six months ended June 30, 2010, compared to earnings for the same period in the prior year, excluding the special item, was driven by higher distribution revenue

(primarily due to higher distribution rates in certain jurisdictions as well as growth in the number of customers), higher transmission revenue (primarily due to the accrual of true-ups for the prior rate year), and higher unbilled revenue associated with Atlantic City Electric basic generation service.

### **Discontinued Operations**

On April 20, 2010, the Board of Directors of Pepco Holdings approved a plan for the disposition of Conectiv Energy. The plan consists of the sale of the wholesale generation business, which was completed on July 1, 2010 (as further discussed below under the heading “Recent Events - Conectiv Energy Sale”), and the liquidation of all of Conectiv Energy’s remaining assets and businesses. As a result of the plan of disposition, Conectiv Energy’s results of operations for the 2010 and 2009 quarterly and year-to-date periods are reported as discontinued operations.

Year-to-date, Pepco Holdings has incurred an after-tax loss of \$122 million from discontinued operations. Included in this loss is a \$67 million after-tax write-down of the wholesale generation assets included in the Calpine sale. The year-to-date loss also includes \$50 million of after-tax unrealized losses on derivative instruments associated with Conectiv Energy’s load service business previously recorded in accumulated other comprehensive income that have been reclassified into income as a result of the intention to liquidate the load service supply contracts and related hedges. Pepco Holdings expects these unrealized losses will be partially offset over the remainder of the year by gains from the liquidation of the load service supply contracts and other remaining assets. Upon completion of the liquidation of Conectiv Energy’s remaining contracts and assets, Pepco Holdings currently expects the overall after-tax loss on the Conectiv Energy disposition will be in the range of \$75 million to \$100 million.

### **Earnings Guidance**

Pepco Holdings reaffirms its 2010 earnings guidance range of \$0.80 to \$0.95 per share. The guidance range excludes the results of discontinued operations and the impact of any special, unusual, or extraordinary items.

### **Recent Events**

#### **Conectiv Energy Sale**

- On July 1, 2010, Pepco Holdings completed the sale of Conectiv Energy’s wholesale power generation business to Calpine Corporation from which Pepco Holdings received proceeds of approximately \$1.63 billion. The proceeds were used to reduce Pepco Holdings debt (see debt redemptions listed below under the heading “Financing”).

## **Financing**

- On July 1, 2010, Pepco Holdings repaid a \$450 million bridge credit facility entered into on April 20, 2010. The funds borrowed under this facility were used to repay \$200 million in principal amount of 4% Notes due May 2010 and \$250 million in principal amount of Floating Rate Notes due June 2010.
- On July 2, 2010, Pepco Holdings repurchased \$640 million in principal amount of 6.45% Notes due 2012 at an aggregate purchase price of \$713 million, pursuant to a cash tender offer.
- On July 8, 2010, Pepco Holdings redeemed the remaining \$110 million balance of the outstanding 6.45% Notes due 2012 at an aggregate redemption price of \$122 million.
- On July 20, 2010, Pepco Holdings repurchased \$129 million in principal amount of 6.125% Notes due 2017 at an aggregate purchase price of \$145 million and \$65 million in principal amount of 7.45% Notes due 2032 at an aggregate purchase price of \$78 million, pursuant to a cash tender offer.

## **Power Delivery**

- Power Delivery electric sales were 12,056 gigawatt hours (GWhs) in the second quarter of 2010 compared to 11,323 GWhs for the same period last year. Cooling degree days (electric service territory) increased by 77% for the three months ended June 30, 2010, compared to the same period in 2009. Weather-adjusted electric sales of 11,457 GWhs in the second quarter of 2010 were essentially flat as compared to 11,439 GWhs for the same period last year. Due to the adoption of distribution revenue decoupling mechanisms in Maryland and the District of Columbia, approximately 66% of forecasted 2010 electric distribution revenue is not affected by weather.

## **Regulatory Matters**

- On July 2, 2010, Delmarva Power filed a natural gas delivery base rate case in Delaware. The filing seeks approval of an annual rate increase of \$12 million, based on a requested return on equity of 11.00% (assuming approval of the implementation of revenue decoupling). A decision by the Delaware Public Service Commission is expected in early 2011.

