



2013 Analyst Conference



Investing Today for a Brighter Tomorrow

March 14, 2013
New York, NY

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Some of the statements contained in today's presentation with respect to Pepco Holdings, Pepco, Delmarva Power and Atlantic City Electric, including each of their respective subsidiaries, are forward-looking statements within the meaning of the U.S. federal securities laws and are subject to the safe harbor created thereby under the Private Securities Litigation Reform Act of 1995. These statements include declarations regarding the intents, beliefs and current expectations of one or more of PHI, Pepco, DPL or ACE (each a Reporting Company) or their subsidiaries. In some cases you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "could," "expects," "intends," "assumes," "seeks to," "plans," "anticipates," "believes," "projects," "estimates," "predicts," "potential," "future," "goal," "objective," or "continue", the negative or other variations of such terms, or comparable terminology, or by discussions of strategy that involve risks and uncertainties. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause one or more Reporting Companies' or their subsidiaries' 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. Therefore, forward-looking statements are not guarantees or assurances of future performance, and actual results could differ materially from those indicated by the forward-looking statements. These forward-looking statements are qualified in their entirety by, and should be read together with, the risk factors included in the "Risk Factors" section and other statements in each Reporting Company's annual report on Form 10-K for the year ended December 31, 2012 filed on March 1, 2013 and other Securities and Exchange Commission (SEC) filings, and investors should refer to these risk factor sections and such other statements. All such factors are difficult to predict, contain uncertainties, are beyond each Reporting Company's or its subsidiaries' control and may cause actual results to differ materially from those contained in the forward-looking statements. Any forward-looking statements speak only as to the date of this presentation and none of the Reporting Companies undertakes an obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for a Reporting Company to predict all such factors. Furthermore, it may not be possible to assess the impact of any such factor on such Reporting Company's or its subsidiaries' business (viewed independently or together with the business or businesses of some or all of the other Reporting Companies or their subsidiaries) or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. Any specific factors that may be provided should not be construed as exhaustive.

PHI routinely makes available important information with respect to each Reporting Company, including copies of each Reporting Company's annual, periodic and current reports filed or furnished with the SEC under the Securities Exchange Act of 1934, on PHI's website at <http://www.pepcoholdings.com/investors>. PHI recognizes its website as a key channel of distribution to reach public investors and as a means of disclosing material non-public information to comply with each Reporting Company's disclosure obligations under SEC Regulation FD.

PHI discloses net income from continuing operations and related per share data (both as historical information and earnings guidance) excluding certain items (non-GAAP financial information) because management believes that these items are not representative of PHI's ongoing business operations. Management uses this information, and believes that such information is useful to investors, in evaluating PHI's period-over-period performance. The inclusion of this disclosure is intended to complement, and should not be considered as an alternative to, PHI's reported net income from continuing operations and related per share data in accordance with accounting principles generally accepted in the United States (GAAP).

Today's Agenda

- | | |
|----------------------------------|----------------|
| ■ Opening Remarks | Fred Boyle |
| ■ Strategic Overview | Joe Rigby |
| ■ Power Delivery Overview | Dave Velazquez |
| ■ Regulatory Overview | Fred Boyle |
| ■ Pepco Energy Services Overview | John Huffman |
| ■ Financial Overview | Fred Boyle |
| ■ Closing Remarks | Joe Rigby |

Investing Today for a Brighter Tomorrow

Joe Rigby, Chairman, President & Chief Executive Officer

PHI Overview

Power Delivery



A PHI Company



A PHI Company



A PHI Company

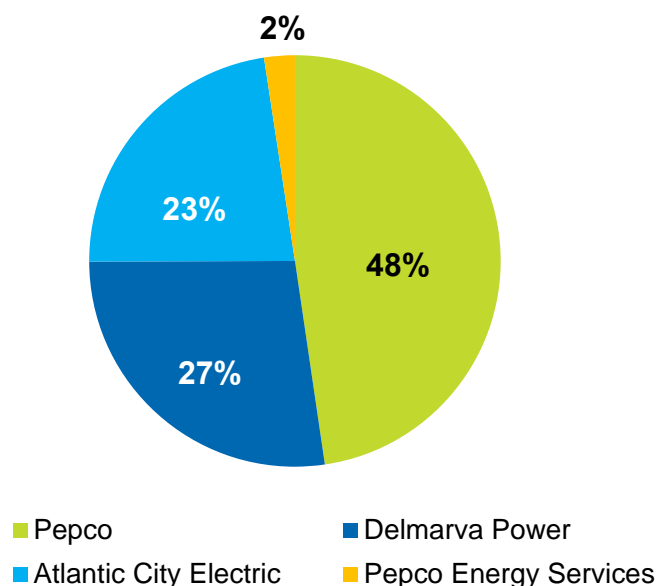
- Invest in T&D infrastructure
- Achieve operational excellence, focused on reliability and meeting customer expectations
- Implement Smart Grid
- Achieve reasonable regulatory outcomes

Pepco Energy Services



- Maintain profitable business while preserving potential upside as energy services market improves

Operating Income Business Mix
Forecasted 2013 - 2017



Achievements Since Our Last Meeting

- Significant improvement in reliability and customer satisfaction
- Strong restoration performance grades across all service territories after Hurricane Sandy
- Expanded constructive dialogue with regulators and legislators
- Solid 2012 financial performance
- Managed several challenges with revamped corporate communications team
- Completed senior level transitions

We Are Managing Today's Challenges

Reducing Regulatory Lag

- File and complete rate cases in each jurisdiction
- Pursue alternative ratemaking mechanisms/approaches
- Continue outreach to key stakeholders on critical issues
- Pursue resolution of consolidated tax adjustment issue through generic proceeding in NJ

Meeting Customer Expectations

- Continue focus on improving reliability, operational excellence and customer service
- Complete \$1.2 billion investment in T&D infrastructure
- Continue to implement the smart grid, including dynamic pricing
- Advance system hardening discussions in MD and DC, including undergrounding

Addressing Cross-Border Lease Matter

- Implementing cross-border energy lease resolution plan, expect to realize incremental cash

Addressing Lower PES Earnings

- Reduced PES cost structure to profitably preserve upside until the energy services market rebounds

2013 – Our Priorities Are Clear

■ Operational/Customer

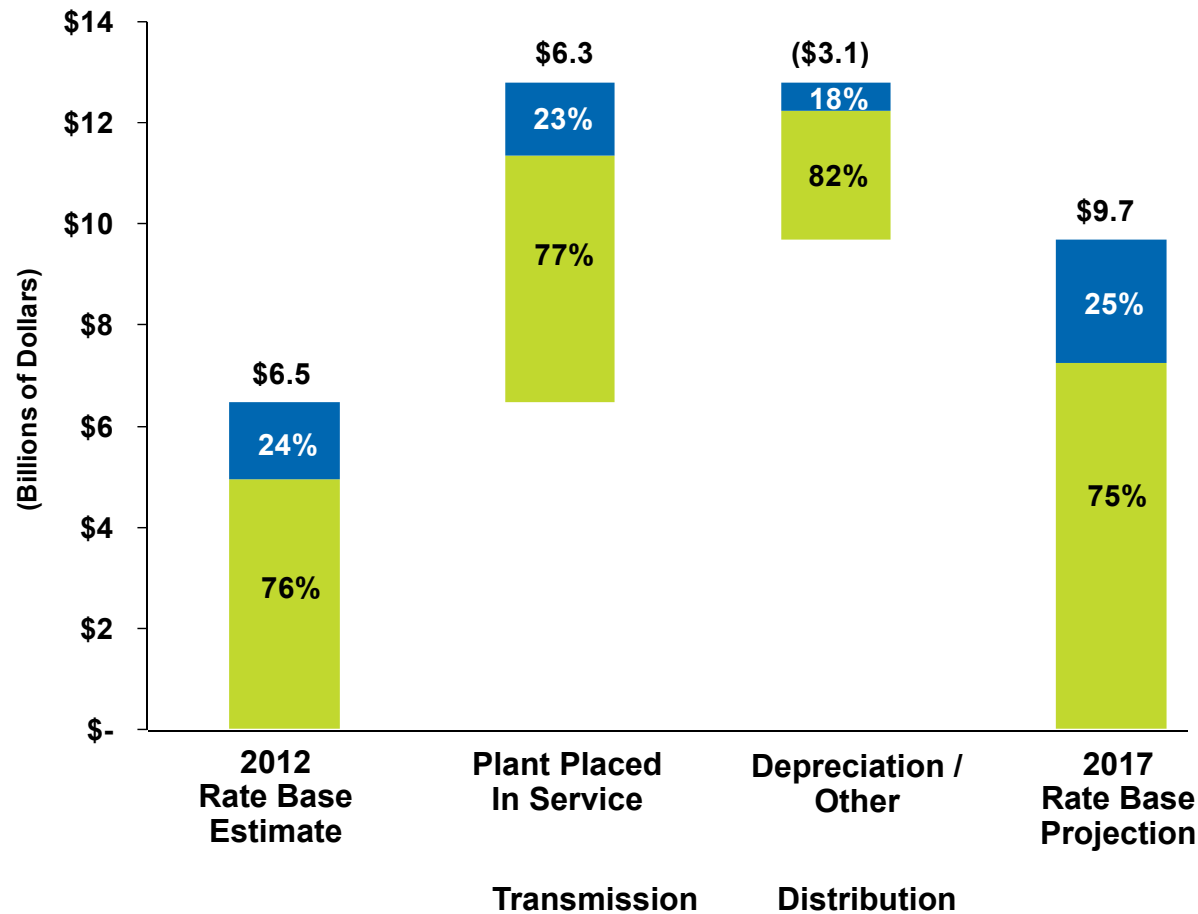
- Execute the construction and maintenance plan
- Complete the deployment of the Smart Grid
- Make significant progress on new Customer Information System
- Meet our customers' expectations

■ Financial

- Increase rate base
- Execute the regulatory plan
- Maintain solid credit metrics and ample liquidity
- Stable earnings and secure dividend

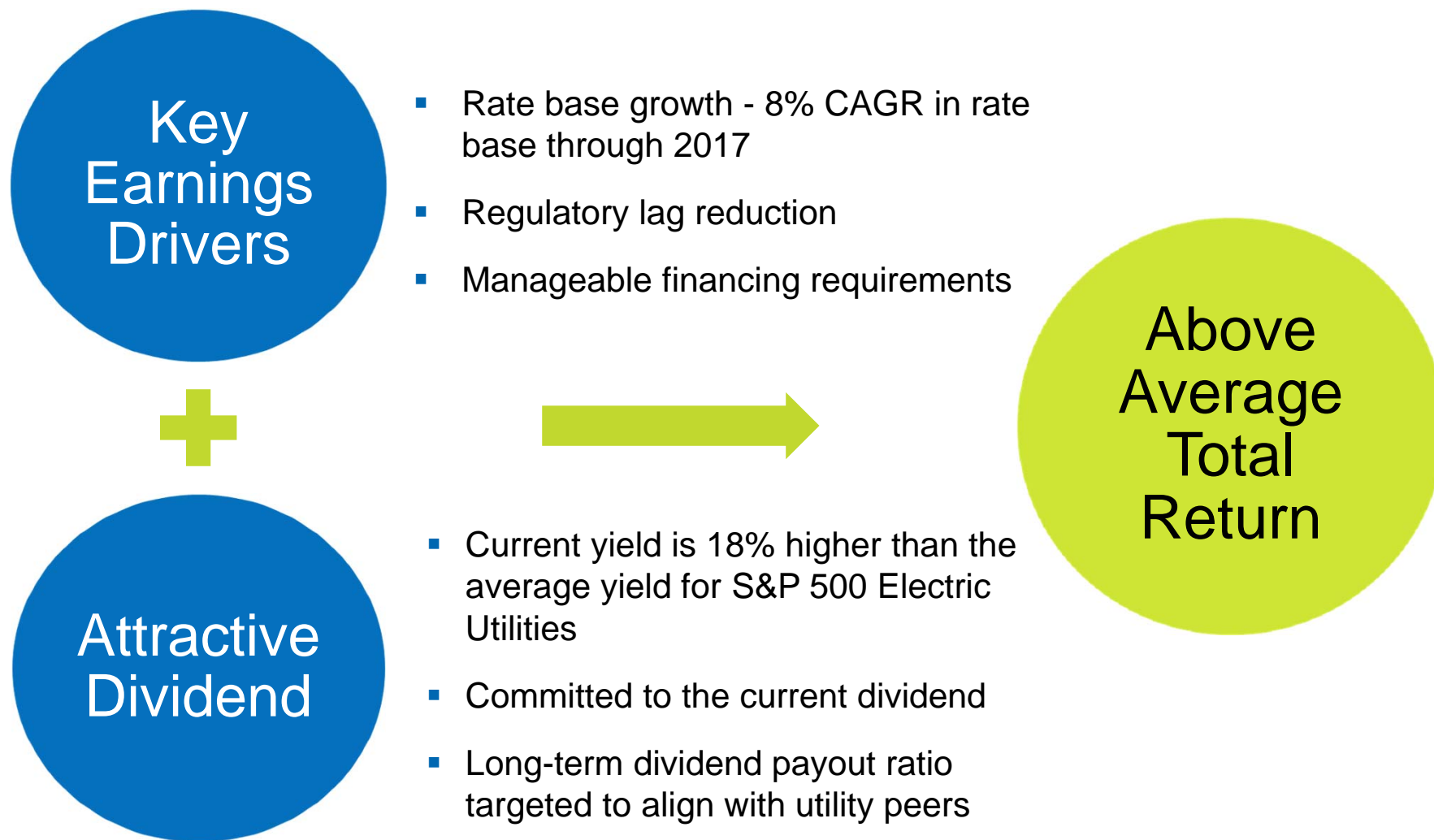
Our regulated business model positions us to meet these objectives

Strong T&D Infrastructure Growth



Rate base expected to increase ~ 50% by 2017
Investment focused on reliability and operational excellence

PHI Value Proposition – Poised for Above Average Total Return







Investing Today for a Brighter Tomorrow

Joe Rigby, Chairman, President & Chief Executive Officer

Power Delivery Overview

Dave Velazquez, Executive Vice President, Power Delivery

Business Overview – Power Delivery

Operating Company	Service	Customers	GWh	Bcf	Service Area	Population	Combined Service Territory
 A PHI Company	Electric	793,000	26,006	N/A	640 square miles – District of Columbia, major portions of Prince George's and Montgomery Counties in Maryland	2.2 Million	
 A PHI Company	Electric	503,000	12,641	N/A	5,000 square miles – Delmarva Peninsula	1.4 Million	
	Gas	125,000	N/A	17	275 square miles – Northern Delaware	.5 Million	
 A PHI Company	Electric	545,000	9,495	N/A	2,700 square miles – Southern one-third of New Jersey	1.1 Million	
Totals		1,966,000	48,142	17	8,340 square miles		

2012 Annual Data

2012 Highlights










- Continued executing our reliability enhancement plans in Pepco, Atlantic City Electric and Delmarva Power
- Completed approximately \$1.2 billion in transmission and distribution infrastructure projects
- Realized 24% reduction in the number of outages and 26% reduction in the average duration of outages during 2012 across all of PHI
- Improved reliability, emergency response and customer communications evident during the derecho and Hurricane Sandy restoration efforts
- Realized significant improvement in customer satisfaction levels by year end
- Installed 1 millionth smart meter; activation completed in Delaware, 91% activated in the District of Columbia, and 57% activated in Pepco - Maryland
- Concluded 5 distribution base rate cases and filed 3 additional cases

*We have made progress on delivering value
to our customers, with more work ahead*

Customer Satisfaction Improvements

- PHI uses an independent firm (Market Strategies, Inc.) to survey its customers on a quarterly basis.
- Overall satisfaction has increased at all 3 utilities since 2011. PHI's customer satisfaction score has increased 9 percentage points since fall 2011.
- Of the key drivers for customer satisfaction, reliability and restoration performance are the most important to customers. Customer satisfaction in this area is improving, with high scores for Delmarva Power (92%) and Atlantic City Electric (89%), and increasing scores for Pepco (75%).
- In a recent JD Power survey on Hurricane Sandy performance, Atlantic City Electric was recognized for storm restoration and communications efforts. Atlantic City Electric, Delmarva Power, and Pepco all received above average ratings.
- In JD Power's 2012 survey, Delmarva Power and Atlantic City Electric scored well, ranking 3rd and 5th, respectively (Residential Customers East Region, Midsize Segment) out of 14 Utilities. Pepco's ranking improved, but still fell below average (Residential Customers East Region, Large Segment).

