

\$173,100,000



Has sold
Ownership Interests in the Keystone
and Conemaugh Stations
To



The undersigned acted as exclusive
financial advisor to the Sellers in this
transaction



September 2006



A PHI Company

NEWS RELEASE

Contact: Betty Kennedy
609-625-5567 (office)
866-655-2237 (pager)
betty.kennedy@atlanticcityelectric.com
NYSE: POM

FOR IMMEDIATE RELEASE

www.atlanticcityelectric.com

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Media Contact: Betty Kennedy (609) 625-5567
Investor Contact: Donna Kinzel (302) 429-3004

Atlantic City Electric Sells Generation Assets

Mays Landing, N.J. — Atlantic City Electric Company, a subsidiary of Pepco Holdings, Inc. (NYSE:POM), today announced that it has reached an agreement to sell its interests in two jointly owned fossil fuel-fired generating plants to Duquesne Light Holdings Inc. for \$ 173.1 million.

The assets, located in western Pennsylvania, include 2.47 percent interest in Keystone Station, a jointly owned coal-fired generating plant located in Shelocta and 3.83 percent interest in Conemaugh Station, a jointly owned coal-fired generating plant located in New Florence, for a total of 108 megawatts.

Duquesne Light Holdings is the parent company of a Duquesne Light, an electric utility that serves more than 580,000 customers in southwestern Pennsylvania, and several affiliate companies including Duquesne Energy, an unregulated energy company.

The sale, subject to approval by the New Jersey Board of Public Utilities as well as other regulatory agencies and certain other legal conditions, is expected to be completed mid-year 2006.

Atlantic City Electric's generating assets were offered for sale in May 2005 through a competitive bidding process managed by Concentric Energy Advisors, Inc. (CEA) of Marlborough, Mass. Also offered in auction is Atlantic City Electric's 447 megawatt, coal and oil-fired B. L. England Generating Station, located in Cape May County, N. J. The auction on this unit still is in process and is expected to be completed by the end of the year or early in 2006.

(more)

Atlantic City Electric a public utility owned by Pepco Holdings, Inc. (NYSE: POM), provides safe, reliable and affordable regulated electric delivery services to more than 500,000 customers in southern New Jersey

FORWARD-LOOKING STATEMENTS

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

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