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NEWS RELEASE

FOR IMMEDIATE RELEASE
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PEPCO ENERGY SERVICES CHOSEN BY SALISBURY UNIVERSITY TO IMPLEMENT ENERGY SAVINGS PERFORMANCE CONTRACT

Project Will Provide Over \$5 Million in Guaranteed Savings

ARLINGTON, VA – Pepco Energy Services, a subsidiary of Pepco Holdings, Inc. (NYSE: POM) and a leader in energy savings performance contracting, will implement a comprehensive energy performance contracting program for Salisbury University, located on the Eastern Shore of Maryland.

The 15-year contract calls for Pepco Energy Services to provide energy conservation measures in the majority of buildings, dormitories and facilities on the Salisbury campus. As part of the performance contract, Pepco Energy Services will design and build a new central chilled water plant, install high-efficiency lighting, provide comprehensive upgrades of the plumbing fixtures and complete building envelope work on 45 buildings throughout the campus. Final design efforts are underway, and construction is expected to be completed by the end of 2007.

"Salisbury University is delighted that the implementation of these energy conservation measures will significantly reduce energy consumption campus-wide while lowering our annual operating costs by well over \$300,000 per year," said Greig Mitchell, Vice President of Administration and Finance at Salisbury University. "The energy saved would be sufficient to power over 1,600 homes annually."

"Pepco Energy Services is pleased to be providing Salisbury University with over \$5 million in guaranteed savings on this project and helping the environment in the process," said John Huffman, President and Chief Operating Officer of Pepco Energy Services.

"This project represents a truly collaborative effort between Salisbury University, the University System of Maryland, the Department of General Services and Pepco Energy Services. There is a tremendous focus on reducing energy costs and consumption throughout the State, and our project at Salisbury University directly addresses these initiatives and guarantees the results," added 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

- more -

Washington which includes Fort Meade, Maryland 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 and state government agencies. Most recently, it has completed projects with the National Institutes of Health, the Washington, D.C. Convention Center, Howard County, Maryland Public Schools, as well as at multiple K-12 school districts in Maryland, Pennsylvania, Virginia, and West Virginia.

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 competitive electricity and natural gas supply and energy efficiency services. Pepco Energy Services generates more than \$1 billion of revenue annually. 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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University

Salisbury University

Salisbury, MD

In Progress

HIGHLIGHTS

- Funding for the \$7.2 million dollar project comes from the guaranteed savings through the investment, as well as from residence hall renovation funding.

Customer Profile

Salisbury University is a four-year regionally accredited university offering 55 distinct undergraduate and graduate degree programs. The 140 acre campus is located on the Eastern Shore of Maryland.

Project Description

Pepco Energy Services is providing 17 energy conservation measures, including the replacement of aging mechanical equipment and or the installation of more efficient equipment in 14 buildings, the installation of tens of thousands more energy-efficient bulbs and lighting fixtures and the installation of energy "misers" on vending machines.

In addition, the project also involves upgrading approximately 1,700 plumbing fixtures to conserve 11,000 gallons of water annually and reducing excessive air and solar infiltration to building interiors in 38 locations.



Project Dollar Amount (installed project costs); Source of Project Financing	\$ 5,366,963
Primary ECMs Installed; ESCO Services Provided	High efficiency lighting, domestic water conservation, chester/choptank chiller, remove Perdue chiller and pipe from Holloway, Perdue AHUs, library AHU duct seal and enthalpy econ, motors and library CLg tower VFD, and natural gas rate switch at University Center. Install air-cooled condensers and replace evaporator, compressors, demand controlled ventilation, University Center heat exchanger, ward VFDs and AHU coil cleaning, building envelope, vending misers, Fulton chiller replacement, Fulton computer room chiller replacement, and Pokomoke chiller replacement.
Construction Start & End Dates	November 2006
Contract Start & End Dates	Estimated completion- September 2008
Dollar Value and Type of Annual Operational Cost Savings (if applicable) (e.g., outside maintenance contracts, material savings, etc.)	331,378
Method(s) of Savings Measurement and Verification	IPMVP Options A, B, C and D
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.	Mr. Kevin Mann Director of Physical Plant Salisbury University Camden Avenue Salisbury, MD 21801 410-543-6202
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.	Jeff Niesz, Brad Lowe, Tansu Sengezener, Chris Bozek, Tom Lang, Greg Warren, Bob LaRose - responsible for all development, design, construction, M&V, and financing.