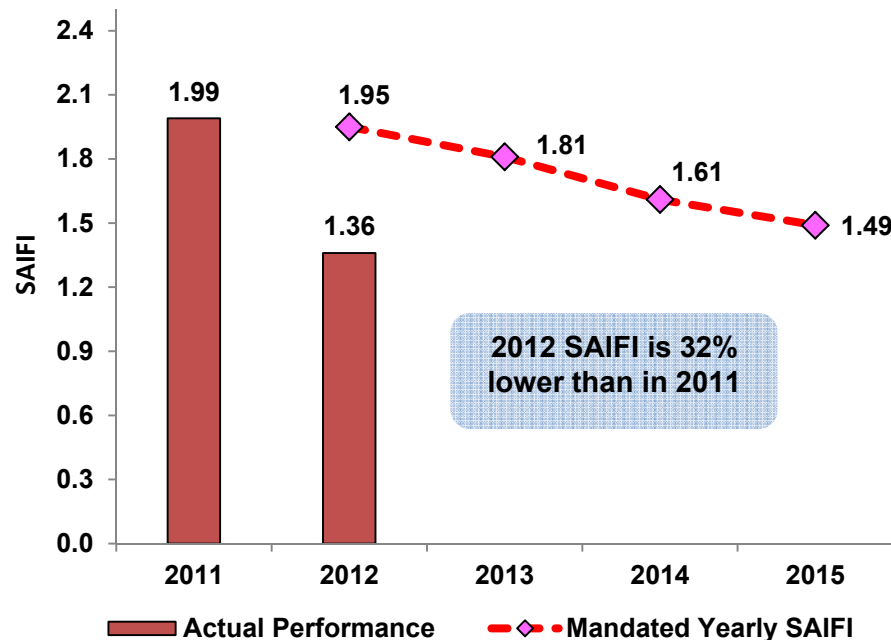
2012 Reliability Improvements⁽¹⁾⁽²⁾

	2011 SAIFI ⁽³⁾	2012 SAIFI ⁽³⁾	Number of Outages	2011 SAIDI ⁽⁴⁾	2012 SAIDI ⁽⁴⁾	Length of Outages
 atlantic city electric	1.73	1.32	 24%	185	124	 33%
 delmarva power	1.68	1.34	 21%	205	163	 21%
 pepco	1.67	1.24	 26%	189	141	 25%

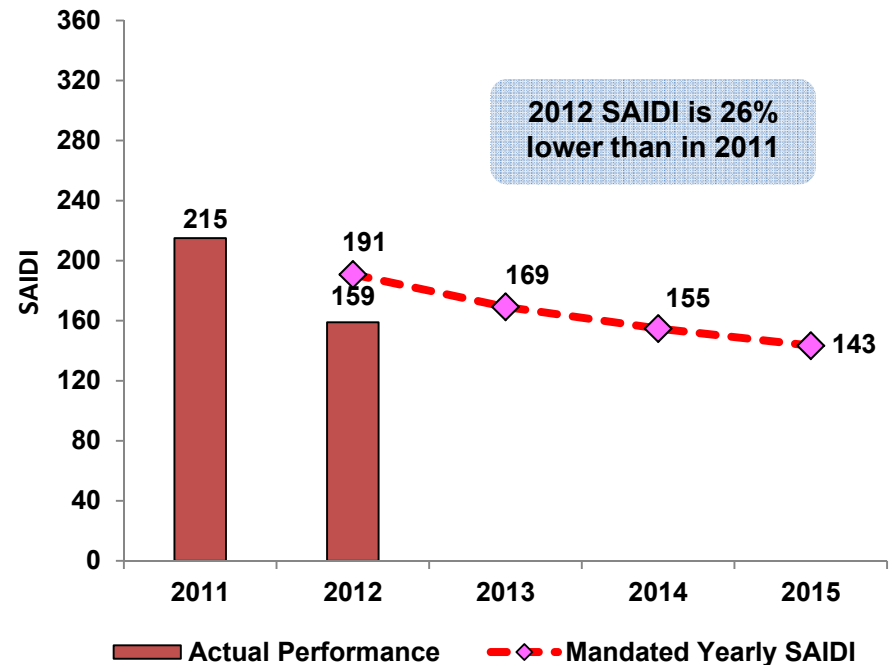
- (1) Excluding major event days as defined by Institute of Electrical and Electronics Engineers (IEEE) standards
- (2) Actual results rounded to two decimal places
- (3) SAIFI – System Average Interruption Frequency Index
- (4) SAIDI – System Average Interruption Duration Index (minutes)

Reliability Performance – Pepco’s MD Jurisdiction

Pepco-MD Performance vs. RM43 Standard
SAIFI Component (COMAR Exclusion)



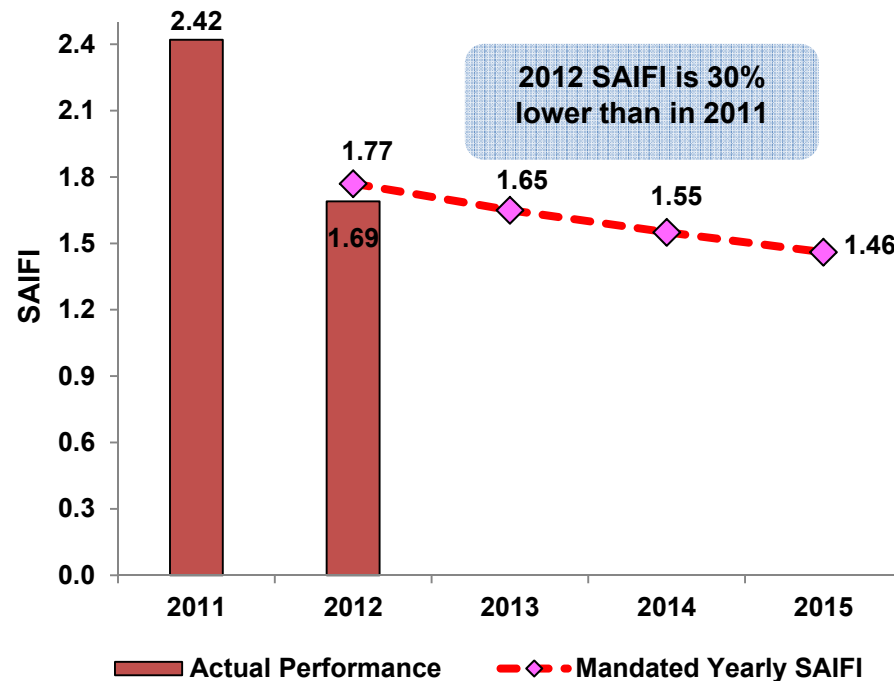
Pepco-MD Performance vs. RM43 Standard
SAIDI Component (COMAR Exclusion)



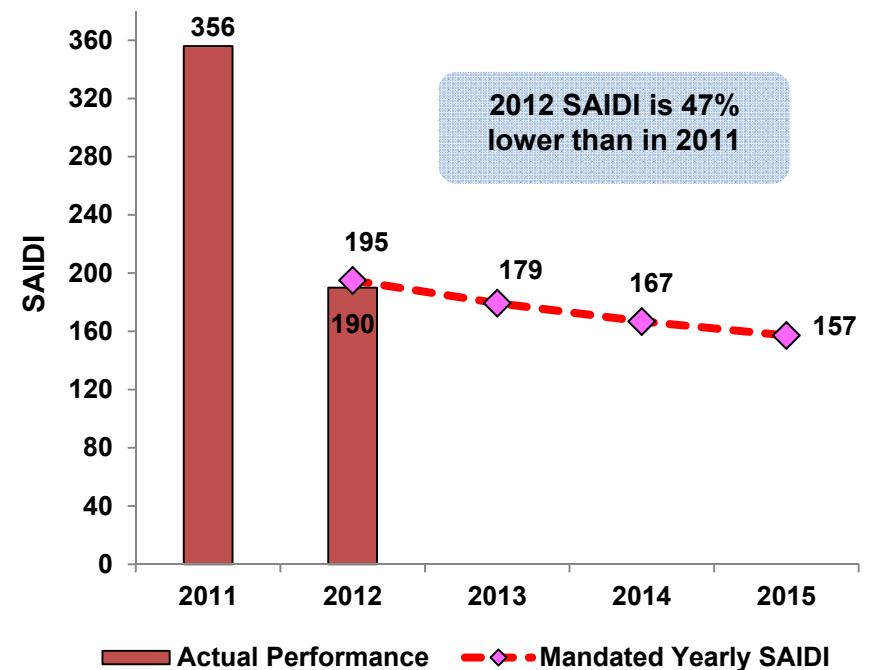
- Notes:
- In 2012, the MD PSC Rule Making (RM) 43, “Reliability and Service Quality Standards,” established reliability standards which the electric utilities are required to meet.
 - Code of Maryland Regulation (COMAR) defines which major events are excluded. This criteria differs from the IEEE criteria.

Reliability Performance – DPL’s MD Jurisdiction

Delmarva-MD Performance vs. RM43 Standard
SAIFI Component (COMAR Exclusion)



Delmarva-MD Performance vs. RM43 Standard
SAIDI Component (COMAR Exclusion)



- Notes:
- In 2012, the MD PSC Rule Making (RM) 43, “Reliability and Service Quality Standards,” established reliability standards which the electric utilities are required to meet.
 - Code of Maryland Regulation (COMAR) defines which major events are excluded. This criteria differs from the IEEE criteria.

Storm Response – Derecho and Hurricane Sandy

“Few people realize the effort it took to restore power to the region after powerful storms”

7.8.12

pressofAtlanticCity

“This was pretty good compared to previous Storm. I want to personally thank Pepco. They brought in a large number of crews. I've criticized them in the past and said their performance was unacceptable, but when you look at the preparation this time, the number of outside crews they brought in, the communication, I thought was far far better.”

**- Montgomery County Executive
Ike Leggett 10.31.12**



Source: Press of Atlantic City

“It’s a hard job, but just really grateful for all of you for the outstanding job that you did, and for the great work that you do all the time.”

**- Delaware Governor Markell,
Facebook – Video, during
DPL Visit**

“I think it’s also very important to say that I really think that Pepco was ready. Pepco has done a great job. I don’t know what they could have done better.”

**- D.C. Mayor Vincent Gray
Washington Examiner 10.31.12**

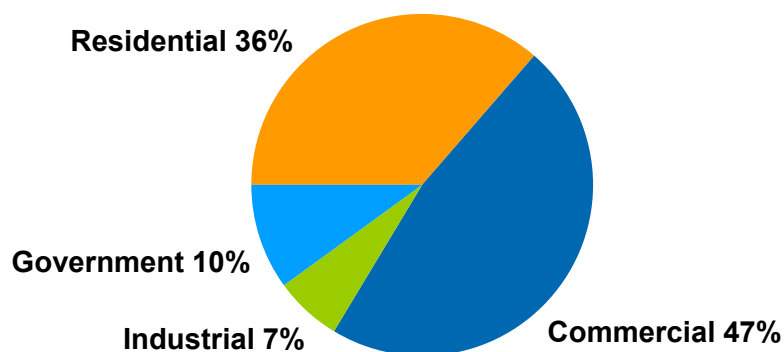
2013 Focus – Continuing to Build on 2012 Progress

- Improving reliability and customer service
- Investing in transmission and distribution infrastructure
- Implementing Smart Grid
 - Continue deployment and activation of smart meters in the Pepco and Delmarva Power regions
 - Continue rolling out first phase of customer benefits
 - Begin wide-spread roll-out of dynamic pricing
- Executing our regulatory strategy

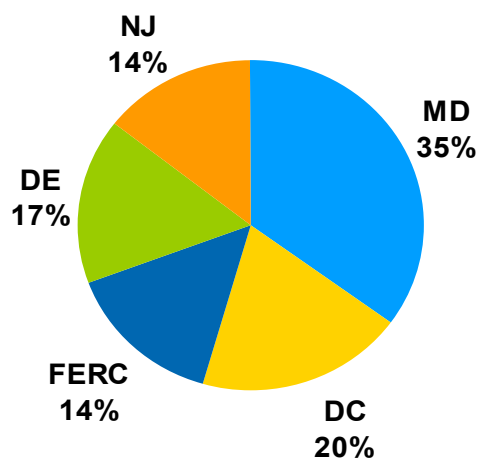
We remain focused on meeting our customers' expectations

PHI Service Territory

Customer Diversity, 2012 Electric Sales



Regulatory Diversity, 2012 Revenues



Near Term Economic Outlook is Mixed

Pepco

- Least affected by recession and tracking national employment trends which show annual employment growth of 1.4%
- Presence of federal government helps reduce economic volatility in the region
- However, sequestration may have a temporary negative impact on sales
- Real personal disposable income growing at 2.0% annual rate

DPL

- Employment growth was flat in 2012, but is expected to increase and track national employment trends going forward
- Philadelphia Fed Manufacturing Survey and local investments by corporations support hiring of new manufacturing employees
- Real personal disposable income growing at 1.0% annual rate

ACE

- Slower recovery; lagging national trends
- Casino development in Atlantic City has not produced net new jobs, new Revel casino has filed for bankruptcy
- Reconstruction following Hurricane Sandy should be completed by Memorial Day
- Real personal disposable income growing at 1.0% annual rate

Source: U.S. Bureau of Labor Statistics

Sales and Customer Growth

	<u>Sales (GWh)</u>			<u>Forecasted Compound Annual Growth Rate</u>			
	2011	2012	2013	<u>Sales</u>		<u>Customer</u>	
				2012 - 2013	2013 - 2017	2012 - 2013	2013 - 2017
	Actual*	Actual*	Projected				
Pepco	26,622	26,021	26,376	1.4%	0.5%	1.3%	0.8%
Delmarva Power	12,586	12,732	12,852	0.9%	1.8%	1.0%	1.1%
Atlantic City Electric	9,577	9,429	9,646	2.3%	0.6%	1.3%	0.8%
Total Power Delivery	48,785	48,182	48,874	1.4%	0.9%	1.2%	0.9%

* Weather Normalized

We expect long-term sales and customer growth of 0.9% per year

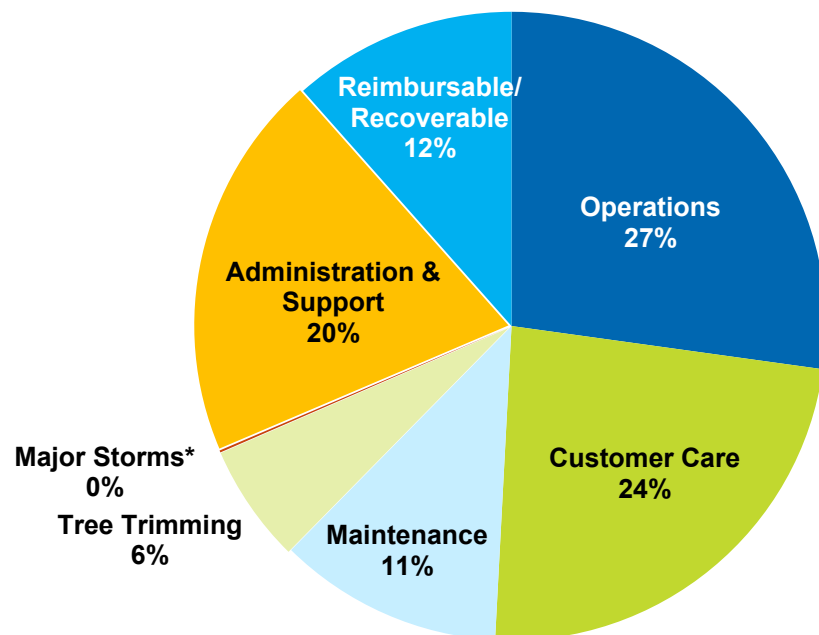
Note: See Appendix for detailed sales and customer growth forecasts.

Operation and Maintenance (O&M) Expense

<i>(Millions of Dollars)</i>	2011 Actual	2012 Actual	2013 Forecast
Utility O&M	\$ 767	\$ 796	\$750 - \$780
Major Storms (Incremental Costs) ⁽¹⁾	16	1	-
Environmental Remediation	2	-	-
Sub-Total	\$ 785	\$ 797	\$750 - \$780
Reimbursable/Recoverable ⁽²⁾	99	104	100
Total O&M	<u>\$ 884</u>	<u>\$ 901</u>	<u>\$850 - \$880</u>

- (1) 2012 is net of \$56 million of costs deferred as regulatory assets for 2012 storms and the establishment of a regulatory asset of \$9 million for the 2011 winter storm that had previously been expensed. 2011 is net of \$22 million of regulatory assets established for 2011 storms.
- (2) Includes various items that are customer reimbursed or recoverable through rates in the same year, including costs associated with default electricity supply, customer reimbursed service work, claims, Atlantic City Electric bad debt expense, and regulatory commission expenses.

2012 Operation and Maintenance Expense



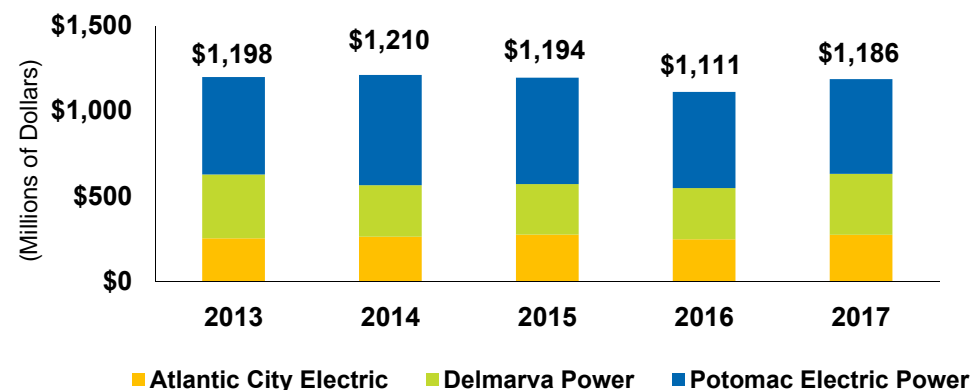
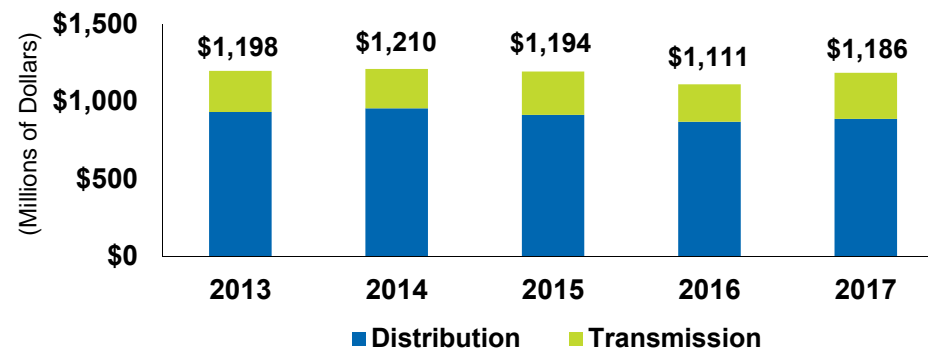
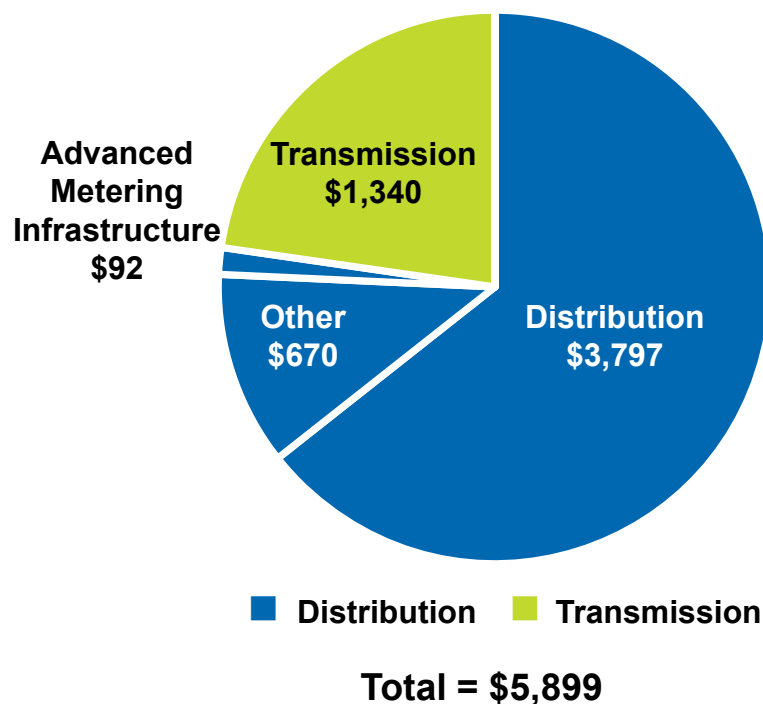
(Millions of Dollars)

	2012 Actual
Operations	\$ 245
Customer Care	213
Maintenance	104
Tree Trimming	55
Major Storms *	1
Administration & Support	179
Reimbursable / Recoverable	104
	<u>\$ 901</u>

* 2012 is net of \$56 million of costs deferred as regulatory assets for 2012 storms and the establishment of a regulatory asset of \$9 million for the 2011 winter storm that had previously been expensed.