## **Pepco Energy Services**

- On July 22, 2010, Pepco Energy Services signed a fourth comprehensive energy savings performance contract with Prince George's County Maryland Public Schools. Under the contract, Pepco Energy Services will provide 103 county school system facilities with approximately \$35 million in new energy infrastructure, including heating and cooling equipment, lighting and building improvements, as well as water conservation, energy controls, and renewable energy systems.

## Other

- On July 25, 2010, the service territories of Pepco, Delmarva Power, and Atlantic City Electric were impacted by a severe storm with extremely high winds and lightning. The storm caused significant damage to the electric system, predominantly in Pepco's service territory. The cost of system restoration is currently estimated to range between \$10 million and \$13 million. A portion of the restoration cost will be expensed with the balance being charged to capital. The actual cost of system restoration may vary from this estimate because a large portion of the cost relates to services provided by outside contractors and other utilities that have not yet submitted bills.

Further details regarding changes in consolidated earnings between 2010 and 2009 can be found in the following schedules. Additional information regarding financial results and recent regulatory events can be found in the Pepco Holdings, Inc. Form 10-Q for the quarter ended June 30, 2010 as filed with the Securities and Exchange Commission, which is available at [www.pepcoholdings.com/investors](http://www.pepcoholdings.com/investors).

## Special Item

Management believes the special item shown below is not representative of the company's ongoing business operations.

## Reconciliation of GAAP Earnings to Earnings Excluding Special Item

<u>Net Earnings from Continuing Operations – Millions of dollars</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Reported (GAAP) Net Earnings from Continuing Operations	\$76	\$39	\$104	\$80
Special Item:				
• Mirant bankruptcy settlement (net of customer sharing)	-	-	-	(8)
Net Earnings from Continuing Operations, Excluding Special Item	\$76	\$39	\$104	\$72
<u>Earnings per Share from Continuing Operations</u>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Reported (GAAP) Earnings per Share from Continuing Operations	\$0.34	\$0.18	\$0.47	\$0.37
Special Item:				
• Mirant bankruptcy settlement (net of customer sharing)	-	-	-	(0.04)
Earnings per Share from Continuing Operations, Excluding Special Item	\$0.34	\$0.18	\$0.47	\$0.33

## **Conference Call for Investors**

Pepco Holdings Inc. will host a conference call to discuss second quarter results on Friday, Aug. 6 at 11 a.m. E.T. Investors, members of the media and other interested persons may access the conference call on the Internet at <http://www.pepcoholdings.com/investors> or by calling 1-866-356-4281 before 10:55 a.m. The pass code for the call is 67137875. International callers may access the call by dialing 1-617-597-5395, using the same pass code, 67137875. An on-demand replay will be available for seven days following the call. To hear the replay, dial 1-888-286-8010 and enter pass code 85742855. International callers may access the replay by dialing 1-617-801-6888 and entering the same pass code 85742855. An audio archive will be available at PHI's Web site, <http://www.pepcoholdings.com/investors>.

Note: If any non-GAAP financial information (as defined by the Securities and Exchange Commission in Regulation G) is used during the quarterly earnings conference call, a presentation of the most directly comparable GAAP measure and a reconciliation of the differences will be available at <http://www.pepcoholdings.com/investors>.

