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NEWS RELEASE

FOR IMMEDIATE RELEASE
December 6, 2005

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PEPCO ENERGY SERVICES CHOSEN BY STATE OF NORTH CAROLINA TO IMPLEMENT LARGE ENERGY SAVINGS PERFORMANCE CONTRACT

ARLINGTON, VA – Pepco Energy Services, a subsidiary of Pepco Holdings, Inc. (NYSE: POM) and a leader in energy savings performance contracting, has been selected to implement a comprehensive energy efficiency and guaranteed savings contract by the North Carolina Department of Administration.

The project will provide the State with over \$25 million in guaranteed savings over the 12-year term. The contract calls for Pepco Energy Services to improve the energy efficiency of numerous state government buildings in Raleigh. As part of the performance contract, Pepco Energy Services will recommission and expand the downtown district cooling system; provide improvements to HVAC systems and controls; install energy efficient lighting systems; and implement water conservation measures to many government buildings in the State Capitol.

In January of this year, Pepco Energy Services was selected by the North Carolina Department of Administration from a group of eight energy service companies for the completion of an investment grade energy audit of the state government buildings complex. The investment grade audit was completed in August, and an energy services agreement to implement the project was signed in November.

“Pepco Energy Services has enjoyed working with the State of North Carolina over the last year and looks forward to providing the State with significant energy savings from this project,” said David Weiss, President of the Performance Management Group of Pepco Energy Services.

Since 1995, Pepco Energy Services has developed, implemented and financed over \$500 million of energy savings performance contracts for more than 200 customers, including the single largest energy savings performance contract ever awarded by the Federal Government—a project for the Military District of Washington which includes five military bases in the Washington, D.C. area that will produce over \$200 million of guaranteed energy savings.

Accredited by the National Association of Energy Service Companies (NAESCO), Pepco Energy Services has also completed energy savings performance contracts for many federal, state, and local government agencies. Most recently, it has completed projects at the Thomas B. Finan Hospital Center in Cumberland, Maryland for the Maryland Department of Health and Mental Hygiene and at K-12 school districts in Maryland, Pennsylvania, Virginia, and West Virginia. It has also completed projects at Howard University in Washington, D.C. and at Catawba College and St. Andrews Presbyterian College in North Carolina.

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About Pepco Energy Services

Pepco Energy Services, Inc., a wholly owned subsidiary of Pepco Holdings, Inc. (NYSE: POM), provides commercial, institutional, government and industrial customers with comprehensive energy management solutions, including the supply of electricity and natural gas, energy efficiency studies, fuel management services, heating, ventilation and air conditioning systems, lighting, onsite generation, project financing, and energy operations and maintenance services. In 2004, Pepco Energy Services generated revenues of more than \$1 billion from energy and energy-related services and has completed energy efficiency projects from North Carolina to Connecticut. Visit www.pepcoenergy.com for more information.

Pepco Energy Services, Inc. is not the same company as Potomac Electric Power Company, and prices and services of Pepco Energy Services, Inc. are not set by the Public Service Commission.

Information contained in this news release may include forward-looking statements which should be considered in light of the risks inherent in the business of Pepco Holdings, Inc. and its subsidiaries, as discussed in public documents filed with the Securities and Exchange Commission

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State Government

North Carolina Department of Administration

North Carolina State Government Complex, Raleigh NC

HIGHLIGHTS

- \$25 million Guaranteed Savings Over 12-year Contract Term
- Obtain Over \$21.5 million in New Infrastructure and Equipment
- Reduce Energy Consumption Approximately 20,000,000 kWh Annually
- NC DOA and Pepco Energy Pursuing Additional \$2.6 million in Project Scope
- Project covers approximately 2.5 million Square Feet

TECHNOLOGY HIGHLIGHTS

- New Chilled Water Plant
- New Thermal Energy Storage System
- Water Conservation
- Energy-efficient Lighting Systems
- HVAC Recommissioning
- Energy Management Controls Improvements



Customer Profile

Pepco Energy has been selected to implement a comprehensive energy efficiency and guaranteed savings contract by the North Carolina Department of Administration.

The project will provide the State with over \$25 million in guaranteed savings over the 12-year term. The contract calls for Pepco Energy to improve the energy efficiency of numerous state government buildings in Raleigh. As part of the performance contract, Pepco Energy will recommission and expand the downtown district cooling system; provide improvements to HVAC systems and controls; install energy-efficient lighting systems; and implement water conservation measures to many government buildings in the State Capitol.

In November 2005, the North Carolina Department of Administration (DOA) entered into a 12 year guaranteed energy savings performance contract with Pepco Energy addressing the immediate and long-term energy and infrastructure needs of 20 buildings in its downtown State Government Complex.

Project Description

The project scope includes: the design, installation, operation and maintenance of a new district cooling system serving 20 buildings within a multi-block region of downtown Raleigh; energy management controls improvements; re-commissioning/repair of various HVAC systems; installation of water conservation measures; and lighting efficiency improvements.

Project Dollar Amount (installed project costs); Source of Project Financing	\$21.5 Million Bank of America Finance
Primary ECMs Installed; ESCO Services Provided	Thermal Storage, High Efficiency Lighting, Chilled Water – District Cooling, HVAC Controls, Water Conservation
Construction Start & End Dates	Phase I - December 2005 to January 2007 Phase II – January 2007 to March 2008
Contract Start & End Dates	December 2005 to November 2007 and February 2007
Dollar Value and Type of Annual Operational Cost Savings (if applicable) (e.g., outside maintenance contracts, material savings, etc.)	\$2.4 Million in Energy and Water Utility Savings
Method(s) of Savings Measurement and Verification	IPMVP-Options A,B, C
Provide CURRENT and ACCURATE telephone and FAX numbers of the owner(s)' representatives with whom your firm did business on this project. You should ensure that all representatives are familiar with this project.	State Construction Office 301 North Wilmington Street, suite 450 Raleigh, NC 27601 Michael Hughes, PE – Asst. Director Phone: 919-807-4136 Fax: 919-807-4110 Email : michael.hughes@ncmail.net
Describe the specific roles and responsibilities of ESCO personnel associated with the identified project. Limit your response to only those personnel who will be directly involved in Customer's project.	Monjed Barakat, Kevin Gillespie, Ray DePew, Joe Christie, Jim Muncy, Bob LaRose, Bob Hollis, Chris Chrzanowski, John Fratangelo - responsible for all development, design, construction, M&V, and financing.