Forecast Construction Expenditures – 2013 - 2017

(Millions of Dollars)

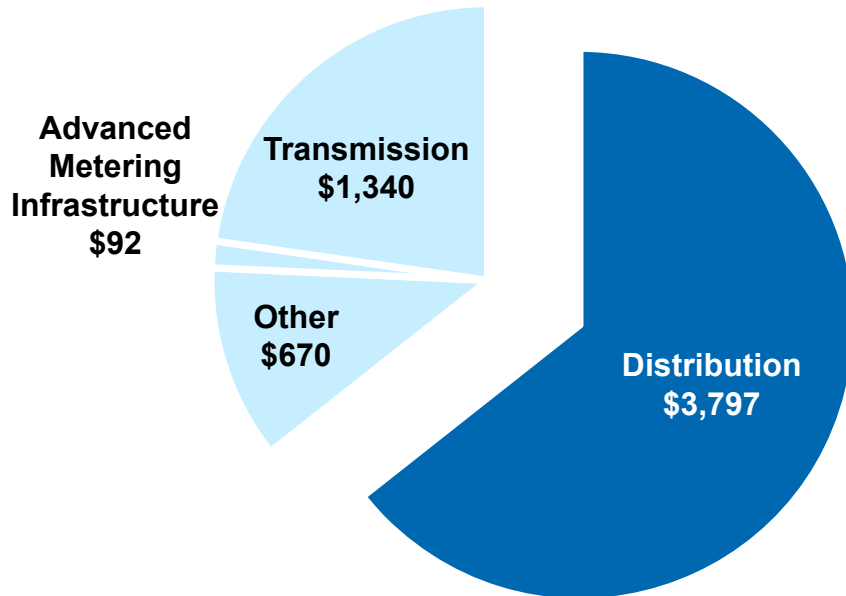


Note: Amounts are net of anticipated reimbursement pursuant to awards from the U.S. Department of Energy (DOE) under the American Recovery and Reinvestment Act of 2009 (ARRA)

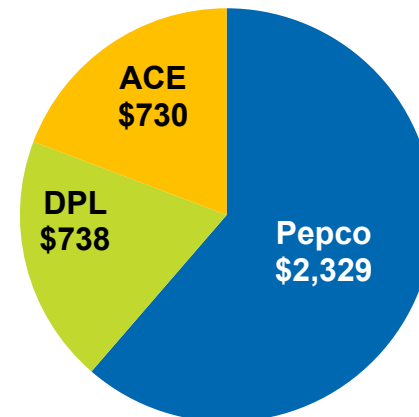
See Appendix for detailed construction forecast

Distribution Construction Expenditures – 2013 - 2017

(Millions of Dollars)



- Reliability and Aging Infrastructure (\$2,552M) – planned investment is expected to enable us to meet reliability standards in our jurisdictions
- Customer driven work (\$633M) – new service connections, meter installs, etc.
- Load growth (\$612M) – 17 new substations planned



Pepco Undergrounding Status – Maryland

- The Maryland rate case filed in December 2012 outlined a plan to underground certain distribution feeders:
 - Immediate recommendation to underground 6 distribution feeders (3 each in Montgomery and Prince George's counties)
 - Selection based on the 3 feeders in each county with the highest opportunity for improvement in both frequency and duration of outages
 - Undergrounding work to be performed during 2014 and 2015 at a combined cost of \$151 million
 - The filing also contained proposals to accelerate priority feeder work (\$12 million per year for 2 years), and tree trimming (\$17 million)
- In addition, the rate case filing:
 - Indicated that we are examining options for undergrounding portions of the 69kV supply lines that feed certain distribution substations
 - Outlined a five-year plan (approximately \$200 million per year) for continuing to underground additional distribution feeders

Pepco Undergrounding Status – District of Columbia

- The District of Columbia Power Line Undergrounding Task Force, which started in August 2012, continues its work
- The Technical Committee of the Task Force has recommended that the option that best balances cost and reliability improvement is to underground the primary (13 kV) portion of the electric system, leaving the secondary (less than 600 V) portion overhead
- An initial undergrounding program has been discussed that would cost approximately \$1.2 billion over the next 5 - 7 years

Smart Grid Activities

- Advanced Metering Infrastructure (AMI) – includes smart meters and communication and data infrastructure
- Customer applications – empowering customers
- Distribution automation – enables quicker power restoration
- Advanced transmission – includes synchrophasors
- Replacement of our legacy customer billing systems – “go live” scheduled for 2014
- Dynamic pricing
- Energy efficiency and demand response programs
- Renewable energy, electric vehicles and other distributed generation



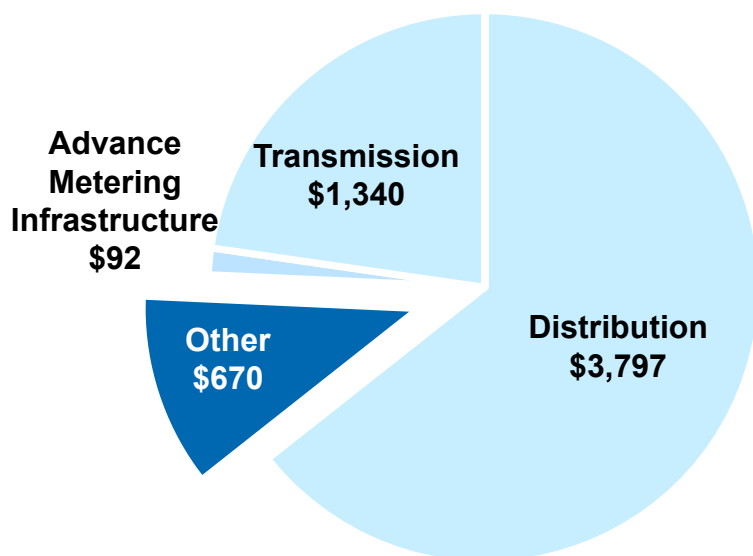
Advanced Metering Infrastructure (AMI) – Underway in Delaware, Maryland, and the District of Columbia

	DC	Pepco MD	Delmarva Power MD	DE
Electric meter installation*	<ul style="list-style-type: none"> 98% complete; to be completed 1Q2013 Regulatory asset approved 	<ul style="list-style-type: none"> 83% complete; to be completed 2Q2013 Regulatory asset approved 	<ul style="list-style-type: none"> Approved by Public Service Commission; installation expected to begin late 1Q2013 following approval of Customer Education Plan by PSC Regulatory asset approved 	<ul style="list-style-type: none"> Complete Regulatory asset approved
Electric meter activation	<ul style="list-style-type: none"> 91% of installed meters activated; to be completed 1Q2013 	<ul style="list-style-type: none"> 57% of installed meters activated; to be completed 3Q2013 	<ul style="list-style-type: none"> Will begin 3Q2013 	<ul style="list-style-type: none"> Complete
AMI Customer Benefits – When did they start?	<ul style="list-style-type: none"> Online access to energy usage data – 2011 Outage detection – 2011 Online Bill to Date & Projected Bill – 2011 	<ul style="list-style-type: none"> Online access to energy usage data – 2011 Outage detection – 2011 Online Bill to Date & Projected Bill – 2011 	<ul style="list-style-type: none"> Benefits will begin 3Q2013 	<ul style="list-style-type: none"> Online access to energy usage data – 2010 Outage detection – 2010 Online Bill to Date & Projected Bill – 2011
Critical Peak Rebate form of dynamic pricing*	<ul style="list-style-type: none"> Re-filing of application planned for 2Q2013 with residential implementation in 2014 	<ul style="list-style-type: none"> Approved; phase-in for residential customers began in 2012 	<ul style="list-style-type: none"> Approved in concept pending AMI deployment; expected implementation in 2014 following AMI deployment 	<ul style="list-style-type: none"> Approved; phase-in for residential customers began in 2012

* Deferred in New Jersey

Other Significant Construction Expenditures – 2013 - 2017

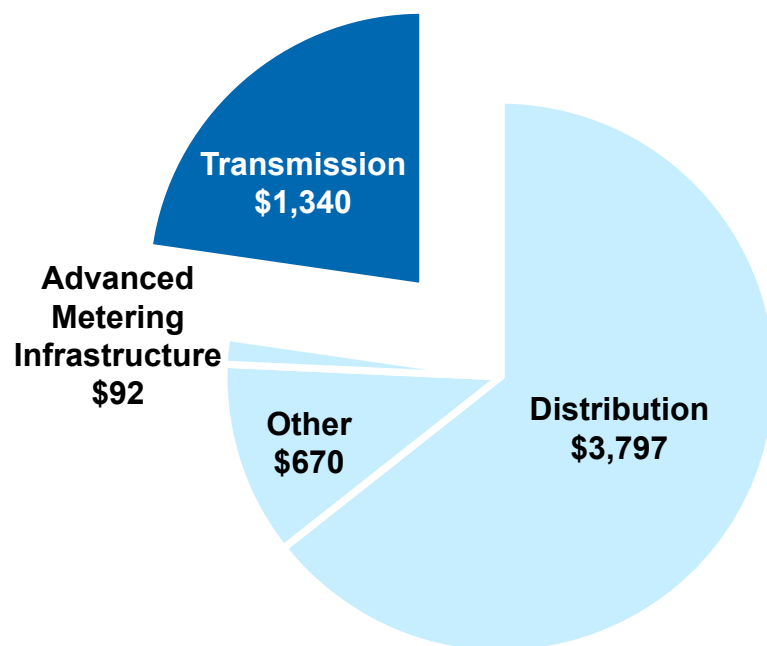
(Millions of Dollars)



Category	\$	Activity
Gas Delivery	\$140	Improvements associated with FERC gas transmission line regulations and replacement of aging infrastructure
Information Technology	\$112	System upgrades to IT infrastructure and business systems
Customer Relationship Management & Billing System	\$61	Replacement of 2 legacy billing and customer information systems
Facilities	\$124	Construction of new operating centers, upgrades and enhancements to existing facilities
Communications	\$225	Replacement and installation of new radio towers, radio spectrum and equipment for broadband wireless, simulcast radio upgrades
Other	\$8	Meter tools and general tools

Transmission Construction Expenditures – 2013 - 2017

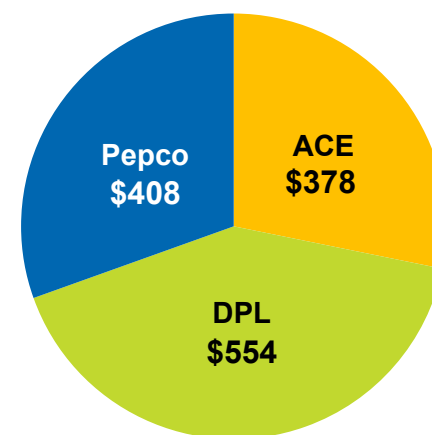
(Millions of Dollars)



Customer Driven	
Reliability	
Load	
PJM/ RTEP	
N-1-1 and Major Transmission Lines	
Transmission Line Upgrades	
Substation Transformer and Breaker Upgrades	
Miscellaneous Line and Substation Upgrades	
Total	

Total 2013 - 2017 Forecast

\$	22
	536
	194
	220
	130
	20
	218
\$	1,340



Power Delivery Business Outlook

- Continued improvement in operating performance – safety, reliability, storm response
- Leveraging technology to enhance customer service
- Over \$5.9 billion in planned infrastructure investment during the next five years
- Revenue growth through achieving reasonable regulatory outcomes and modest long-term customer and sales growth

***Providing value to our customers will result
in increased value to our investors***

Power Delivery Overview

Dave Velazquez, Executive Vice President, Power Delivery

Appendix

Construction Expenditure Forecast

<i>(Millions of Dollars)</i>	2013	2014	2015	2016	2017	Total
Distribution:						
Customer Driven (new service connections, meter installations, highway relocations)	\$ 116	\$ 128	\$ 131	\$ 127	\$ 131	\$ 633
Reliability and Aging Infrastructure (facility replacements/upgrades for system reliability)	529	527	520	494	486	2,556
DOE Reimbursement ¹	(4)	-	-	-	-	(4)
Load (new/upgraded facilities to support load growth)	88	146	133	132	113	612
Advanced Metering Infrastructure (AMI) ²	41	1	-	8	45	95
DOE Reimbursement ¹	(3)	-	-	-	-	(3)
Transmission:						
Customer Driven	7	2	3	5	5	22
Reliability (facility replacements/upgrades for system reliability)	97	137	133	102	67	536
Load and Other	162	115	144	135	226	782
Gas Delivery	26	28	28	28	30	140
Information Technology	21	25	18	24	24	112
Corporate Support and Other³	118	101	84	56	59	418
Total Power Delivery	\$ 1,198	\$ 1,210	\$ 1,194	\$ 1,111	\$ 1,186	\$ 5,899

- (1) Reflects the remaining anticipated reimbursement pursuant to awards from the U.S. DOE under the ARRA
- (2) Installation of AMI in New Jersey is contingent on regulatory approval
- (3) Corporate Support and Other category includes customer billing system (\$61M), facilities (\$124M), communications (\$225M), and other (\$8M)

Construction Expenditure Forecast

(Millions of Dollars)

Potomac Electric Power Company

	2013	2014	2015	2016	2017	Total
Distribution	\$ 409	\$ 511	\$ 497	\$ 472	\$ 443	\$ 2,332
Distribution – Advanced Metering	8	-	-	-	-	8
Transmission	103	76	88	58	83	408
Other	57	59	38	34	29	217
Less: DOE Capital Reimbursement Awards*	(6)	-	-	-	-	(6)
Total Pepco	\$ 571	\$ 646	\$ 623	\$ 564	\$ 555	\$ 2,959

Delmarva Power & Light Company

Distribution	\$ 159	\$ 144	\$ 141	\$ 145	\$ 149	\$ 738
Distribution - Advanced Metering	33	1	-	-	-	34
Transmission	110	94	99	103	148	554
Gas Delivery	26	28	28	28	30	140
Other	46	35	28	24	30	163
Total DPL	\$ 374	\$ 302	\$ 296	\$ 300	\$ 357	\$ 1,629

Atlantic City Electric Company

Distribution	\$ 165	\$ 146	\$ 146	\$ 136	\$ 138	\$ 731
Distribution - Advanced Metering	-	-	-	8	45	53
Transmission	53	84	93	81	67	378
Other	36	32	36	22	24	150
Less: DOE Capital Reimbursement Awards*	(1)	-	-	-	-	(1)
Total ACE	\$ 253	\$ 262	\$ 275	\$ 247	\$ 274	\$ 1,311

Power Delivery

Distribution	\$ 733	\$ 801	\$ 784	\$ 753	\$ 730	\$ 3,801
Distribution - Advanced Metering	41	1	-	8	45	95
Transmission	266	254	280	242	298	1,340
Gas Delivery	26	28	28	28	30	140
Other	139	126	102	80	83	530
Sub-Total	1,205	1,210	1,194	1,111	1,186	5,906
Less: DOE Capital Reimbursement Awards*	(7)	-	-	-	-	(7)

Total for Power Delivery Business	\$ 1,198	\$ 1,210	\$ 1,194	\$ 1,111	\$ 1,186	\$ 5,899
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* Reflects the remaining anticipated reimbursement pursuant to awards from the U.S. DOE under the ARRA

Forecast Construction Comparison

<i>(Millions of Dollars)</i>	2013	2014	2015	2016	2017
November 2011 *	\$ 1,044	\$ 1,082	\$ 1,023	\$ 1,327	N/A
October 2012 *	\$ 1,198	\$ 1,210	\$ 1,194	\$ 1,111	\$ 1,186
Change	\$ 154	\$ 128	\$ 171	\$ (216)	N/A

Change in Construction Forecast 2013-2016	
Key Drivers of Change:	
Distribution - Reliability and aging infrastructure initiatives	\$ 375
Distribution - Lower load and customer growth	(113)
AMI - Delay in implementation (DPL-MD - 2013, ACE - 2018)	(57)
Transmission - Refinement of transmission plan	(9)
MAPP - Termination of project by PJM	(200)
Other, net (facilities, communications and customer billing system)	241
Total	<u>\$ 237</u>

* Amounts are net of anticipated reimbursement pursuant to awards from the U.S. DOE under the ARRA

AMI and Demand Response and Energy Efficiency Cost Forecast

	Advanced Metering Infrastructure (AMI)					
	2013	2014	2015	2016	2017	Total
(Millions of Dollars)	Construction Cost					
Atlantic City Electric ⁽¹⁾	\$ -	\$ -	\$ -	\$ 8	\$ 45	\$ 53
Delmarva Power	32	1	-	-	-	33
Pepco	6	-	-	-	-	6
AMI System Improvements	3	-	-	-	-	3
Subtotal	\$ 41	\$ 1	\$ -	\$ 8	\$ 45	\$ 95
DOE Reimbursement ⁽²⁾	(3)	-	-	-	-	(3)
Total	\$ 38	\$ 1	\$ -	\$ 8	\$ 45	\$ 92
Demand Response and Energy Efficiency Expenditures ⁽³⁾						
	2013	2014	2015	2016	2017	Total
Pepco - District of Columbia	\$ 9	\$ 1	\$ -	\$ 1	\$ 1	\$ 12
Pepco - Maryland	77	80	64	65	66	352
Delmarva - Delaware	9	9	6	2	2	28
Delmarva - Maryland	22	26	23	22	22	115
Atlantic City Electric	2	1	1	1	1	6
Subtotal	119	117	94	91	92	513
DOE Reimbursement ⁽²⁾	(11)	-	-	-	-	(11)
Total	\$ 108	\$ 117	\$ 94	\$ 91	\$ 92	\$ 502

- (1) Installation of AMI in New Jersey is contingent on regulatory approval
- (2) Reflects the remaining anticipated reimbursement pursuant to awards from the U.S. DOE under the ARRA
- (3) Demand response and energy efficiency program costs are recorded as deferred regulatory assets or recovered through a surcharge

Electric Distribution Projected Sales

	2011 Actual*	2012 Actual*	2013 Projected	2014 Projected	2015 Projected	2016 Projected	2017 Projected
<i>(Sales in GWh)</i>							
Potomac Electric Power Company							
Residential	7,923	7,780	7,496	7,470	7,525	7,534	7,530
Commercial	18,539	18,082	18,716	18,721	18,917	19,110	19,237
Industrial	-	-	-	-	-	-	-
Other	160	159	164	165	165	164	162
Subtotal	26,622	26,021	26,376	26,356	26,607	26,808	26,929
Delmarva Power & Light Company							
Residential	5,136	5,126	5,120	5,156	5,279	5,378	5,461
Commercial	5,192	5,217	5,380	5,455	5,611	5,765	5,903
Industrial	2,209	2,339	2,303	2,302	2,380	2,423	2,427
Other	49	50	49	48	48	48	48
Subtotal	12,586	12,732	12,852	12,961	13,318	13,614	13,839
Atlantic City Electric Company							
Residential	4,414	4,300	4,434	4,508	4,573	4,578	4,591
Commercial	4,213	4,219	4,231	4,217	4,294	4,309	4,307
Industrial	903	861	933	925	934	939	942
Other	47	49	48	48	48	48	48
Subtotal	9,577	9,429	9,646	9,698	9,849	9,874	9,888
Total Power Delivery							
Residential	17,473	17,206	17,050	17,134	17,377	17,490	17,582
Commercial	27,944	27,518	28,327	28,393	28,822	29,184	29,447
Industrial	3,112	3,200	3,236	3,227	3,314	3,362	3,369
Other	256	258	261	261	261	260	258
Total	48,785	48,182	48,874	49,015	49,774	50,296	50,656