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

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

**Pepco Holdings, Inc.**

**Earnings Per Share Variance  
2010 / 2009**

	<b>2nd Quarter</b>				
	<b>Power Delivery</b>	<b>Pepco Energy Services</b>	<b>Other Non Regulated</b>	<b>Corporate and Other</b>	<b>Total PHI</b>
<b>2009 Net Income/(Loss) (GAAP) – Continuing Operations 1/</b>	<b>\$ 0.14</b>	<b>\$ 0.05</b>	<b>\$ 0.04</b>	<b>\$ (0.05)</b>	<b>\$ 0.18</b>
<b><u>Change from 2009 Net Income/(Loss)</u></b>					
Regulated Operations					
• Distribution Revenue					
- Weather (estimate) 2/	0.03	–	–	–	0.03
- Rate Increases (Pepco/DC, DPL/MD & DE and ACE)	0.02	–	–	–	0.02
- Other Distribution Revenue (primarily customer growth/rate mix)	0.02	–	–	–	0.02
• Network Transmission (primarily true-up resulting from 2009-10 formula rate year)	0.04	–	–	–	0.04
• ACE Basic Generation Service (primarily unbilled revenue)	0.04	–	–	–	0.04
• Operation & Maintenance	0.02	–	–	–	0.02
• Depreciation	(0.01)	–	–	–	(0.01)
Pepco Energy Services					
• Retail Energy Supply	–	(0.01)	–	–	(0.01)
• Energy Services	–	–	–	–	–
Other Non-Regulated					
• Financial investment portfolio	–	–	(0.01)	–	(0.01)
Corporate and Other					
• Other, net	–	–	–	0.01	0.01
Capital Costs	–	0.01	–	(0.03)	(0.02)
Income Tax Adjustments	(0.01)	–	–	0.04	0.03
<b>2010 Net Income/(Loss) (GAAP) – Continuing Operations 3/</b>	<b>\$ 0.29</b>	<b>\$ 0.05</b>	<b>\$ 0.03</b>	<b>\$ (0.03)</b>	<b>\$ 0.34</b>
<b>Discontinued Operations:</b>					
Conectiv Energy	–	–	–	(0.58)	(0.58)
<b>Total PHI 2010 Net Income</b>	<b>\$ 0.29</b>	<b>\$ 0.05</b>	<b>\$ 0.03</b>	<b>\$ (0.61)</b>	<b>\$ (0.24)</b>

1/ The 2009 weighted average number of basic shares outstanding was 220 million.

2/ The impact of 20-year average weather on earnings would have been an increase in earnings of \$.01 per share.

3/ The 2010 weighted average number of basic shares outstanding was 223 million.

**Pepco Holdings, Inc.**

**Earnings Per Share Variance  
2010 / 2009**

	<b>Year-to-Date</b>				
	<b>Power Delivery</b>	<b>Pepco Energy Services</b>	<b>Other Non Regulated</b>	<b>Corporate and Other</b>	<b>Total PHI</b>
<b>2009 Net Income/(Loss) (GAAP) – Continuing Operations 1/</b>	<b>\$ 0.33</b>	<b>\$ 0.08</b>	<b>\$ 0.06</b>	<b>\$ (0.10)</b>	<b>\$ 0.37</b>
<b><u>2009 Special Item 2/</u></b>					
• Mirant Settlement, net of customer sharing – DC jurisdiction	(0.04)	–	–	–	(0.04)
2009 Net Income/(Loss) excluding Special Item	0.29	0.08	0.06	(0.10)	0.33
<b><u>Change from 2009 Net Income/(Loss)</u></b>					
Regulated Operations					
• Distribution Revenue					
- Weather (estimate) 3/	0.01	–	–	–	0.01
- Rate Increases (Pepco/DC, DPL/MD & DE and ACE)	0.04	–	–	–	0.04
- Other Distribution Revenue (primarily customer growth/rate mix)	0.04	–	–	–	0.04
• Network Transmission (primarily true-up resulting from 2009-10 formula rate year)	0.04	–	–	–	0.04
• ACE Basic Generation Service (primarily unbilled revenue)	0.05	–	–	–	0.05
• Operation & Maintenance	(0.02)	–	–	–	(0.02)
• Depreciation	(0.02)	–	–	–	(0.02)
• Other, net	0.01	–	–	–	0.01
Pepco Energy Services					
• Retail Energy Supply	–	0.02	–	–	0.02
• Energy Services	–	–	–	–	–
Other Non-Regulated					
• Financial investment portfolio	–	–	(0.01)	–	(0.01)
Corporate and Other					
• Other, net	–	–	–	0.01	0.01
Capital Costs	–	0.01	–	(0.03)	(0.02)
Income Tax Adjustments	(0.06)	–	–	0.05	(0.01)
<b>2010 Net Income/(Loss) (GAAP) – Continuing Operations 4/</b>	<b>\$ 0.38</b>	<b>\$ 0.11</b>	<b>\$ 0.05</b>	<b>\$ (0.07)</b>	<b>\$ 0.47</b>
<b>Discontinued Operations:</b>					
Connectiv Energy	–	–	–	(0.55)	(0.55)
<b>Total PHI 2010 Net Income</b>	<b>\$ 0.38</b>	<b>\$ 0.11</b>	<b>\$ 0.05</b>	<b>\$ (0.62)</b>	<b>\$ (0.08)</b>

1/ The 2009 weighted average number of basic shares outstanding was 220 million.