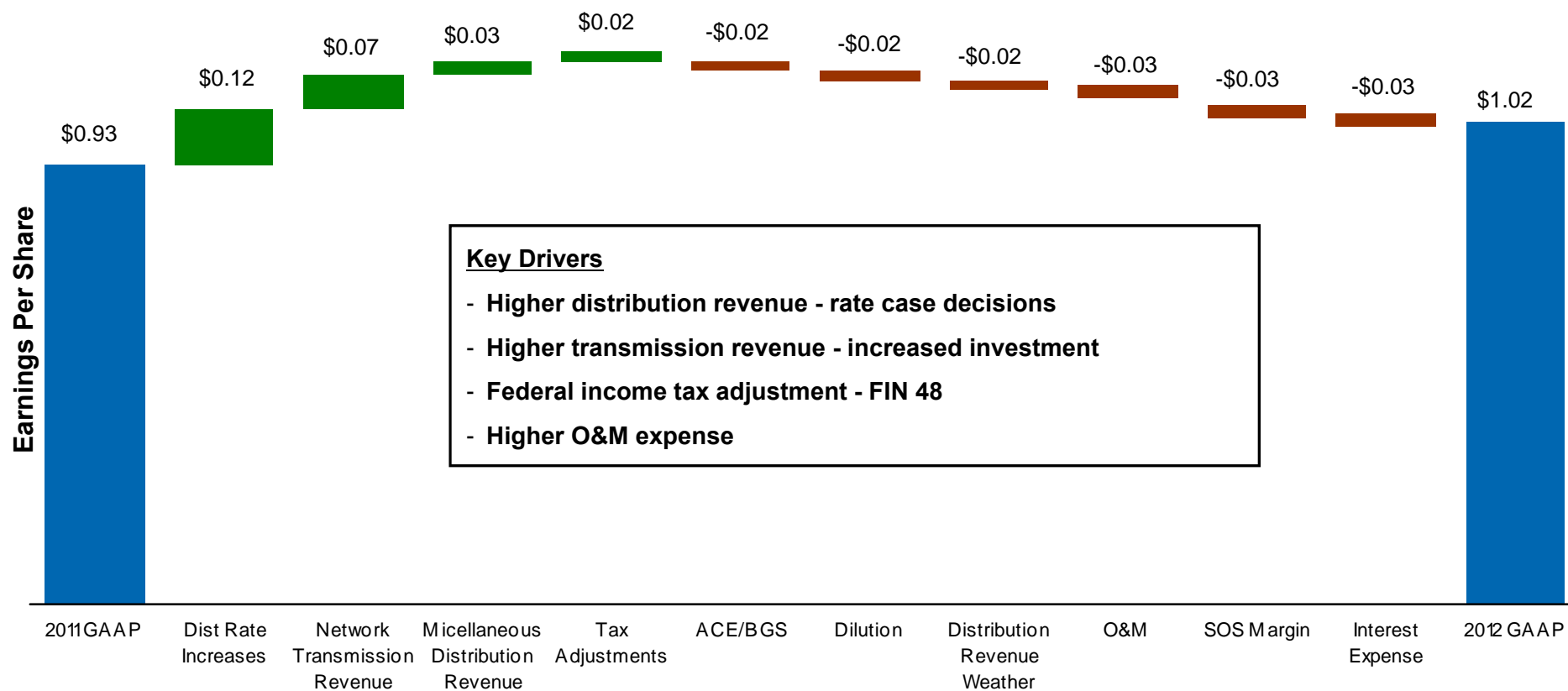
* Weather normalized

Residential Electric Distribution Projected Customers

		Electric Customers*						
		2011 Actual	2012 Actual	2013 Projected	2014 Projected	2015 Projected	2016 Projected	2017 Projected
Potomac Electric Power Company								
Residential		714,442	719,701	728,512	735,962	743,424	749,680	754,435
Annual Increase			0.7%	1.2%	1.0%	1.0%	0.8%	0.6%
Delmarva Power & Light Company								
Residential		441,049	442,235	446,472	451,198	456,340	461,534	466,041
Annual Increase			0.3%	1.0%	1.1%	1.1%	1.1%	1.0%
Atlantic City Electric Company								
Residential		481,499	478,956	485,126	488,964	492,805	496,606	500,346
Annual Increase			-0.5%	1.3%	0.8%	0.8%	0.8%	0.8%
Total Power Delivery								
Residential		1,636,990	1,640,892	1,660,110	1,676,124	1,692,569	1,707,820	1,720,822
Annual Increase			0.2%	1.2%	1.0%	1.0%	0.9%	0.8%

* End-of-period amounts

2012 Financial Performance – Power Delivery



Regulatory Overview

Fred Boyle, Senior Vice President & Chief Financial Officer

Executing Our Regulatory Strategy

- Continuing our work to improve customer service and reliability
- Continuing our focus on achieving timely recovery and fair returns
 - Filing rate cases every 9 - 12 months in each jurisdiction
 - Pursuing alternative ratemaking mechanisms/approaches
 - Educating the regulatory community and others on the topic of regulatory lag
- Demonstrated capability to manage simultaneous cases
- Leadership in emerging issues
- Highly experienced regulatory team, supplemented with strong new players

Accomplishments Since Our Last Analyst Conference

- Five distribution base rate case decisions received in 2012 authorizing a total annual increase of \$104 million
- Four active cases filed with two additional cases to be filed by end of March
- Annual transmission rate updated resulting in a total annual increase of \$40 million under FERC formula rate process, effective June 1, 2012
- Smart Grid initiatives
 - AMI – Significant progress in meter installation/activation; costs deferred as a regulatory asset for subsequent recovery
 - Dynamic Pricing – Implementation underway in Delmarva Power - Delaware and Pepco - Maryland; approved in concept in Delmarva Power - Maryland pending AMI implementation
 - Demand Response in all jurisdictions
 - Energy Efficiency programs in Maryland
- Pursuing alternative ratemaking mechanisms
- Engaged in system hardening discussions including undergrounding in Maryland and District of Columbia

Regulatory Environment

Positives

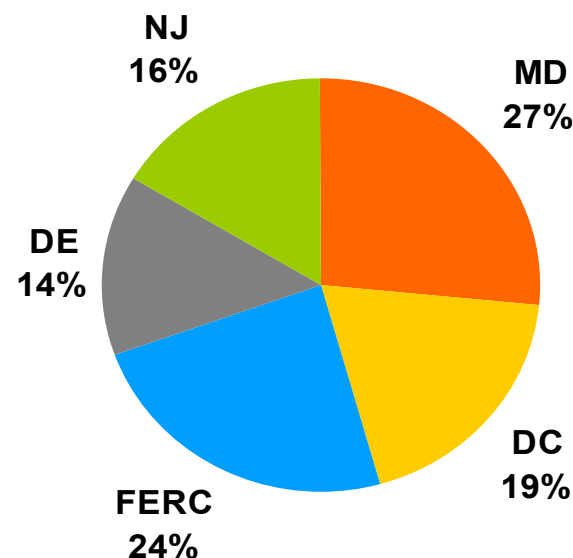
- Regulators have been supportive of cost recovery for AML, energy efficiency and demand response initiatives
- Reliability expectations have re-opened the discussions for alternative ratemaking mechanisms
- Formula rates in place at FERC

Challenges

- Regulatory lag in distribution business
 - *PHI response – Filing more often, revising our approach to presenting rate cases, pursuing alternative ratemaking mechanisms/approaches and educating the regulatory community on the topic of regulatory lag*
- Ever increasing customer expectations
 - *PHI response – Advancing infrastructure improvements and system maintenance aimed at reliability, as well as enhancing the emergency restoration process and improving customer communications*

Regulatory Diversity

2012 Rate Base*



* Based on estimated year-end rate base

We believe delivering improved reliability and meeting customer expectations will result in improved regulatory outcomes

Rate Base Summary

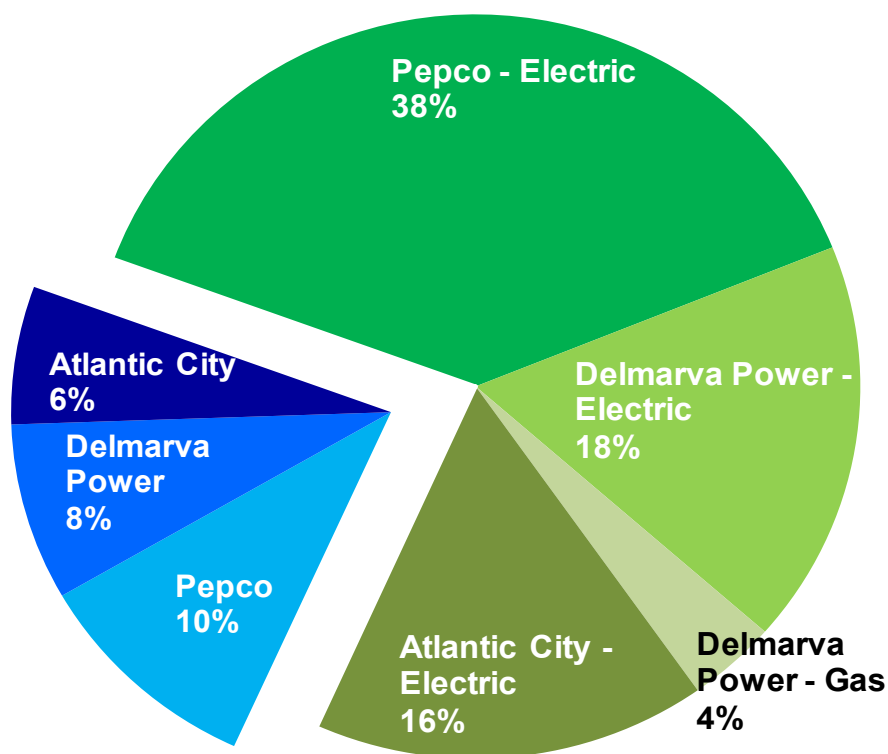
2012 Estimated Year-End Rate Base by Company

(Millions of Dollars)

Transmission	
■ Pepco	\$ 641
■ Delmarva Power	507
■ Atlantic City	395
Total - Transmission	\$ 1,543

Distribution	
■ Pepco - Electric	\$ 2,485
■ Delmarva Power - Electric	1,138
■ Delmarva Power - Gas	251
■ Atlantic City - Electric	1,072
Total - Distribution	\$ 4,946

Total Rate Base \$ 6,489



Distribution is 76% and Transmission is 24% of our 2012 estimated year-end rate base

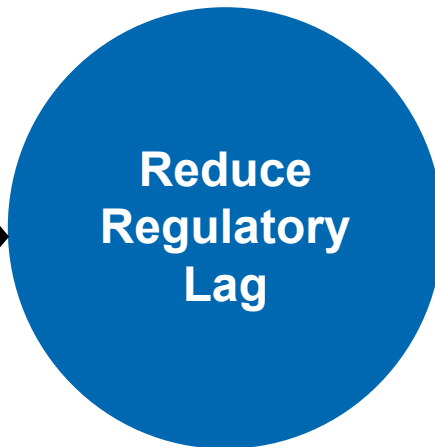
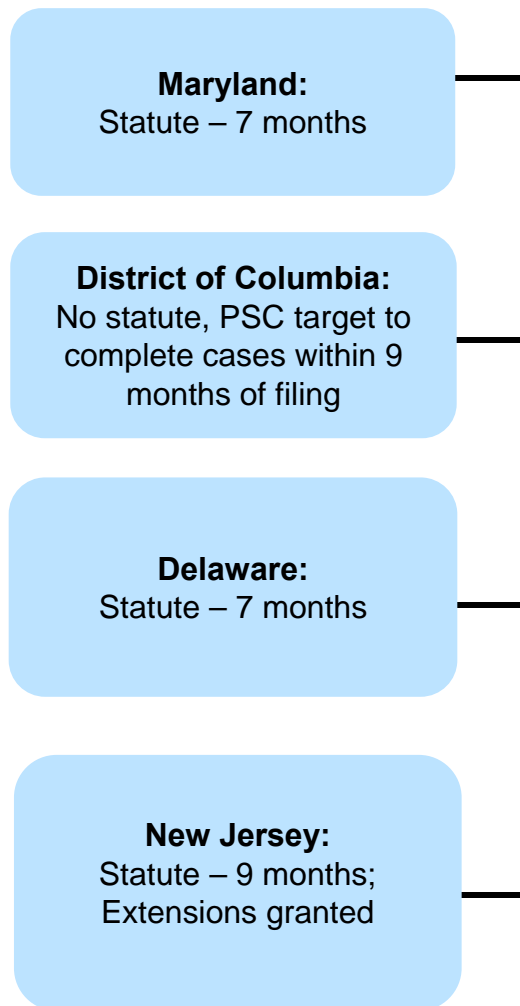
Regulatory Distribution Returns on Equity

Jurisdiction/Company	Test Period	Estimated Rate Base in Current Rate Case Cycle (Millions of Dollars)	Estimated Per Books Return on Equity	Estimated Return on Equity with Annualized 2012 Rate Orders*	Authorized Return on Equity
MD – Pepco	12/31/12 Avg.	\$1,162	5.24%	6.24%	9.31%
DC – Pepco	12/31/12 Avg.	\$1,234	5.21%	6.95%	9.50%
DE – DPL Electric	12/31/12 Y/E	\$675	3.96%	5.67%	9.75%
MD – DPL	12/31/12 Avg.	\$443	6.99%	9.27%	9.81%
DE – DPL Gas	12/31/12 Y/E	\$251	6.88%	6.88%	10.00%
NJ – ACE	9/30/12 Y/E	\$1,009	1.53%	4.60%	9.75%

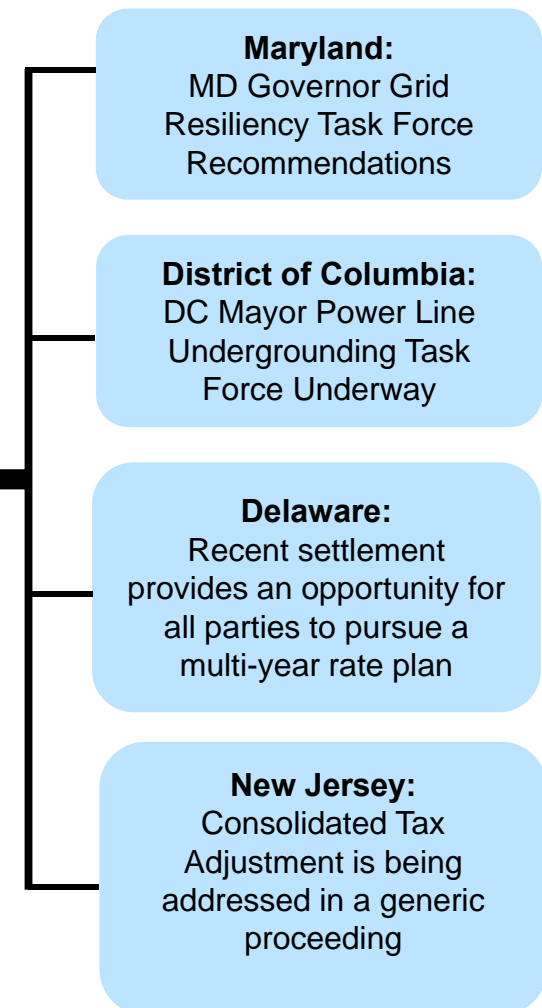
* Adjustments include annualized items from the recent rate orders including revenues, depreciation expense and storm amortization

Our Strategy for Reducing Regulatory Lag

Frequent Rate Case Filings



Initiatives Underway by Jurisdiction



Distribution Rate Cases – The Current Cycle

- We are filing distribution base rate cases in each of our jurisdictions between November 2012 and March 2013
- In the four active rate case filings, we have requested an annual increase in revenue of \$196 million in total:

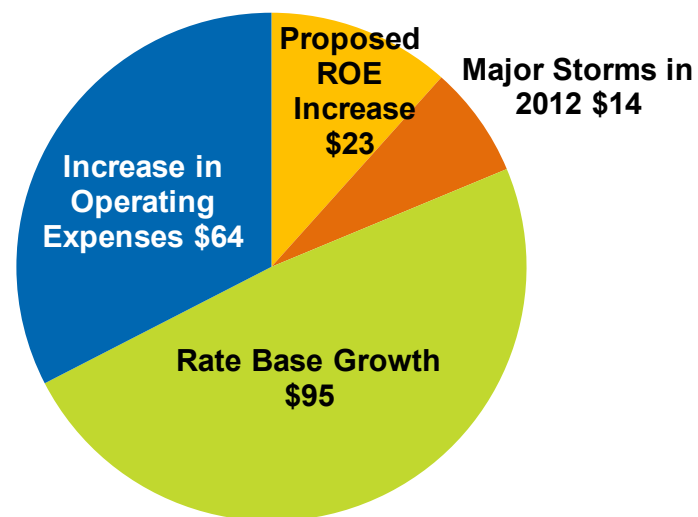
(Millions of Dollars)

Jurisdiction/Company	Current Requested Revenue Requirement Increase	Requested Return on Equity	Initial Filing Date	Expected Timing of Decision
MD – Pepco	\$60.8	10.25%	11/30/12	Q2-2013
DE – DPL Gas	\$12.2	10.25%	12/7/12	Q3-2013
NJ – ACE	\$70.4	10.25%	1/4/13*	Q4-2013
DC – Pepco	\$52.1	10.25%	3/8/13	Q4-2013
DE – DPL Electric	-	-	March 2013	-
MD – DPL	-	-	March 2013	-
Total	\$195.5			

* Filed 12/11/12; updated test period to 12 months actual data on 1/4/13

Distribution Rate Cases – Drivers of Requested Revenue Increase

- We are currently under-earning our authorized ROE in all jurisdictions
- Breakdown of requested rate increases:
 - Rate base growth, including reliability investments
 - Increase in operating expenses, including customer service enhancements
 - Recovery of derecho and Hurricane Sandy restoration expenses
 - Requested increase in authorized ROEs



*Drivers of Requested Revenue Increase**
(Millions of Dollars)

* Includes rate cases pending in Pepco - MD, Delmarva Power - DE Gas, Atlantic City Electric - NJ and Pepco - DC

Regulatory Information by Commission

Rate Cases	District of Columbia	Maryland	Delaware	New Jersey
Permitted to file partially forecasted test year?	Yes	Yes	Yes	Yes
Required to update test year data to actual?	No ⁽¹⁾	Yes	No	Yes
Timing for rate implementation	No statute; target to complete cases within 9 mos. of filing	Statute - 7 mos.; rates automatically go into effect subject to refund, unless company agrees to extension	Statute - 7 mos.; company files request to implement rates, subject to refund	Statute - 9 mos.; company files request to implement rates, subject to refund ⁽²⁾
Time restrictions on initiating subsequent rate filings?	No	No	No	No
Staff party to case?	No	Yes	Yes	Yes
Commissions				
Full Time/Part Time	Full-Time	Full-Time	Part-Time	Full-Time
Appointed/Elected	Appointed	Appointed	Appointed	Appointed
Length of Term	4 years	5 years	5 years	6 years
Commissioners				
Name/Term expiration ⁽³⁾	Betty Ann Kane (2014) Joanne Doddy Fort (2016) Vacant	Kevin Hughes (2016) Harold Williams (2012) ⁽⁴⁾ Lawrence Brenner (2015) Kelly Speakes-Backman (2014) Vacant	Dallas Winslow (2015) Jeffrey Clark (2014) Joann Conaway (2012) ⁽⁵⁾ Jaymes Lester (2012) ⁽⁵⁾ Vacant	Robert Hanna (2015) Joseph L. Fiordaliso (2017) Jeanne M. Fox (2014) Mary-Anna Holden (2013) Vacant

- (1) The District of Columbia PSC allows rates to be developed using a partially forecasted test period. The Company is required to update the test period to all actual within 180 days of the completion of the rate proceeding
- (2) The statutory deadline for NJBPU decisions has not been successfully enforced by a utility; fully litigated cases can take 12 months or more for decision
- (3) Chairperson denoted in bold
- (4) Nominated for a new term through 2017; pending approval
- (5) Reappointment under consideration

Distribution Rate Cases – Focus on Reducing Regulatory Lag

- Advancing mechanisms to reduce regulatory lag include:
 - Test periods adjusted to recover additional reliability plant additions for future periods
 - Grid Resiliency Charge proposed in MD
 - Multi-year rate plan under discussion in DE
- Rate cases will continue to be filed if current rate case outcomes do not provide a reasonable opportunity to earn the authorized ROEs
- Continued outreach to regulators and intervenors on key issues

Distribution Rate Cases – Pending

Pepco – Maryland

<i>(Millions of Dollars)</i>	Pepco - MD Case No. 9311		Procedural Schedule
	6 mos. actual	6 mos. forecast ending 12/31/12	
Test Period			Initial Filing Date 11/30/12
			Intervenors' Testimony 3/8/13
Adjusted Rate Base	\$1,296.1		Rebuttal Testimony 3/25/13
Equity Ratio	49.5%		
Return on Equity (ROE)	10.25%		4/15 - 4/19, 4/22 - 4/24, 4/26, 4/29/13
Revenue Requirement Increase	\$60.8 ⁽¹⁾⁽²⁾		Evidentiary Hearings
Residential Total Bill % Increase	5.0%		Initial Briefs 5/17/13
Revenue Requirement Equating to 25 Basis Point Change in ROE	\$2.5		Reply Briefs 5/29/13
			Expected Timing of Decision 6/28/13

Regulatory lag mitigation measures proposed:

- Grid Resiliency Charge to fund accelerated investments in reliability
 - Capital \$175 million (Underground feeders \$151 million; Feeder Program \$24 million) and O&M \$17 million (Tree trimming)
 - Test period adjusted to recover reliability plant additions from April 2013 through December 2013 (\$15 million of revenue)
- (1) Once a revenue requirement is approved, amortization expense will also increase by \$4.8 million due to derecho and Sandy restoration costs
- (2) Intervenors' revenue requirements are as follows: PSC Staff \$27.9 million based on 9.36% ROE; Office of People's Counsel \$(1.9) million based on 9.10% ROE

Distribution Rate Cases – Pending

Delmarva Power – Delaware Gas

<i>(Millions of Dollars)</i>	
Initial Filing Date	12/7/12
Test Period	6 mos. actual 6 mos. forecast ending 12/31/12
Adjusted Rate Base	\$273.2
Equity Ratio	48.8%
Return on Equity (ROE)	10.25%
Revenue Requirement Increase	\$12.2*
Residential Total Bill % Increase	6.1%
Revenue Requirement Equating to 25 Basis Point Change in ROE	\$0.5

Regulatory lag mitigation measure proposed:

- Test period adjusted to recover reliability plant additions from July 2013 through December 2013 (\$1.3 million of revenue)

* As permitted by Delaware law, Delmarva Power implemented an interim rate increase of \$2.5 million on February 5, 2013, subject to refund

Distribution Rate Cases – Pending Atlantic City Electric – New Jersey

	Atlantic City Electric Docket No. ER12121071		Procedural Schedule
<i>(Millions of Dollars)</i>			
Filed Position	1/4/13	Initial Filing Date	12/11/12
Test Period	12 mos. actual data ending 9/30/12	Intervenors' Testimony	6/21/13
Adjusted Rate Base	\$1,198.9	Rebuttal Testimony	7/26/13
Equity Ratio	49.0%	Evidentiary Hearings	8/12 - 14, 8/16, 8/20, 8/22 - 23, 8/26/13
Return on Equity (ROE)	10.25%		
Net Revenue Requirement Increase	\$70.4 ⁽¹⁾⁽²⁾	Initial Briefs	TBD
Residential Total Bill % Increase	7.0%	Reply Briefs	TBD
Revenue Requirement Equating to 25 Basis Point Change in ROE	\$2.4	Expected Timing of Decision	Q4-2013

Regulatory lag mitigation measure proposed:

- Test period adjusted to recover additional reliability plant additions from April 2013 through December 2013 (\$8.9 million of revenue)

Consolidated Tax Adjustment (CTA) Proceeding:

- Order issued on January 23, 2013 by the New Jersey Board of Public Utilities to solicit input from stakeholders, including utilities, to determine whether the CTA policy is appropriate in NJ and if so, how it should be calculated

- \$72.1 million increase in distribution rates and a decrease of \$1.7 million in the Regulatory Asset Recovery Charge, excluding Sales and Use Tax
- Once a revenue requirement is approved, amortization expense will also increase by \$9.1 million due to derecho and Sandy restoration costs and depreciation expense will decrease by \$5.4 million based on filed depreciation study

Distribution Rate Cases – Pending

Pepco – District of Columbia

<i>(Millions of Dollars)</i>	
Filed Position	Pepco - District of Columbia FC No. 1103 3/8/13
Test Period	12 mos. actual data ending 12/31/12
Adjusted Rate Base	\$1,371.1
Equity Ratio	49.8%
Return on Equity (ROE)	10.25%
Net Revenue Requirement Increase	\$52.1*
Residential Total Bill % Increase	6.2%
Revenue Requirement Equating to 25 Basis Point Change in ROE	\$3.0

Regulatory lag mitigation measure proposed:

- Test period adjusted to recover additional reliability plant additions from September 2013 through December 2013 (\$6.8 million of revenue)
- * Once a revenue requirement is approved, depreciation expense will increase by \$5.7 million based on filed depreciation study

FERC-Regulated Transmission Business

<i>(Millions of Dollars)</i>	Pepco	Delmarva Power	Atlantic City Electric	Total
2011 Actual Year-End Rate Base	\$544	\$422	\$370	\$1,336
2012 Estimated Year-End Rate Base ⁽¹⁾⁽²⁾				
Base Amount - 11.3%	\$514	\$406	\$347	\$1,267
Incentive Amount - 12.8% MAPP Related	45	35	-	80
Incentive Amount - 12.8% Non-MAPP Related	82	66	48	196
Total	\$641	\$507	\$395	\$1,543
 Equity Ratio	 49%	 49%	 50%	
 Indicated 2012 Annual Earnings, after-tax	 \$33	 \$24	 \$22	 \$79
 Estimated 2013 Annual Earnings, after-tax	 \$37	 \$27	 \$22	 \$86

(1) Estimated rate base at 12/31/12 based on FERC-approved formula

(2) Current authorized return on equity; projects with a FERC-approved incentive ROE adder earn 12.8%; authorized return on equity is 11.3% for all other transmission

FERC Filing Challenging Our Transmission Rates

- On February 27, 2013, the public utilities commissions and public advocates in all four of our jurisdictions made a Section 206 filing at FERC challenging the transmission rates of each of the Company's three utilities
- Two primary issues included in the filing:
 - Request to reduce the ROE base to 8.7% based on a zone of reasonableness between 6.78% and 10.33%
 - Request to modify the formula rate protocols in order to require additional data and identification and justification of costs
- The impact on a 100 basis-point change in the transmission ROE is approximately \$7 million in after-tax earnings
- The complainants must show that the existing transmission rates are not just and reasonable
- The Company is preparing a filing in support of its current ROE and formula rate process

MAPP Abandoned Cost Recovery

- FERC order issued on February 28, 2013
- FERC concluded that the MAPP project was canceled for reasons beyond the Company's control and granted recovery of prudently incurred costs
- Key elements of the Order:
 - Established a hearing to review the prudence of the \$87.5 million abandonment costs and the requested 5 year amortization period
 - Disallowed the incentive and RTO membership adders which reduce the project's ROE from 12.8% to 10.8%
 - Denied 50% recovery of the \$4.2 million of costs incurred prior to November 1, 2008 (the date of the MAPP incentive order)
- The Company plans to seek rehearing of the Commission's disallowance of the ROE adders as well as the determination to deny 50% of costs incurred prior to November 1, 2008

Decoupling Status

Jurisdiction	Status	Forecasted 2013 % Regulated Distribution Revenue
Pepco/Delmarva Power – MD	Implemented June 2007	40%
Pepco – DC	Implemented November 2009	24%
		} 64%
Delmarva Power – DE	Filed, requires PSC approval	14%
ACE – NJ	Request deferred	22%

Decoupling provides benefits to both utilities and customers:

- Fosters energy conservation as it aligns the interests of customers and utilities
- Eliminates revenue fluctuations due to weather and changes in customer usage
- Provides for more predictable utility distribution revenues
- Stabilizes the delivery portion of customer bills over time
- More closely aligns cost recovery with the fixed cost nature of the delivery business

Regulatory Summary

- Highly experienced regulatory team, supplemented with strong new players
- Committed to filing rate cases every 9 - 12 months in each jurisdiction to reduce regulatory lag while simultaneously pursuing alternative ratemaking mechanisms
- PHI strategy is well aligned with the energy efficiency objectives and customer interests among the states in our service territory
- Continued focus on improving reliability, managing costs, and achieving timely cost recovery and reasonable regulatory returns

Regulatory Overview

Fred Boyle, Senior Vice President & Chief Financial Officer

Appendix

Distribution Base Rate Case Outcomes

<i>(Millions of Dollars)</i>	Revenue Increase	Return on Equity	Equity Ratio
2008 Pepco - DC	\$28.3	10.00%	46.55%
2009 DPL - MD	\$7.5	10.00%	49.87%
2010 Pepco - DC	\$20.3 ⁽¹⁾	9.63%	46.18%
2010 ACE - NJ	\$20.0	10.30%	49.10%
2010 Pepco - MD	\$7.8	9.83%	48.87%
2011 DPL Electric - DE	\$16.4	10.00%	47.52%
2011 DPL Gas - DE	\$5.8	10.00%	48.30%
2011 DPL - MD	\$12.2	Not Specified ⁽²⁾	Not Specified
2012 DPL - MD	\$11.3	9.81%	50.06%
2012 Pepco - MD	\$18.1	9.31%	50.13%
2012 Pepco - DC	\$24.4	9.50%	49.23%
2012 ACE - NJ	\$28.0	9.75%	48.33%
2012 DPL Electric - DE	\$22.0	9.75%	49.61%

(1) Includes additional increase of revenues of approximately \$0.5 million annually granted by the DC Commission in response to Pepco's application for reconsideration

(2) PSC authorized that the return on equity for purposes of calculating the allowance for funds used during construction and regulatory asset carrying costs would remain unchanged at 10%

Transmission Formula Rate Process

Formula Rate Components

- 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
- Operation and Maintenance
- Depreciation and Amortization
- Other Taxes
- Income Tax at Statutory Rate
- True-up from Prior Year

Revenue Component

Cost of Debt

+

Equity Return – Base

+

Equity Return –
Incentive

+

Recovery of
Operating Costs

+

True-up

**Total Transmission
Revenue
Requirement**

Minimizes Regulatory Lag

- Rates updated annually on June 1st
- More timely match between rates and costs
- Quicker reflection in rates of capital expenditures placed into service; projects expected to be placed into service in the current calendar year are pro-rated
- AFUDC is accrued on capital expenditures until the project is placed into service

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 bid rounds 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 bid rounds 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 bid rounds each bid 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 tranches as 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 customers have rolling 3-year contracts; bid out annually</p> <p>Large commercial customers have rolling 1-year contracts; bid out annually</p>	<p>Residential and small commercial customers 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 500kW 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

Default Service Procurement – Auction Description for Load Bid 2013/14

	Maryland - Pepco/Delmarva Power	District of Columbia - Pepco	Delaware - Delmarva Power	New Jersey - Atlantic City Electric
Supply Period	6/1/13 to 5/31/14	6/1/13 to 5/31/14	6/1/13 to 5/31/14	6/1/13 to 5/31/14
Load Bid	50% ⁽²⁾⁽⁵⁾	37.2% ⁽²⁾⁽⁴⁾	33.3% ⁽²⁾⁽⁴⁾	33.3% ⁽³⁾⁽⁴⁾
Bid Rounds	2 at 25% each	2 at 18.6% each	2 at 16.6% each	1 at 33.3%
Schedule⁽¹⁾	Oct '12 / Apr '13	Dec '12 / Jan '13	Nov '12 / Feb '13	Feb '13
Contract Terms	2 years	3 years	3 years	3 years
Next Auction Cycle	Oct '13 / Apr '14	Dec '13 / Jan '14	Nov '13 / Feb '14	Feb '14

- (1) Actual auction dates for the 6/1/13 to 5/31/14 supply period are approved by the Public Service Commissions
- (2) Includes Residential & Small Commercial
- (3) Includes all fixed price load
- (4) Reflects portion of the load for contracts expiring on 5/31/13
- (5) Reflects portion of the load for contracts expiring on 5/31/13 and on 9/30/13

Methods of Cost Recovery

Outside of Base Rate Case Process

	MD	DC	DE	NJ
Transmission rate recovery via FERC formula rates - adjusted annually; retail rate reflects FERC formula rate	✓	✓	✓	✓
Procurement cost adjustment mechanisms - reconciles purchased power costs	✓	✓	✓	✓
AMI Costs - deferred as a regulatory asset for subsequent recovery	✓	✓	✓	N/A
Energy efficiency programs - recovery through a surcharge	✓	N/A	N/A	N/A
Demand response programs - recovery through a surcharge	✓	–	–	✓
Certain state and local taxes - recovery through a surcharge	✓	✓	–	–
Renewable Energy Portfolio Compliance - recovery through a surcharge	N/A	N/A	✓	N/A
Bad debt expense - recovery through Societal Benefits Charge	–	–	–	✓
Default service bad debt expense - recovery through default service rates adjusted annually	✓	✓	✓	–

N/A – Not Applicable

Pepco Energy Services Overview

John Huffman, President and CEO, Pepco Energy Services

Pepco Energy Services – Overview

ESCO business: Provides government and institutional customers with competitive energy efficiency services

- Energy Efficiency
 - Designs, builds, and operates energy efficiency projects
 - Since 1995, completed over \$1 billion of projects
- Combined Heat and Power (CHP)
 - Develops, constructs and operates CHP and thermal energy plants



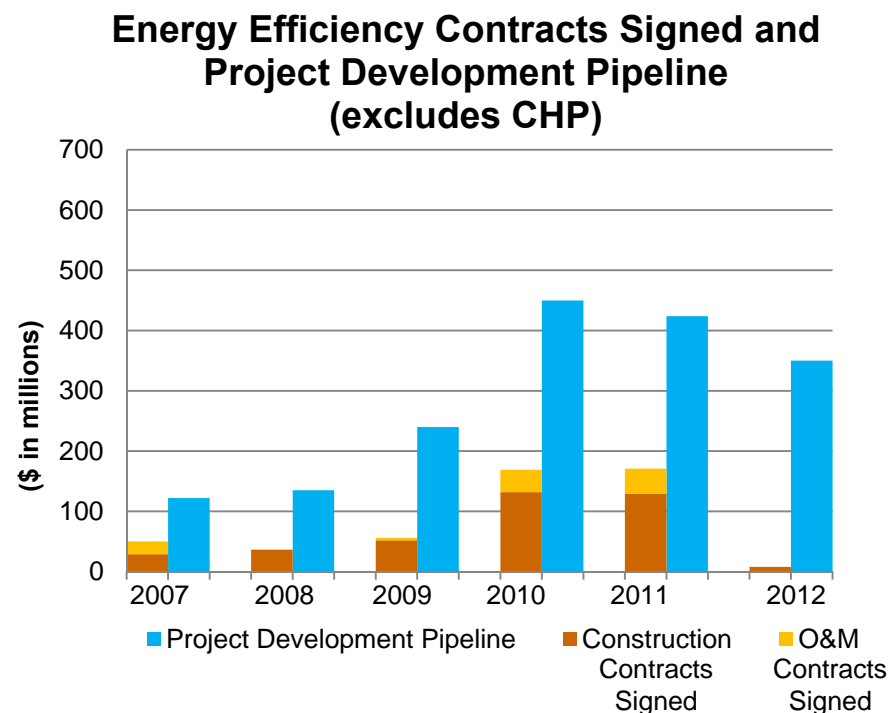
Thermal business: Provides steam and chilled water to hotel and casino customers in Atlantic City under long-term contracts through a system it owns and operates

Underground transmission and distribution business: W.A. Chester provides underground transmission and distribution construction and maintenance services for utilities

- Energy supply business
 - Retail delivery obligations will be substantially complete in 2013
 - Two peaking power plants were retired in Q2 2012

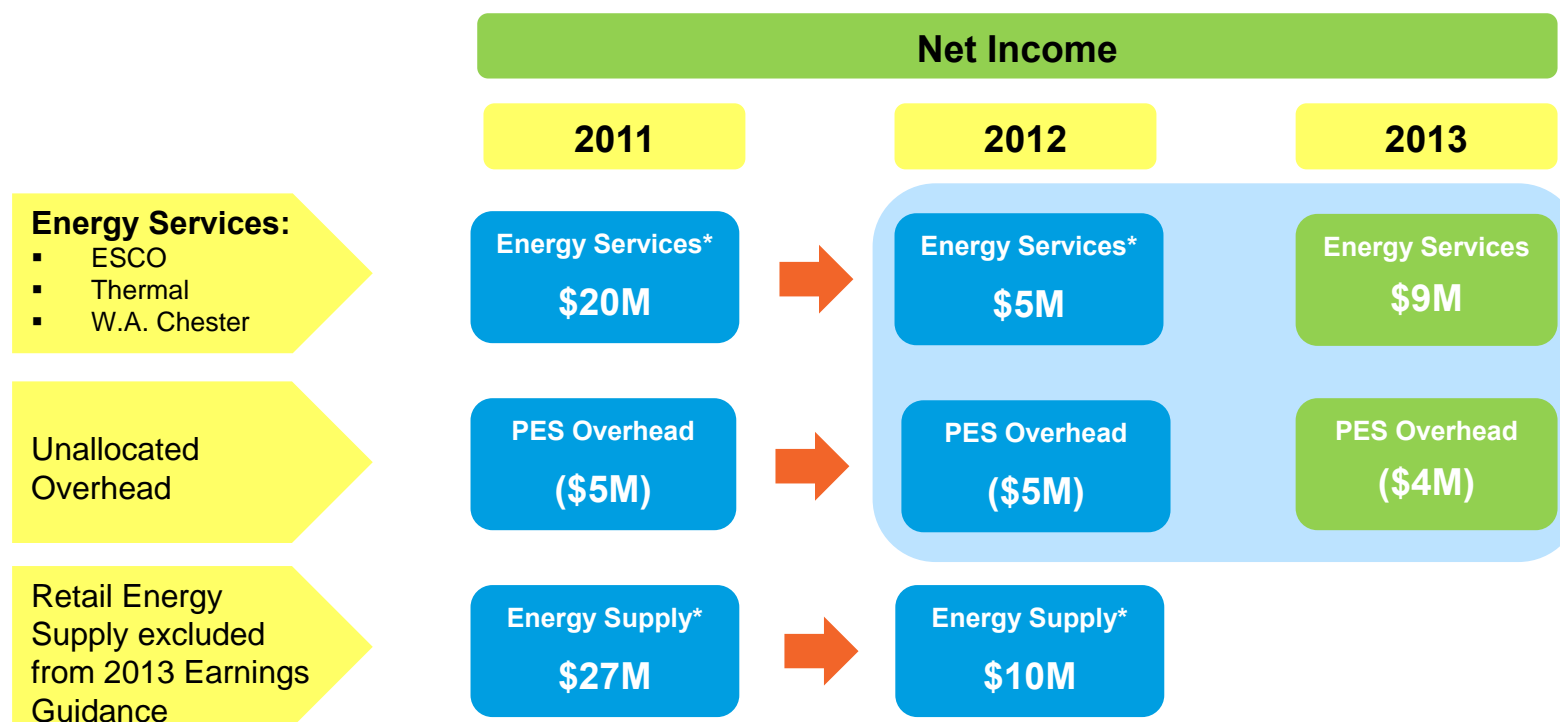
ESCO Market - Challenged

- The ESCO market experienced a significant downturn in 2012 driven by a decrease in the energy efficiency business; particularly in the state and local government market segments
- PES signed \$9 million of energy efficiency projects in 2012, well below its recent pace, while its project development pipeline fell to \$350 million
- Customers' concerns about their fiscal health and taking on additional debt associated with our projects – along with the economic uncertainty – are the primary drivers
- Customers have slowed their decision making, lengthening the project cycle time from the award of the project to signed contract