2/ Management believes the special item is not representative of the company's ongoing business operations.

3/ The impact of 20-year average weather on earnings would have been zero.

4/ The 2010 weighted average number of basic shares outstanding was 223 million.

## SEGMENT INFORMATION

Three Months Ended June 30, 2010

(millions of dollars)

	Power Delivery	Pepco Energy Services	Other Non- Regulated	Corporate and Other (a)	PHI Consolidated
Operating Revenue.....	\$ 1,149	\$ 476	\$ 13	\$ (2)	\$ 1,636
Operating Expense (b) .....	996	453	2	(8)	1,443
Operating Income.....	153	23	11	6	193
Interest Income.....	1	—	1	(2)	—
Interest Expense .....	53	5	3	28	89
Other Income .....	5	—	—	—	5
Income Tax Expense (Benefit).....	41	8	3	(19) <sup>(c)</sup>	33
Net Income (Loss) from Continuing Operations.....	65	10	6	(5)	76
Total Assets (excluding Assets Held for Sale).....	10,429	653	1,462	1,442	13,986
Construction Expenditures.....	\$ 194	\$ —	\$ —	\$ 12	\$ 206

- (a) Total Assets line item in this column includes Pepco Holdings' goodwill balance of \$1.4 billion, substantially all of which is allocated to the Power Delivery segment for purposes of assessing impairment. Additionally, Corporate and Other includes intercompany amounts of \$(2) million for Operating Revenue, \$(1) million for Operating Expense, \$(13) million for Interest Income and \$(13) million for Interest Expense.
- (b) Includes depreciation and amortization expense of \$93 million, consisting of \$85 million for Power Delivery, \$5 million for Pepco Energy Services, \$1 million for Other Non-Regulated and \$2 million for Corporate and Other.
- (c) Includes \$8 million state tax benefit from changed apportionment arising from the restructuring of certain PHI subsidiaries.

Three Months Ended June 30, 2009

(millions of dollars)

	Power Delivery	Pepco Energy Services	Other Non- Regulated	Corporate and Other (a)	PHI Consolidated
Operating Revenue.....	\$ 1,095	\$ 560	\$ 14	\$ (3)	\$ 1,666
Operating Expense (b) .....	995	531	1	(5)	1,522
Operating Income.....	100	29	13	2	144
Interest Income.....	1	1	1	(2)	1
Interest Expense .....	53	12	3	19	87
Other Income .....	3	—	1	1	5
Income Tax Expense (Benefit).....	20	8	4	(8)	24
Net Income (Loss) from Continuing Operations.....	31	10	8	(10)	39
Total Assets (excluding Assets Held for Sale).....	10,254	743	1,526	1,593	14,116
Construction Expenditures.....	\$ 149	\$ 3	\$ —	\$ 6	\$ 158

- (a) Total Assets line item in this column includes Pepco Holdings' goodwill balance of \$1.4 billion, substantially all of which is allocated to the Power Delivery segment for purposes of assessing impairment. Additionally, Corporate and Other includes intercompany amounts of \$(3) million for Operating Revenue, \$(1) million for Operating Expense, \$(22) million for Interest Income, and \$(21) million for Interest Expense.
- (b) Includes depreciation and amortization of \$85 million, consisting of \$79 million for Power Delivery, \$5 million for Pepco Energy Services, and \$1 million for Corporate and Other.



**Six Months Ended June 30, 2010**

*(millions of dollars)*

	<b>Power Delivery</b>	<b>Pepco Energy Services</b>	<b>Other Non- Regulated</b>	<b>Corporate and Other (a)</b>	<b>PHI Consolidated</b>
Operating Revenue.....	\$ 2,411	\$ 1,023	\$ 26	\$ (5)	\$ 3,455
Operating Expense (b) .....	2,165	975	3	(12)	3,131
Operating Income.....	246	48	23	7	324
Interest Income.....	1	—	2	(3)	—
Interest Expense .....	104	10	7	51	172
Other Income .....	9	1	(1)	1	10
Preferred Stock Dividends .....	—	—	1	(1)	—
Income Tax Expense (Benefit).....	67 <sup>(c)</sup>	16	6	(31) <sup>(d)</sup>	58
Net Income (Loss) from Continuing Operations.....	85	23	10	(14)	104
Total Assets (excluding Assets Held for Sale).....	10,429	653	1,462	1,442	13,986
Construction Expenditures.....	\$ 345	\$ 1	\$ —	\$ 18	\$ 364

- (a) Total Assets line item in this column includes Pepco Holdings' goodwill balance of \$1.4 billion, substantially all of which is allocated to the Power Delivery segment for purposes of assessing impairment. Additionally, Corporate and Other includes intercompany amounts of \$(5) million for Operating Revenue, \$(5) million for Operating Expense, \$(25) million for Interest Income, \$(25) million for Interest Expense, and \$(1) million for Preferred Stock Dividends.
- (b) Includes depreciation and amortization of \$182 million, consisting of \$167 million for Power Delivery, \$9 million for Pepco Energy Services, \$1 million for Other Non-Regulated and \$5 million for Corporate and Other.
- (c) Includes \$8 million reversal of accrued interest income on uncertain and effectively settled state income tax positions.
- (d) Includes \$8 million state tax benefit from changed apportionment arising from the restructuring of certain PHI subsidiaries and the release of \$8 million of valuation allowances on deferred tax assets related to state net operating losses partially offset by a charge of \$4 million to write off a deferred tax asset related to the Medicare Part D subsidy.

**Six Months Ended June 30, 2009**

*(millions of dollars)*

	<b>Power Delivery</b>	<b>Pepco Energy Services</b>	<b>Other Non- Regulated</b>	<b>Corporate and Other (a)</b>	<b>PHI Consolidated</b>
Operating Revenue.....	\$ 2,467	\$ 1,217	\$ 27	\$ (8)	\$ 3,703
Operating Expense (b) .....	2,253 <sup>(c)</sup>	1,173	2	(10)	3,418
Operating Income.....	214	44	25	2	285
Interest Income.....	2	1	2	(3)	2
Interest Expense .....	106	16	7	40	169
Other Income .....	6	1	1	—	8
Preferred Stock Dividends .....	—	—	1	(1)	—
Income Tax Expense (Benefit).....	43	12	5	(14)	46
Net Income (Loss) from Continuing Operations.....	73	18	15	(26)	80
Total Assets (excluding Assets Held for Sale).....	10,254	743	1,526	1,593	14,116
Construction Expenditures.....	\$ 281	\$ 6	\$ —	\$ 10	\$ 297

- (a) Total Assets line item in this column includes Pepco Holdings' goodwill balance of \$1.4 billion, substantially all of which is allocated to the Power Delivery segment for purposes of assessing impairment. Additionally, Corporate and Other includes intercompany amounts of \$(8) million for Operating Revenue, \$(3) million for Operating Expense, \$(44) million for Interest Income, \$(44) million for Interest Expense, and \$(1) million for Preferred Stock Dividends.
- (b) Includes depreciation and amortization of \$172 million, consisting of \$158 million for Power Delivery, \$9 million for Pepco Energy Services, \$1 million for Other Non-Regulated and \$4 million for Corporate and Other.
- (c) Includes \$14 million (\$8 million after-tax) gain related to settlement of Mirant bankruptcy claims.