2013 Outlook

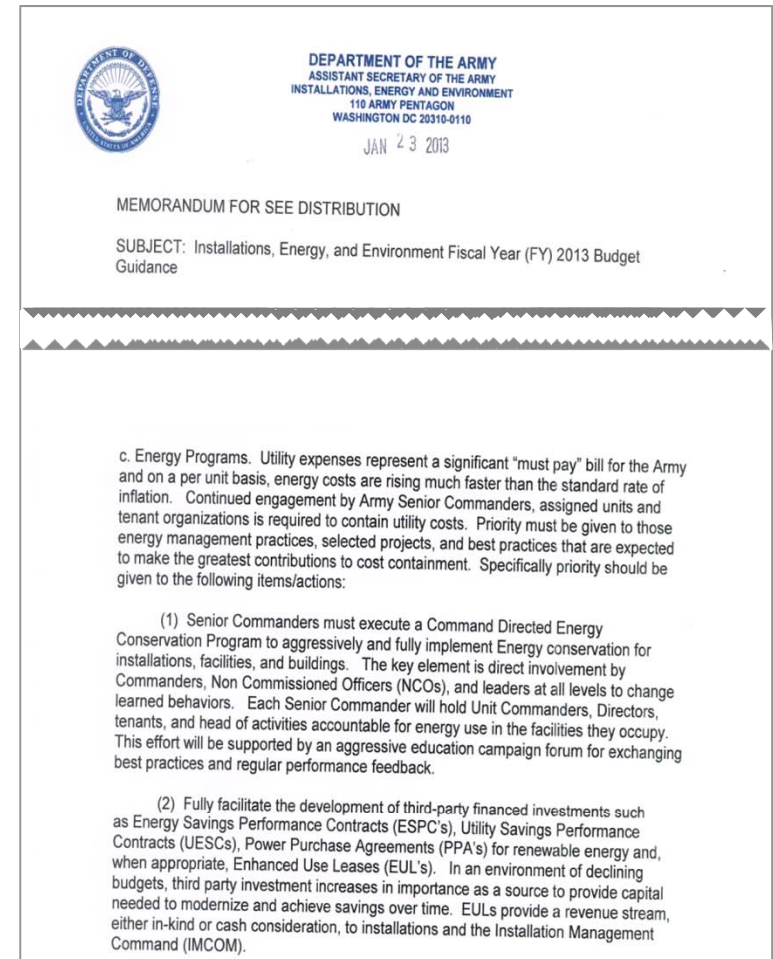
- PES expects the energy efficiency markets will remain soft in 2013
- In the second half of 2012, PES responded to market conditions:
 - Reduced ongoing costs by approximately \$8 million (after-tax)
 - Incurred a one-time charge of \$1.4 million (after-tax) for severance
- PES expects to earn approximately \$5 million (after-tax) from ongoing operations in 2013
- The wind-down of the retail energy supply business will be substantially complete in 2013



* Excludes mark-to-market and impairments; see Appendix for reconciliation of GAAP earnings to adjusted earnings

Energy Efficiency Market – Looking Forward

- **State and local government markets** are expected to rebound as the economy improves
- **Federal government market** activity is picking up:
 - Prior presidential executive orders and agency directives have recently increased Request for Proposal (RFP) activity
 - PES's responses to RFPs were up 30% year-over-year
 - In 2012 PES was awarded the exclusive right to develop three projects which could result in signed contracts in 2013 and 2014
 - Budget sequestration may help energy performance contracting as the Army and federal agencies have begun directing the use of energy savings performance contracts as a way to mitigate mandatory budget reductions



Combined Heat and Power (CHP)

- Building off its recent DC Water CHP contract, PES is developing opportunities targeting federal government and other customers
- CHP opportunities are expected to grow:
 - Natural gas prices are forecasted to remain low
 - CHP plants are efficient – capturing up to 80% of a fuel's energy compared to less than 50% via separate production of electricity and heat
 - CHP facilities are eligible for 10% Federal Investment Tax Credits (ITC) up to 15 MW and accelerated depreciation through 2016
 - 2012 Executive Order signed by President Obama calls for a goal of 40 GW of new CHP capacity by 2020
 - December 2012 EPA Industrial Boiler Maximum Allowable Control Technology (MACT) emission regulations focusing on major industrial sources mandates compliance within three to four years – investing in CHP is a viable compliance option
 - CHP facilities are eligible to meet renewable portfolio/energy efficiency resource standards in 18 states
 - Other state incentives for CHP – NJ Energy Master Plan calls for 1,500 MW of new CHP by 2020

DC Water

- 15 MW CHP facility
- Uses biogas from DC Water's waste water treatment process to produce steam and electricity; steam returned and used in DC Water's waste water treatment process
- \$82 million construction contract underway - completion in Dec 2014
- \$90 million (cumulative) Operation and Maintenance contract from 2015 - 2030



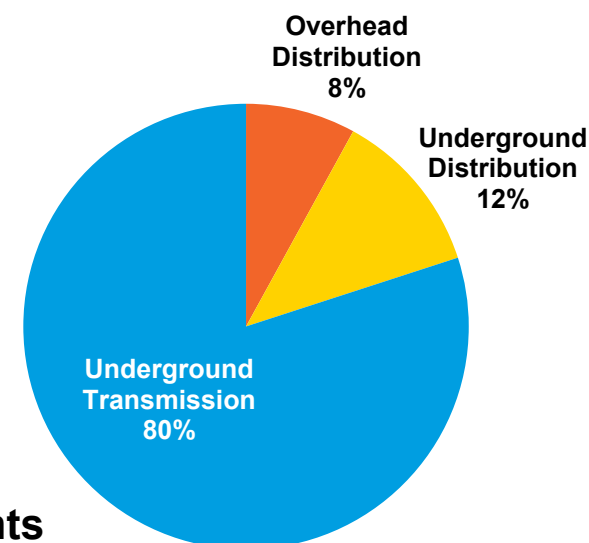
CHP projects by PES

- 15 MW DC Water (under construction)
- 23 MW National Institutes of Health
- 5 MW Atlantic City thermal operation

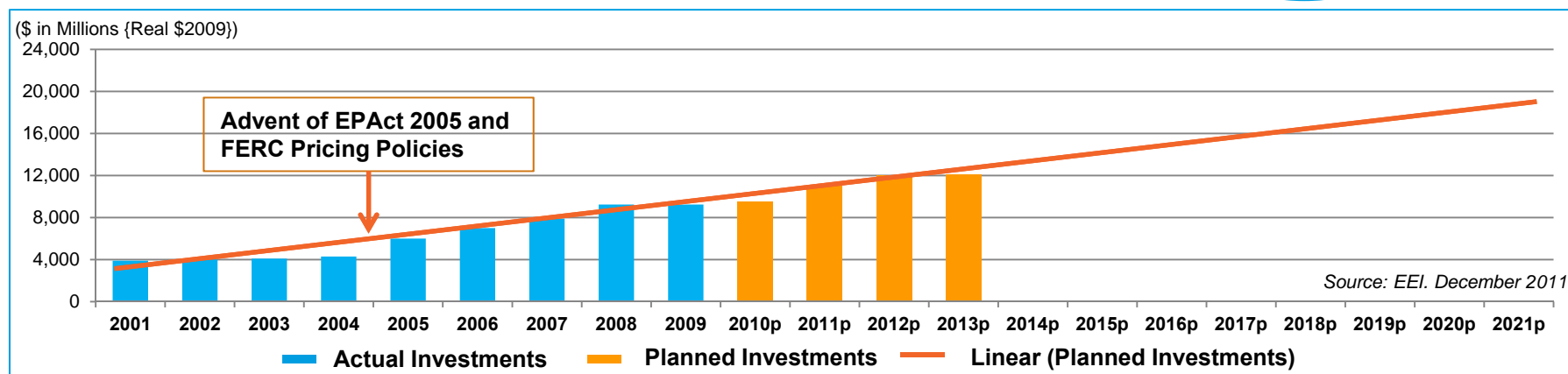
Underground Transmission and Distribution Business

- W.A. Chester is an industry leader in the installation and maintenance of underground high voltage transmission cable and distribution infrastructure for electric utilities
- Chester's earnings have been growing 10% annually in the last 3 years as the demand for its service increases
- Utilities are expected to invest more than \$25 billion in transmission projects over the next two years to improve reliability, with continued growth over the longer term – indicative of the trend in underground spending

2013 Forecasted Revenue Makeup



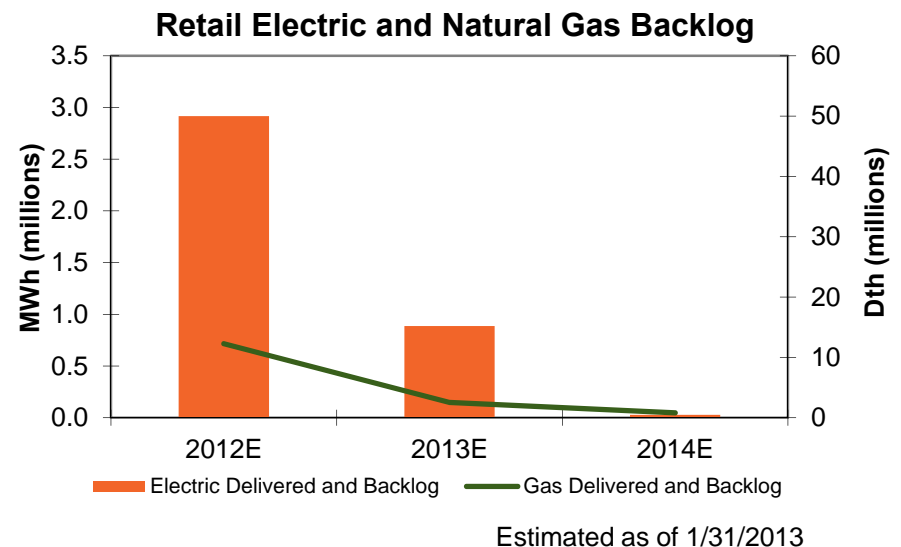
Historic and Planned Transmission Investments



- Initiatives to underground distribution lines in the Mid-Atlantic and Northeast in response to weather-related outages may further increase demand

Retail Energy Supply Wind-Down

- The bulk of the retail energy supply contracts have rolled off - remaining contracts roll off in mid-2014
- PES is considering alternatives to accelerate the completion of the wind-down into 2013
 - Either sell retail contracts to other marketers or terminate them with retail customers
 - Liquidate remaining wholesale and renewable energy certificates (REC) contracts
- Retail energy supply obligations will be substantially complete in 2013
- Retail energy supply excluded from 2013 earnings guidance



Summary

- The long-term fundamentals of the energy efficiency business remain strong - PES is well positioned to grow as the state and local government markets rebound and the federal government market expands
- Reliability initiatives in the utility industry are expected to increase long-term demand for PES's underground transmission and distribution construction business
- PES continues to position itself to take advantage of the growing CHP market
- PES is considering alternatives to accelerate the completion of the retail energy supply wind-down into 2013

PES provides incremental earnings to PHI's transmission and distribution businesses

Pepco Energy Services Overview

John Huffman, President and CEO, Pepco Energy Services

Appendix

Contract Backlog Data

ESCO

Construction: Energy Services and Combined Heat and Power

Operations and maintenance contracts related to energy efficiency and CHP projects; 3 - 15 year contracts

Gross Margin

\$7 million
Contract Backlog
9-month remaining weighted average

\$38 million
Contract Backlog
12-year remaining weighted average

Thermal

Atlantic City Operations*

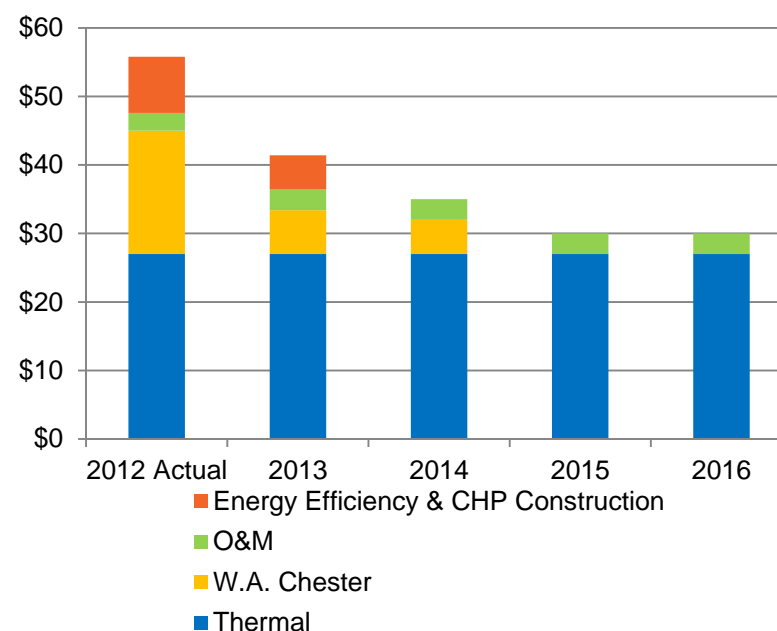
\$334 million
Contract Backlog

Underground T&D Construction

W.A. Chester

\$11 million
Contract Backlog
17-month remaining weighted average

PES Gross Margin Backlog
As of 12/31/12
(Millions of Dollars)



*** PES also owns the following assets:**

- Wilmington, DE steam/chilled water system serving two customers
- 5 MW Bethlehem landfill gas
- 3 MW Eastern landfill gas
- 2 MW Fauquier landfill gas
- 2 MW ACCC solar facility

Key Features of Typical Projects

	Energy Efficiency Projects	Combined Heat & Power	W.A. Chester
Typical construction contract size	\$2 - \$30 million	\$10 - \$75 million	\$1 - \$30 million
Operation and maintenance	Related to ~20% of projects; 2 – 15 year term	Typically all projects; 15 – 20 year term	N/A
Gross margin	+/- 20%	+/- 15%	+/- 20%
Sales cycle	16 – 24 months	Typically over 2 years	N/A – typically driven by utility RFPs
Project financing	3 rd party or customer	3 rd party or customer	Utilities
Guarantee requirements	Energy savings guarantee	Minimum efficiency and equipment availability	Typically 1-2 year standard construction warranty

Reconciliation of GAAP Earnings to Adjusted Earnings

(\$ in millions)	2012				2011			
	Energy Services	PES Overhead	Retail Energy Supply ⁽¹⁾	Total	Energy Services	PES Overhead	Retail Energy Supply ⁽¹⁾	Total
Reported Earnings (GAAP)	\$ -	\$ (5)	\$ 23	\$ 18	\$ 20	\$ (5)	\$ 9	\$ 24
Adjustments (After-tax) ⁽²⁾								
Mark-to-Market (gains)/loss	-	-	(15)	(15)	-	-	18	18
Impairments	5	-	2	7	-	-	-	-
Adjusted Earnings (Non-GAAP)	<u>\$ 5</u>	<u>\$ (5)</u>	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 20</u>	<u>\$ (5)</u>	<u>\$ 27</u>	<u>\$ 42</u>

(1) Includes income from power generation

(2) Calculated utilizing a composite tax rate of 40%

Financial Overview

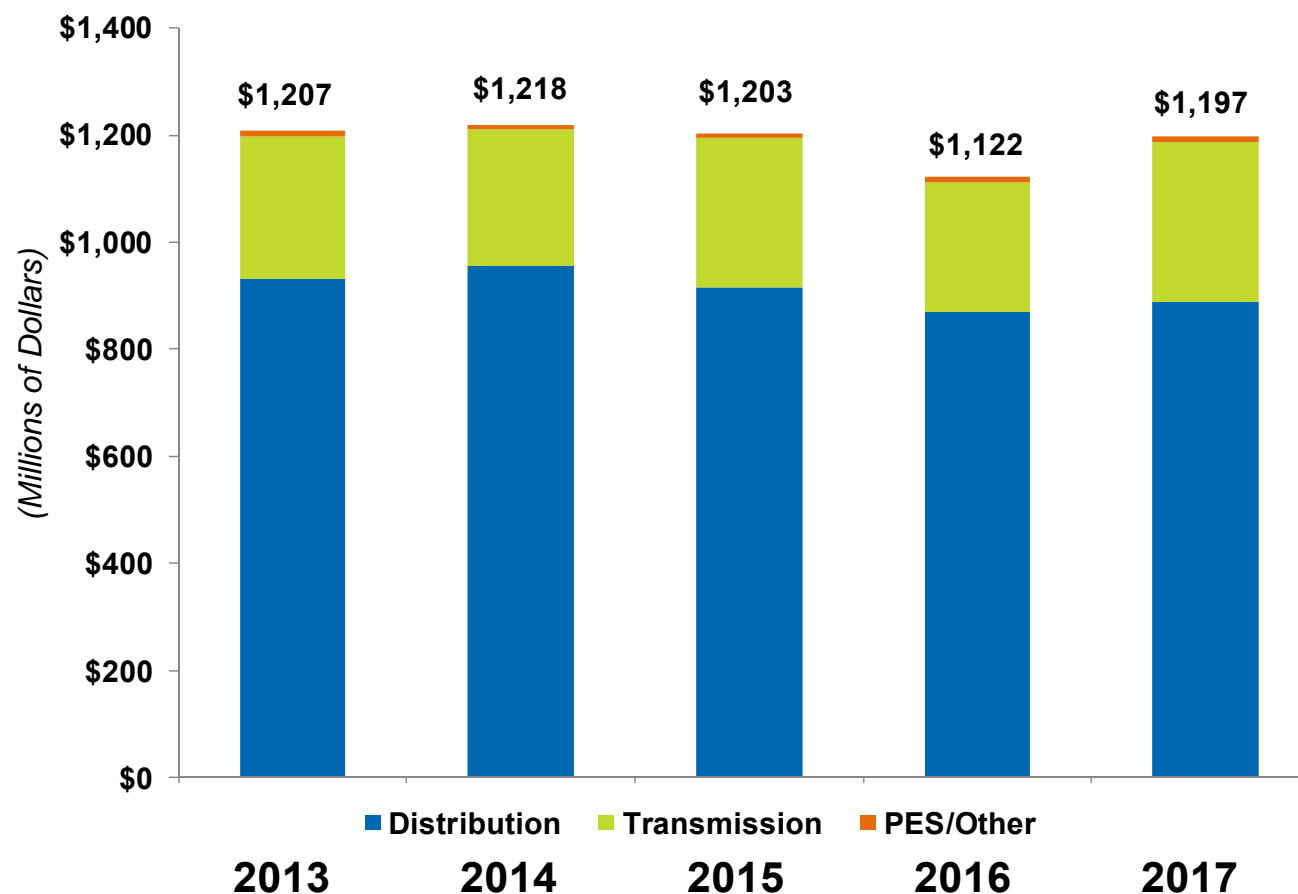
Fred Boyle, Senior Vice President & Chief Financial Officer