**PEPCO HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
	<i>(millions of dollars, except per share data)</i>			
<b>Operating Revenue</b>				
Power Delivery	\$ 1,149	\$ 1,095	\$ 2,411	\$ 2,467
Pepco Energy Services	476	560	1,023	1,217
Other	11	11	21	19
Total Operating Revenue	1,636	1,666	3,455	3,703
<b>Operating Expenses</b>				
Fuel and purchased energy	1,077	1,186	2,377	2,725
Other services cost of sales	35	18	47	35
Other operation and maintenance	196	201	410	405
Depreciation and amortization	93	85	182	172
Other taxes	105	89	197	179
Deferred electric service costs	(63)	(57)	(82)	(84)
Effect of settlement of Mirant bankruptcy claims	-	-	-	(14)
Total Operating Expenses	1,443	1,522	3,131	3,418
<b>Operating Income</b>	193	144	324	285
<b>Other Income (Expenses)</b>				
Interest and dividend income	-	1	-	2
Interest expense	(89)	(87)	(172)	(169)
Gain (loss) from equity investments	-	2	(1)	1
Other income	5	4	11	8
Other expenses	-	(1)	-	(1)
Total Other Expenses	(84)	(81)	(162)	(159)
<b>Income from Continuing Operations Before Income Tax Expense</b>	109	63	162	126
<b>Income Tax Expense related to Continuing Operations</b>	33	24	58	46
<b>Net Income from Continuing Operations</b>	76	39	104	80
<b>Loss from Discontinued Operations, net of Income Taxes</b>	(130)	(14)	(122)	(10)
<b>Net (Loss) Income</b>	(54)	25	(18)	70
<b>Retained Earnings at Beginning of Period</b>	1,244	1,257	1,268	1,271
Dividends paid on common stock	(60)	(60)	(120)	(119)
<b>Retained Earnings at End of Period</b>	\$ 1,130	\$ 1,222	\$ 1,130	\$ 1,222
<b>Basic and Diluted Share Information</b>				
Weighted average shares outstanding (millions)	223	220	223	220
Earnings per share of common stock from Continuing Operations	\$ .34	\$ .18	\$ .47	\$ .37
Loss per share of common stock from Discontinued Operations	(.58)	(.07)	(.55)	(.05)
Basic and diluted (loss) earnings per share	\$ (.24)	\$ .11	\$ (.08)	\$ .32

**PEPCO HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30, 2010	December 31, 2009
	<i>(millions of dollars)</i>	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents .....	\$ 34	\$ 44
Restricted cash equivalents .....	9	11
Accounts receivable, less allowance for uncollectible accounts of \$49 million and \$44 million, respectively .....	1,034	1,019
Inventories .....	129	124
Derivative assets .....	30	22
Prepayments of income taxes.....	154	167
Deferred income tax assets, net .....	109	126
Prepaid expenses and other .....	84	67
Conectiv Energy assets held for sale .....	281	346
Total Current Assets .....	<u>1,864</u>	<u>1,926</u>
<b>INVESTMENTS AND OTHER ASSETS</b>		
Goodwill .....	1,407	1,407
Regulatory assets .....	1,804	1,801
Investment in finance leases held in trust .....	1,396	1,386
Income taxes receivable .....	134	141
Restricted cash equivalents .....	3	4
Assets and accrued interest related to uncertain tax positions .....	14	12
Derivative assets .....	10	16
Other .....	193	194
Conectiv Energy assets held for sale .....	19	29
Total Investments and Other Assets .....	<u>4,980</u>	<u>4,990</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Property, plant and equipment .....	11,745	11,431
Accumulated depreciation .....	(4,303)	(4,190)
Net Property, Plant and Equipment .....	<u>7,442</u>	<u>7,241</u>
Conectiv Energy assets held for sale .....	<u>1,587</u>	<u>1,622</u>
Total Property, Plant and Equipment .....	<u>9,029</u>	<u>8,863</u>
<b>TOTAL ASSETS</b> .....	<u>\$ 15,873</u>	<u>\$ 15,779</u>