Financial Objectives

- Achieve long-term earnings and dividend growth by:
 - Investment in infrastructure
 - Reduction of regulatory lag
- Maintain solid investment grade credit ratings by sustaining:
 - Solid credit metrics
 - Ample liquidity
 - Strong cash flow
 - Low business risk profile

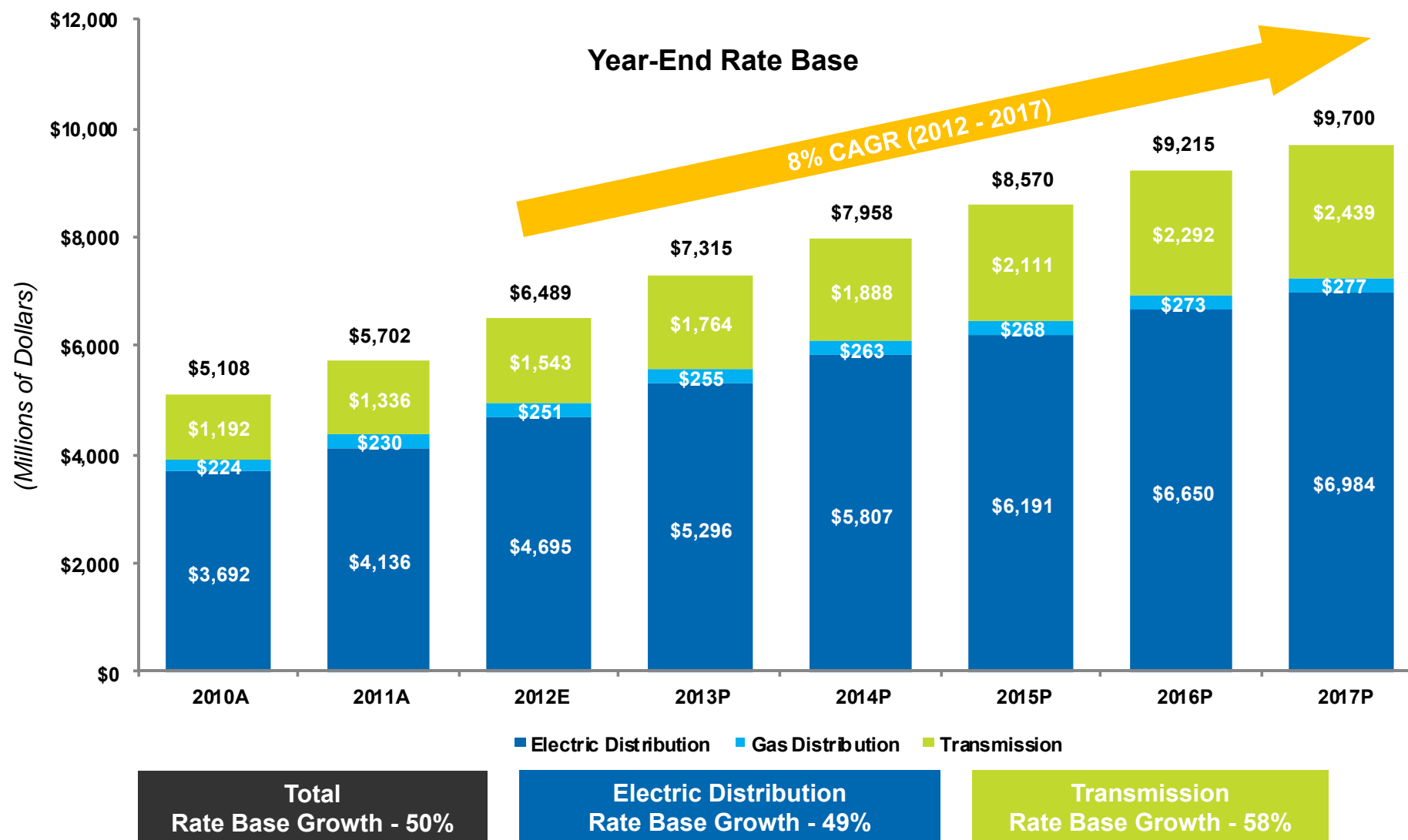
Our regulated business model positions us to meet these objectives

Projected Capital Expenditures – 2013 - 2017



Distribution		\$	932	\$	956	\$	914	\$	869	\$	888
Transmission			266		254		280		242		298
PES/Other			9		8		9		11		11
Total		\$	1,207	\$	1,218	\$	1,203	\$	1,122	\$	1,197

Infrastructure Investment – The Driver of Growth



Notes: A = Actual, E = Estimate, P = Projected
See Appendix for projected rate base by utility; growth rates reflect 2012 - 2017

Credit Profile

PHI Credit Metrics	2012 Actual*	Long-Term Target Metrics
FFO Interest Coverage	3.5X	3.5X
Debt/Capitalization	58%	~55%

- Debt/Capitalization will be strengthened by the February 2013 settlement of the equity forward transaction (\$312 million)
- Targeted debt to capitalization ratio at the utility subsidiaries is ~ 50%

	Debt Ratings		
	S&P	Moody's	Fitch
PHI - Senior Unsecured	BBB	Baa3	BBB
Pepco - Senior Secured	A	A3	A
DPL - Senior Secured	A	A3	A
ACE - Senior Secured	A	A3	A-

* Source: S&P CreditStats Direct, see Appendix for detailed calculations

Liquidity Position

At March 5, 2013

(Millions of Dollars)

	Parent	Utilities	PHI Consolidated
Credit Facility (Total Capacity)	\$650	\$850	\$1,500
Letters of Credit Issued	(2)	-	(2)
Commercial Paper Outstanding	(208)	(480)	(688)
Remaining Credit Facility Available	\$440	\$370	\$810
Cash Invested in Money Market Funds	-	3	3
Total Cash and Credit Facility Available	\$440	\$373	\$813

- Credit facility of \$1.5 billion renewed August 2012
 - Expiration date extended to August 2017
 - Syndicated facility with 17 participating banks
 - Parent and Utilities have the option of increasing or decreasing sub-limits under the facility, with certain restrictions
- Impact of cross-border lease decision:
 - IRS deposit of \$242 million made March 4, 2013; interim funding with short-term debt to be repaid with lease unwind proceeds
 - \$1.5 billion credit facility remains available for Parent and Utilities

2013 Financing Activity

Debt Issuance

- Utility long-term debt issuance of \$750 - \$850 million*
 - Pepco ~\$400 million (\$200 million maturing)
 - Delmarva Power ~\$300 million (\$250 million maturing)
 - Atlantic City Electric ~\$100 million (\$69 million maturing)

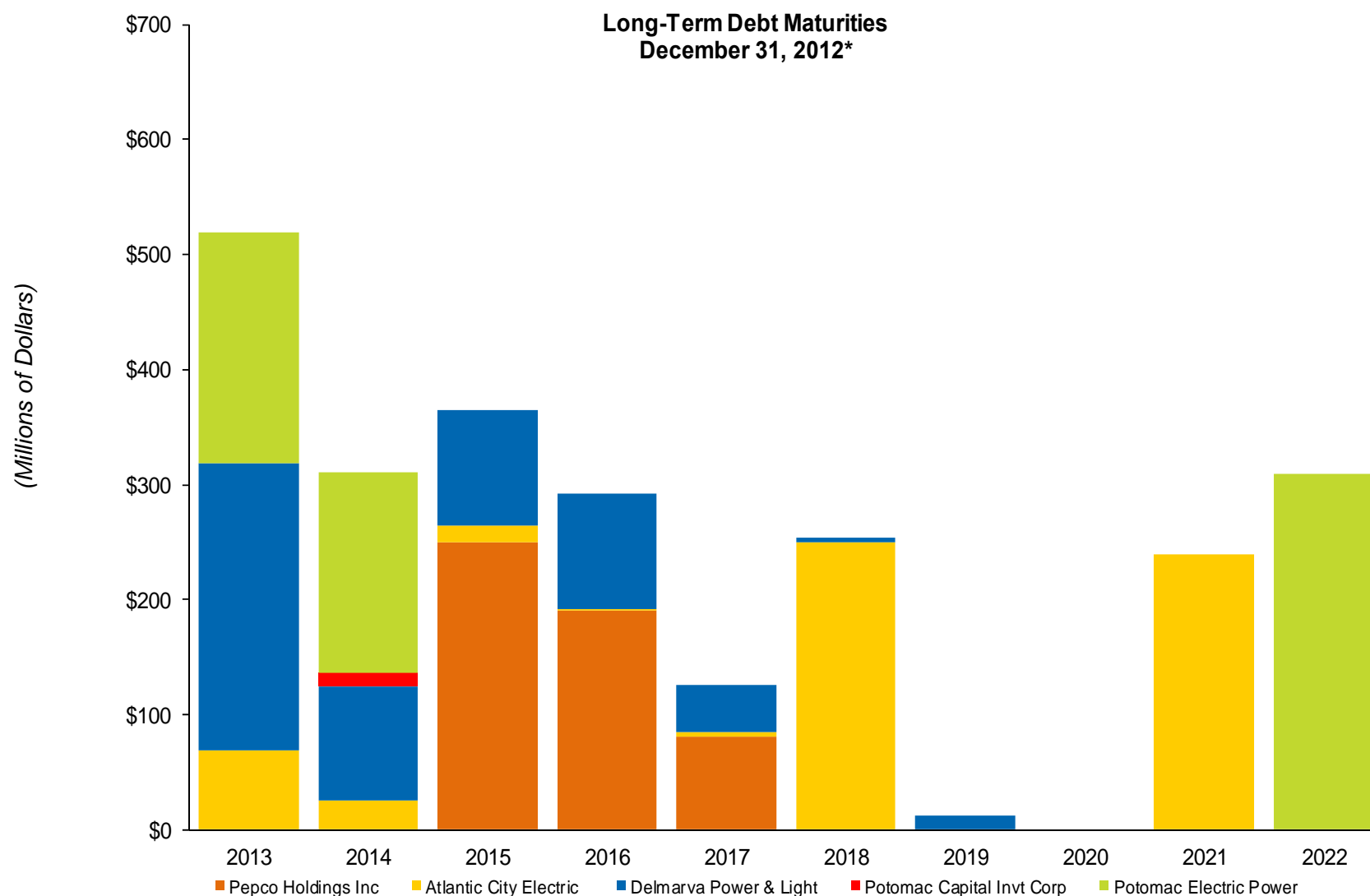
Equity Issuance

- Equity forward transaction entered into on March 5, 2012; settled on February 27, 2013
 - 17.92 million shares priced at \$19.25 per share
 - Net proceeds of \$312 million used to repay outstanding commercial paper, a portion of which was issued in order to make capital contributions to the utility subsidiaries, and for general corporate purposes
- Dividend Reinvestment Plan/Employee Savings Plan (approximately \$42 million)

Assuming the unwind of the majority of the cross-border energy lease portfolio, next anticipated equity issuance will be beyond 2014

- * Debt issuance amounts may be reduced due to proceeds received in connection with the unwind of the cross-border energy lease portfolio.

Manageable Debt Maturity Schedule



* Excludes Atlantic City Electric securitization debt

2013 Estimated Sources & Uses of Cash

(Millions of Dollars)

Principal Sources of Cash:

Cash Flow from Operations ⁽¹⁾	\$	925
Equity Forward Settlement ⁽²⁾		312
Dividend Reinvestment Plan/Employee Savings Plan		42
New Debt Issue:		
Long-term - Utilities ⁽³⁾		280
Short-term		378
Total Sources of Cash	\$	<u>1,937</u>

Principal Uses of Cash:

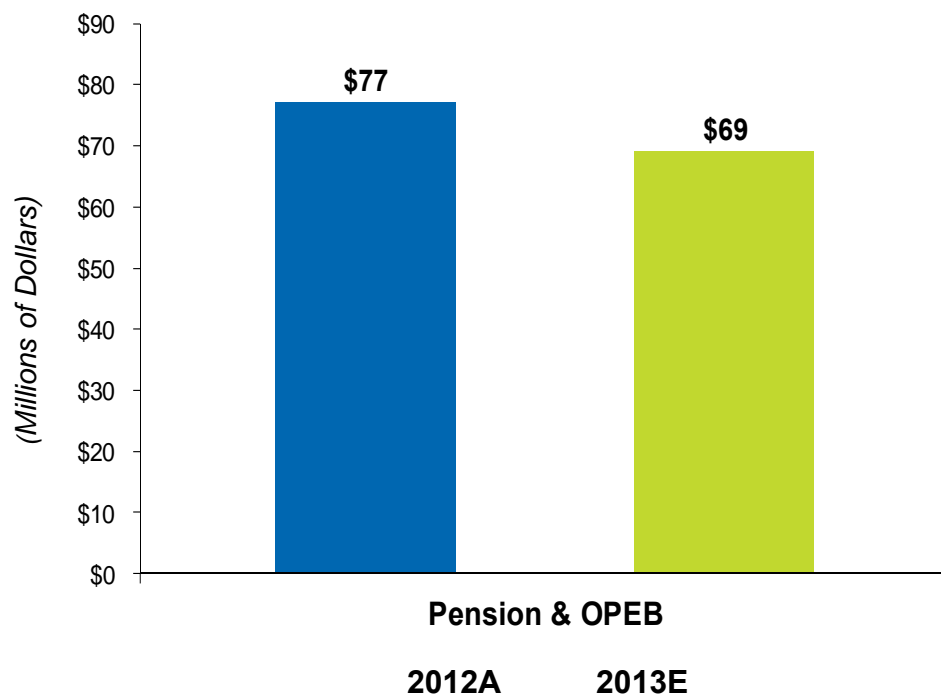
Capital Expenditures ⁽⁴⁾	\$	1,315
Common Stock Dividends ⁽⁵⁾		268
Pension Funding (Jan. 2013)		60
ACE Securitized Debt		39
IRS Tax Deposit (Mar. 2013)		242
Other		13
Total Uses of Cash	\$	<u>1,937</u>

Cash flows to be further supplemented with proceeds received from a partial or full unwind of the cross-border lease portfolio, which are not included in the table above

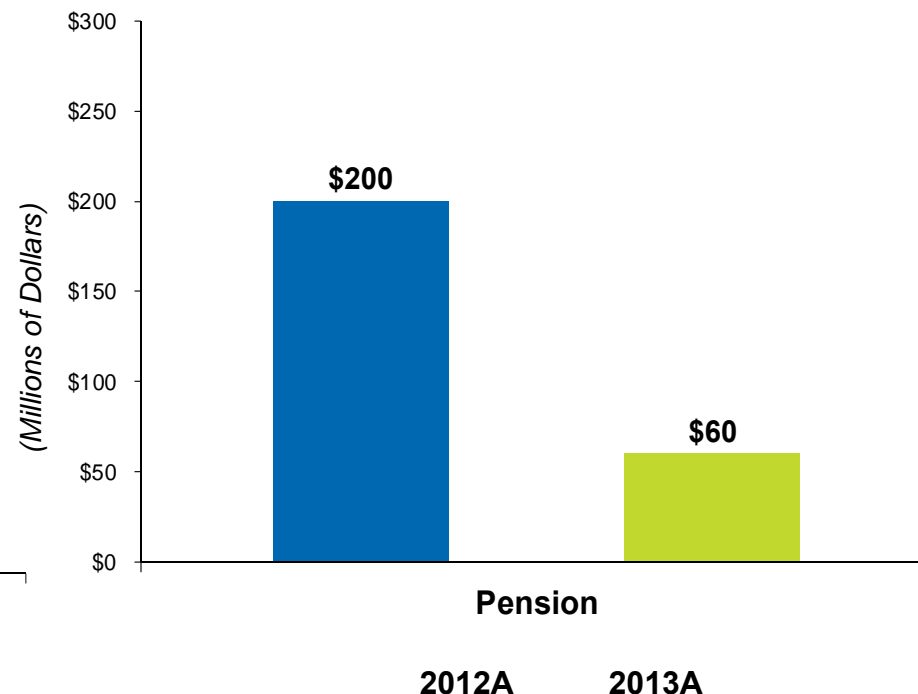
- (1) Mid-point of projected cash from operations range of \$900 - \$950 million
- (2) Reflects net proceeds from equity forward transaction entered into March 2012; settled on February 27, 2013
- (3) Mid-point of net new debt issuance range of \$230 - \$330 million
- (4) Includes non-capital demand side management expenditures of \$108 million
- (5) The dividend rate is determined by the Board of Directors on a quarterly basis; reflects annual dividend rate of \$1.08 per share

Pension and OPEB Impacts

Net Pension & OPEB Pre-Tax Expense (O&M)



Pension Cash Contributions



Key Metrics – Pension and OPEB Plans (Millions of Dollars)

<u>Pension</u>	<u>12/31/12</u>	<u>OPEB</u>	<u>12/31/12</u>	<u>Pension Cost Assumptions for 2013</u>	
Assets	\$2,039	Assets	\$321	Discount Rate	4.15%
Plan Obligations	\$2,494	Plan Obligations	\$775	Expected Return on Assets (Long-term)	7.25%

Cash Tax Summary

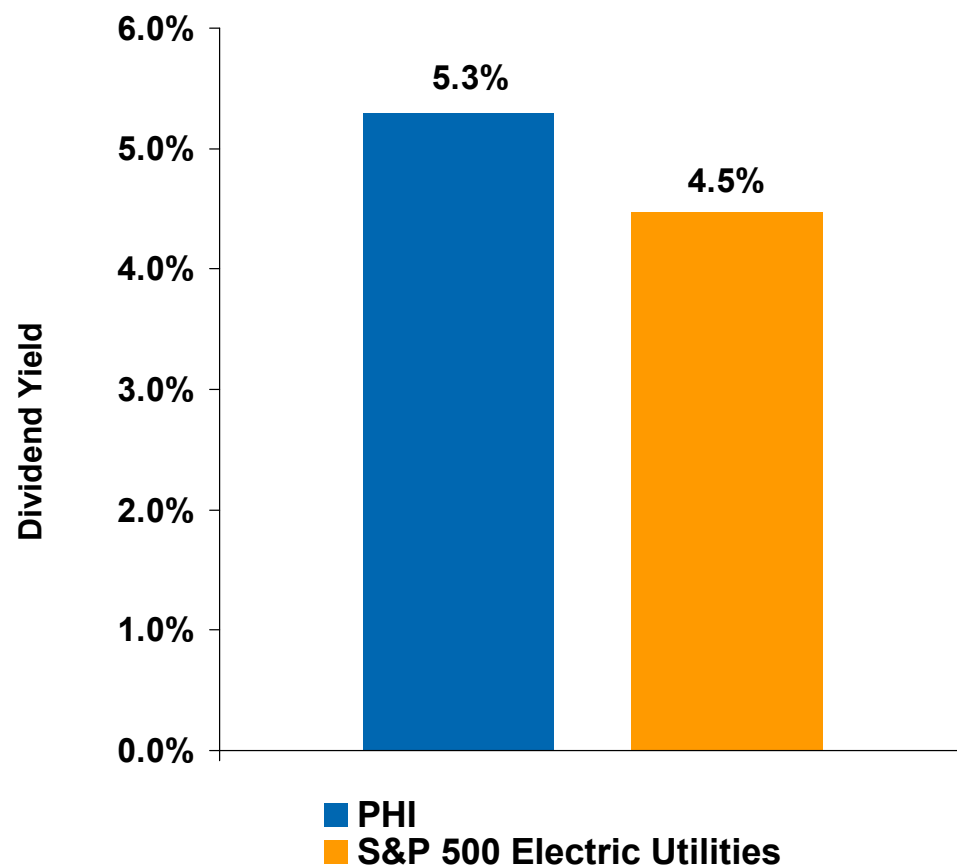
- PHI remains in a Net Operating Loss (NOL) position after the tax adjustment associated with the cross-border energy lease portfolio
- 2013 50% Bonus Depreciation Expense – approximately \$400 million
- NOL expected to be fully utilized in 2014, assuming no extension of bonus depreciation beyond 2013