**PEPCO HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(Unaudited)

	June 30, 2010	December 31, 2009
	<i>(millions of dollars, except shares)</i>	
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Short-term debt .....	\$ 988	\$ 530
Current portion of long-term debt and project funding .....	1,051	536
Accounts payable and accrued liabilities .....	649	574
Capital lease obligations due within one year .....	7	7
Taxes accrued .....	99	47
Interest accrued .....	68	68
Derivative liabilities .....	73	67
Other .....	302	282
Liabilities associated with Conectiv Energy assets held for sale .....	164	191
Total Current Liabilities .....	<u>3,401</u>	<u>2,302</u>
<b>DEFERRED CREDITS</b>		
Regulatory liabilities .....	536	613
Deferred income taxes, net .....	2,604	2,600
Investment tax credits .....	33	35
Pension benefit obligation .....	283	290
Other postretirement benefit obligations .....	416	409
Income taxes payable .....	7	5
Liabilities and accrued interest related to uncertain tax positions .....	94	96
Derivative liabilities .....	41	54
Other .....	156	147
Liabilities associated with Conectiv Energy assets held for sale .....	23	19
Total Deferred Credits .....	<u>4,193</u>	<u>4,268</u>
<b>LONG-TERM LIABILITIES</b>		
Long-term debt .....	3,595	4,470
Transition bonds issued by ACE Funding .....	351	368
Long-term project funding .....	16	17
Capital lease obligations .....	89	92
Total Long-Term Liabilities .....	<u>4,051</u>	<u>4,947</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>EQUITY</b>		
Common stock, \$.01 par value – authorized 400,000,000 shares, 223,889,619 and 222,269,895 shares outstanding, respectively .....	2	2
Premium on stock and other capital contributions .....	3,251	3,227
Accumulated other comprehensive loss .....	(161)	(241)
Retained earnings .....	1,130	1,268
Total Shareholders' Equity .....	<u>4,222</u>	<u>4,256</u>
Non-controlling interest .....	6	6
Total Equity .....	<u>4,228</u>	<u>4,262</u>
<b>TOTAL LIABILITIES AND EQUITY .....</b>	<u><b>\$ 15,873</b></u>	<u><b>\$ 15,779</b></u>

## POWER DELIVERY - SALES AND REVENUES

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Power Delivery Sales (Gigawatt Hours)</b>				
<b>Regulated T&amp;D Electric Sales</b>				
Residential	3,773	3,448	8,650	8,222
Commercial and industrial	8,227	7,819	15,428	15,312
Other	56	56	124	126
<b>Total Regulated T&amp;D Electric Sales</b>	<u>12,056</u>	<u>11,323</u>	<u>24,202</u>	<u>23,660</u>
<b>Default Electricity Supply Sales</b>				
Residential	3,586	3,328	8,266	7,966
Commercial and industrial	1,749	2,148	3,504	4,620
Other	23	21	48	48
<b>Total Default Electricity Supply Sales</b>	<u>5,358</u>	<u>5,497</u>	<u>11,818</u>	<u>12,634</u>
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Power Delivery Electric Revenue (Millions of dollars)</b>				
<b>Regulated T&amp;D Electric Revenue</b>				
Residential	\$ 149	\$ 130	\$ 298	\$ 274
Commercial and industrial	224	202	407	382
Other	76	62	141	125
<b>Total Regulated T&amp;D Electric Revenue</b>	<u>\$ 449</u>	<u>\$ 394</u>	<u>\$ 846</u>	<u>\$ 781</u>
<b>Default Electricity Supply Revenue</b>				
Residential	\$ 418	\$ 383	\$ 939	\$ 900
Commercial and industrial	188	232	367	492
Other	40	27	95	86
<b>Total Default Electricity Supply Revenue</b>	<u>\$ 646</u>	<u>\$ 642</u>	<u>\$ 1,401</u>	<u>\$ 1,478</u>
<b>Other Electric Revenue</b>	\$ 18	\$ 19	\$ 33	\$ 37
<b>Total Electric Operating Revenue</b>	<u>\$ 1,113</u>	<u>\$ 1,055</u>	<u>\$ 2,280</u>	<u>\$ 2,296</u>
	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Power Delivery Gas Sales and Revenue</b>				
<b>Regulated Gas Sales (Bcf)</b>				
Residential	1	1	5	5
Commercial and industrial	1	-	3	3
Transportation and other	1	1	3	3
<b>Total Regulated Gas Sales</b>	<u>3</u>	<u>2</u>	<u>11</u>	<u>11</u>
<b>Regulated Gas Revenue (Millions of dollars)</b>				
Residential	\$ 14	\$ 17	\$ 69	\$ 92
Commercial and industrial	8	11	38	53
Transportation and other	2	2	4	4
<b>Total Regulated Gas Revenue</b>	<u>\$ 24</u>	<u>\$ 30</u>	<u>\$ 111</u>	<u>\$ 149</u>
<b>Other Gas Revenue</b>	<u>\$ 12</u>	<u>\$ 10</u>	<u>\$ 20</u>	<u>\$ 22</u>
<b>Total Gas Operating Revenue</b>	\$ 36	\$ 40	\$ 131	\$ 171
<b>Total Power Delivery Operating Revenue</b>	<u>\$ 1,149</u>	<u>\$ 1,095</u>	<u>\$ 2,411</u>	<u>\$ 2,467</u>

## POWER DELIVERY – CUSTOMERS

	June 30, 2010	June 30, 2009
<b>Regulated T&amp;D Electric Customers (in thousands)</b>		
Residential	1,628	1,614
Commercial and industrial	198	197
Other	2	2
<b>Total Regulated T&amp;D Electric Customers</b>	<b>1,828</b>	<b>1,813</b>

## Regulated Gas Customers (in thousands)

Residential	113	113
Commercial and industrial	9	9
Transportation and other	-	-
<b>Total Regulated Gas Customers</b>	<b>122</b>	<b>122</b>

## WEATHER DATA - CONSOLIDATED ELECTRIC SERVICE TERRITORY

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Heating Degree Days	286	410	2,593	2,846
20 Year Average	433	437	2,698	2,695
Percentage Difference from Average	-34%	-6%	-4%	6%
Percentage Difference from Prior Year	-30%		-9%	
Cooling Degree Days	611	346	611	346
20 Year Average	351	353	353	356
Percentage Difference from Average	74%	-2%	73%	-3%
Percentage Difference from Prior Year	77%		77%	

## PEPCO ENERGY SERVICES

### Operating Summary

(Millions of dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Retail Electric Sales (GWh)	3,116 <sup>(3)</sup>	4,594	6,417 <sup>(3)</sup>	9,388
<b>Retail Energy Supply <sup>(1)</sup></b>				
Operating Revenue <sup>(2)</sup>	\$ 442	\$ 530	\$ 951	\$ 1,156
Cost of Goods Sold <sup>(2)</sup>	406	489	878	1,085
Gross Margin	<u>36</u> <sup>(4)</sup>	<u>41</u>	<u>73</u> <sup>(5)</sup>	<u>71</u>
Operation and Maintenance Expenses	12	12	23	28
Depreciation	<u>3</u>	<u>3</u>	<u>6</u>	<u>5</u>
Operating Expenses	15	15	29	33
<b>Operating Income</b>	<b>21</b>	<b>26</b>	<b>44</b>	<b>38</b>
<b>Energy Services</b>				
Operating Revenue <sup>(2)</sup>	\$ 39	\$ 35	\$ 84	\$ 72
Cost of Goods Sold <sup>(2)</sup>	<u>26</u>	<u>21</u>	<u>57</u>	<u>45</u>
Gross Margin	13	14	27	27
Operation and Maintenance Expenses	8	8	16	14
Depreciation	<u>2</u>	<u>2</u>	<u>4</u>	<u>4</u>
Operating Expenses	10	10	20	18
<b>Operating Income</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>9</b>
Overhead Unallocated Cost	1	1	3	3
<b>Operating Income</b>	<b>\$ 23</b>	<b>\$ 29</b>	<b>\$ 48</b>	<b>\$ 44</b>

Notes:

- (1) Includes power generation.
- (2) Certain transactions among Pepco Energy Service businesses are not eliminated.
- (3) Retail electric sales decreased due to the continuing expiration of existing contracts in connection with the wind down of the retail electric and natural gas supply business.
- (4) Retail Energy Supply gross margin decreased due to lower retail electric customer loads due to the continuing expiration of existing retail supply contracts, partially offset by higher generation output due to warmer than normal weather.
- (5) Retail Energy Supply gross margin increased due to higher generation output due to warmer than normal weather, partially offset by lower retail electric customer loads due to the continuing expiration of existing retail supply contracts.