Cross-Border Energy Leases

- In January 2013, an appellate court issued an opinion in a Consolidated Edison case that disallowed tax benefits associated with certain cross-border energy lease transactions
- After updating our assessment of PHI's cross-border energy leases, we expect to record an estimated non-cash charge to earnings of between \$355 - \$380 million, after-tax, in the first quarter of 2013, which includes:
 - Recalculation of the book value of the leases
 - Interest on disallowed federal income tax deductions from January 1, 2001 through March 31, 2013
- Deposit made with the IRS for additional taxes and related interest of \$242 million on March 4, 2013
 - Takes into account tax benefits from matters unrelated to the leases that offset the amount of taxes and interest due
 - Funded with short-term debt
- We continue to evaluate a partial or full liquidation of the cross-border lease investments which could be accomplished within one year
- The financial impacts do not affect our core utility operations; the leases are legacy investments that were made through non-regulated subsidiaries between 1994 and 2002

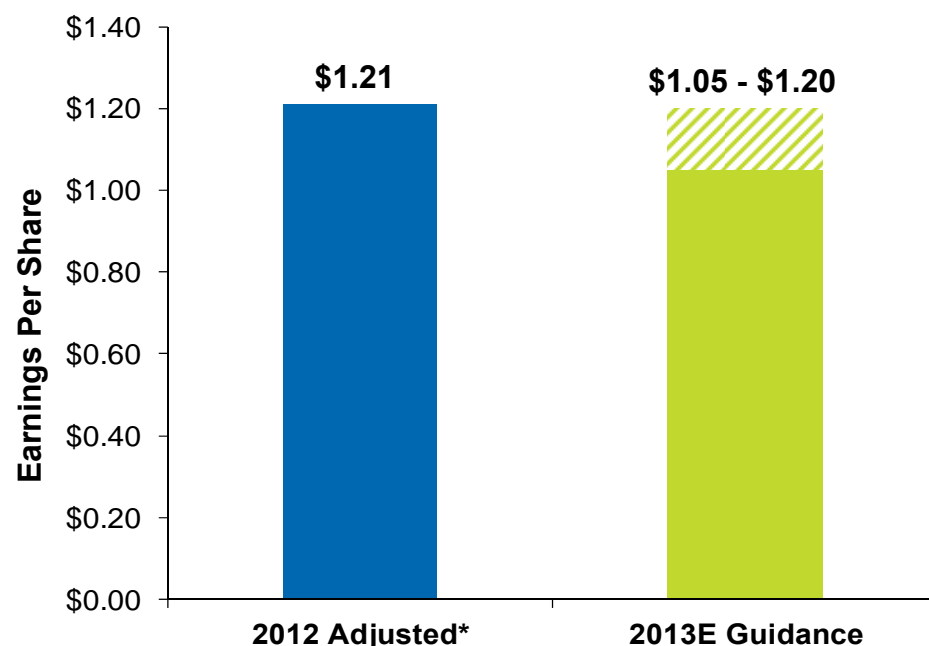
Secure Dividend, Attractive Yield

- Indicated annual dividend of \$1.08 per share supported by regulated utility earnings
- Current dividend yield is 18% higher than the average dividend yield for companies in the S&P 500 Electric Utilities



Source: Thomson Reuters, dividend yield as of March 7, 2013

2013 Earnings Guidance



The guidance range excludes:

- The results of discontinued operations and the impact of any special, unusual or extraordinary items
- All earnings or losses associated with the retail energy supply business at Pepco Energy Services, including the net mark-to-market effects of economic hedging activities
- All earnings or losses associated with the cross-border energy lease investments, including the associated interest on the tax liability

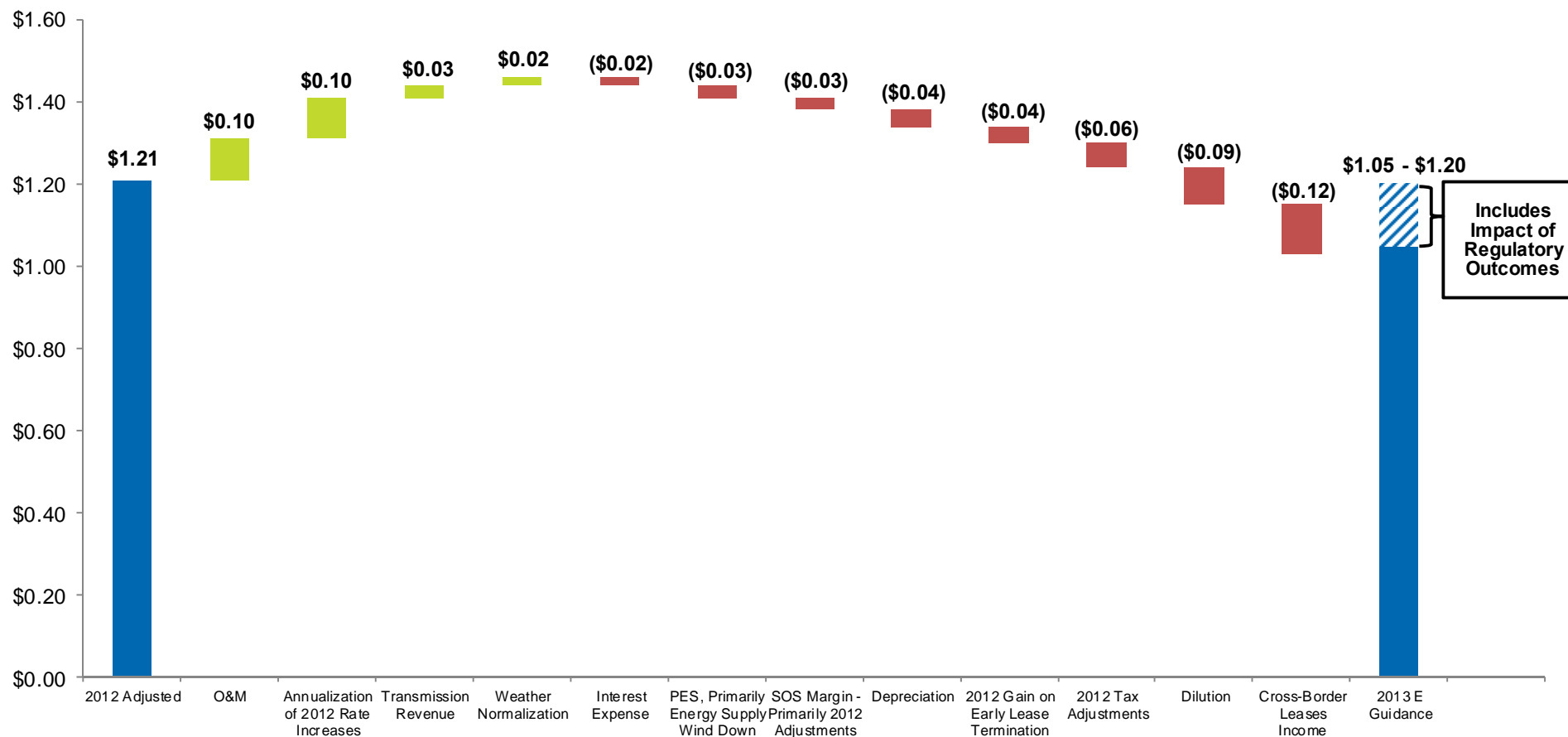
The guidance range assumes/includes:

- Normal weather conditions for the remainder of the year

* See Appendix for reconciliation of GAAP earnings per share to adjusted earnings per share.

2013 Earnings Guidance (continued)

Earnings Per Share – 2012 Adjusted vs. 2013 Guidance*



* See Appendix for reconciliation of GAAP earnings per share to adjusted earnings per share.

2013 Earnings Guidance Assumptions

Power Delivery

- Normal weather and operating conditions
- Reasonable regulatory outcomes for pending electric distribution base rate cases
- Projected 1.2% growth in number of total customers
- Forecasted sales growth of 1.4%
- Utility total O&M expense of \$850 - \$880 million
- Construction expenditures of \$1.2 billion
- Depreciation and amortization expense of \$465 million

2013 Earnings Guidance Assumptions (continued)

Pepco Energy Services

- After-tax earnings of approximately \$5 million
- Excludes earnings or losses associated with the retail energy supply business, including the after-tax net mark-to-market effects of economic hedging activities

PHI

- Excludes all earnings or losses associated with the cross-border energy lease investments, including the associated interest on the tax liability
- Composite consolidated effective tax rate of approximately 40%
- Execution of financing plan

Investment Highlights

- *Stable Earnings Base* – Derived primarily from regulated utility business
- *Long-term Earnings Growth* – Driven by T&D utility infrastructure investments and reasonable regulatory outcomes
 - Power Delivery – 8% CAGR of Rate Base (2012 – 2017)
- *Financial Strength* – Manageable financing plan, ample liquidity, solid investment grade credit ratings
- *Secure Dividend* – Attractive current yield
- *Experienced Team* – Delivering on commitments

PHI – Well Positioned to Deliver Value

Financial Overview

Fred Boyle, Senior Vice President & Chief Financial Officer

Appendix

Sales and Financial Information

Potomac Electric Power Company

(Millions of Dollars, except Sales and Customers)

Electric GWh Sales

	DC Electric Delivered	MD Electric Delivered	Total Electric Delivered	Standard Offer Service
Projected				
2013	11,772	14,604	26,376	8,495
2014	11,878	14,478	26,356	8,474
2015	12,104	14,503	26,607	8,548
2016	12,275	14,533	26,808	8,584
2017	12,405	14,524	26,929	8,600

Residential Electric Customers

	Customers	% Change
Projected		
2013	728,512	1.3%
2014	735,962	1.0%
2015	743,424	1.0%
2016	749,680	0.8%
2017	754,435	0.6%

Depreciation Expense

	Transmission	Distribution	Total
Projected			
2013	\$25	\$133	\$158
2014	\$28	\$148	\$176
2015	\$30	\$161	\$191
2016	\$32	\$173	\$205
2017	\$34	\$188	\$222

Amortization Expense

	Transmission	Distribution	Total
Projected			
2013	\$0	\$48	\$48
2014	\$0	\$48	\$48
2015	\$0	\$52	\$52
2016	\$0	\$54	\$54
2017	\$0	\$50	\$50

Construction Expenditures

	Transmission	Distribution*	Other	Total
Projected				
2013	\$103	\$411	\$57	\$571
2014	\$76	\$511	\$59	\$646
2015	\$88	\$497	\$38	\$623
2016	\$58	\$472	\$34	\$564
2017	\$83	\$443	\$29	\$555

* Construction expenditures presented are net of U.S. Department of Energy (DOE) awards.

Sales and Financial Information

Delmarva Power & Light Company

(Millions of Dollars, except Sales and Customers)

Electric GWh Sales					Gas Mcf	Residential Electric Customers		
	DE Electric Delivered	MD Electric Delivered	Total Electric Delivered	Standard Offer Service	Gas Delivered		Customers	% Change
Projected						Projected		
2013	8,551	4,301	12,852	6,073	19,297	2013	446,472	1.0%
2014	8,616	4,345	12,961	6,123	19,288	2014	451,198	1.1%
2015	8,868	4,450	13,318	6,275	19,556	2015	456,340	1.1%
2016	9,092	4,522	13,614	6,406	20,027	2016	461,534	1.1%
2017	9,252	4,587	13,839	6,517	20,678	2017	466,041	1.0%

Depreciation Expense					Amortization Expense				
	Transmission	Electric Distribution	Gas Delivery	Total		Transmission	Electric Distribution	Gas Delivery	Total
Projected					Projected				
2013	\$23	\$50	\$13	\$86	2013	\$0	\$25	\$0	\$25
2014	\$25	\$59	\$14	\$98	2014	\$0	\$41	\$0	\$41
2015	\$28	\$63	\$15	\$106	2015	\$0	\$37	\$0	\$37
2016	\$31	\$66	\$16	\$113	2016	\$0	\$34	\$0	\$34
2017	\$34	\$70	\$17	\$121	2017	\$0	\$30	\$0	\$30

Construction Expenditures					
	Transmission	Electric Distribution	Gas Delivery	Other	Total
Projected					
2013	\$110	\$192	\$26	\$46	\$374
2014	\$94	\$145	\$28	\$35	\$302
2015	\$99	\$141	\$28	\$28	\$296
2016	\$103	\$145	\$28	\$24	\$300
2017	\$148	\$149	\$30	\$30	\$357

Sales and Financial Information

Atlantic City Electric Company (Millions of Dollars, except Sales and Customers)

Electric GWh Sales			Residential Electric Customers		
	NJ Electric Delivered	Basic Generation Service		Customers	% Change
Projected			Projected		
2013	9,646	5,069	2013	485,126	1.3%
2014	9,698	5,123	2014	488,964	0.8%
2015	9,849	5,200	2015	492,805	0.8%
2016	9,874	5,210	2016	496,606	0.8%
2017	9,888	5,220	2017	500,346	0.8%

Depreciation Expense				Amortization Expense				
	Transmission	Distribution	Total		Transmission	Distribution(1)	Other(2)	Total
Projected				Projected				
2013	\$19	\$57	\$76	2013	\$0	(\$6)	\$78	\$72
2014	\$20	\$65	\$85	2014	\$0	\$5	\$80	\$85
2015	\$23	\$71	\$94	2015	\$0	\$7	\$83	\$90
2016	\$25	\$77	\$102	2016	\$0	\$5	\$85	\$90
2017	\$27	\$85	\$112	2017	\$0	\$5	\$88	\$93

Construction Expenditures				
	Transmission	Distribution (3)	Other	Total
Projected				
2013	\$53	\$164	\$36	\$253
2014	\$84	\$146	\$32	\$262
2015	\$93	\$146	\$36	\$275
2016	\$81	\$144	\$22	\$247
2017	\$67	\$183	\$24	\$274

- (1) Amortization expense related to the excess depreciation reserve recorded as part of the New Jersey rate case settlement and other distribution items.
- (2) 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 2013 through 2023.
- (3) Construction expenditures presented are net of U.S. DOE awards.

Projected Capital Expenditures – 2013 - 2017

(Millions of Dollars)

	2013	2014	2015	2016	2017	Total
Power Delivery						
Distribution	\$ 733	\$ 801	\$ 784	\$ 753	\$ 730	\$ 3,801
Distribution - Smart Grid	41	1	-	8	45	95
Transmission	266	254	280	242	298	1,340
Gas Delivery	26	28	28	28	30	140
Other	139	126	102	80	83	530
Sub-Total	1,205	1,210	1,194	1,111	1,186	5,906
DOE Capital Reimbursement Awards*	(7)	-	-	-	-	(7)
Total for Power Delivery	1,198	1,210	1,194	1,111	1,186	5,899
Pepco Energy Services	3	4	5	7	7	26
Corporate and Other	6	4	4	4	4	22
Total PHI	\$ 1,207	\$ 1,218	\$ 1,203	\$ 1,122	\$ 1,197	\$ 5,947

* Reflects remaining anticipated cash reimbursements pursuant to awards from the U.S. DOE under the American Recovery and Reinvestment Act of 2009.

Projected Rate Base by Utility

<i>(Millions of Dollars)</i>	2012 Estimated	2013 Projected	2014 Projected	2015 Projected	2016 Projected	2017 Projected
Distribution – Electric						
Pepco	\$2,485	\$2,772	\$3,075	\$3,289	\$3,570	\$3,743
Delmarva Power	1,138	1,280	1,381	1,461	1,538	1,618
Atlantic City Electric	1,072	1,244	1,351	1,441	1,542	1,623
Total Distribution – Electric	\$4,695	\$5,296	\$5,807	\$6,191	\$6,650	\$6,984
Distribution – Gas	\$251	\$255	\$263	\$268	\$273	\$277
Transmission						
Pepco	\$641	\$750	\$742	\$811	\$832	\$833
Delmarva Power	507	569	642	708	807	888
Atlantic City Electric	395	445	504	592	653	718
Total Transmission	\$1,543	\$1,764	\$1,888	\$2,111	\$2,292	\$2,439
Total Distribution & Transmission	\$6,489	\$7,315	\$7,958	\$8,570	\$9,215	\$9,700

Calculation of Credit Metrics

	2012
Net Cash Provided by Operating Activities (GAAP Measure)	\$ 592
Rating Agency Adjustments	
Less: Changes in Working Capital & Other	12
Less: Securitized Debt Adjustment	(39)
Plus: Pension & Postretirement Benefit Obligations Adjustment	140
Plus: Operating Lease Adjustment	21
Less: Capitalized Interest	(4)
Adjusted Funds From Operations (FFO - Non-GAAP Measure)	722
Balance Sheet Debt ⁽¹⁾ (GAAP Measure)	\$ 5,520
Rating Agency Adjustments	
Less: Securitized Debt	(295)
Plus: Pension & Postretirement Benefit Obligations Adjustment	591
Plus: Operating Lease Adjustment	361
Plus: Accrued Interest	47
Plus: ARO Debt Adjustment	10
Total Adjusted Debt	6,234
Balance Sheet Equity	\$ 4,446
Non-Controlling Interest	-
Total Equity (GAAP Measure)	4,446
Total Adjusted Capital	\$ 10,680
Interest Expense (GAAP Measure)	\$ 265
Rating Agency Adjustments	
Plus: Capitalized Interest	4
Plus: Operating Lease Adjustment	20
Less: Securitized Debt Adjustment	(15)
Plus: Pension & Postretirement Benefit Obligations Adjustment	-
Total Adjusted Interest Expense	274
Cash Interest Paid	\$ 253
Rating Agency Adjustments	
Plus: Capitalized Interest	4
Less: Securitized Debt Adjustment	(15)
Plus: Operating Lease Interest Adjustment	20
Less: Operating Lease Depreciation Adjustment	(21)
Total Adjusted Cash Interest Paid	241
Debt/Capital (Rating Agency Adjusted)	58.4%
FFO Interest Coverage (Rating Agency Adjusted) ⁽²⁾	3.5x

(1) Includes short-term and long-term debt, capital leases and long-term project funding

(2) FFO Interest Coverage (Rating Agency Adjusted) = Adjusted FFO + Adjusted Cash Interest Paid / Adjusted Interest Expense

Source: S&P CreditStats Direct

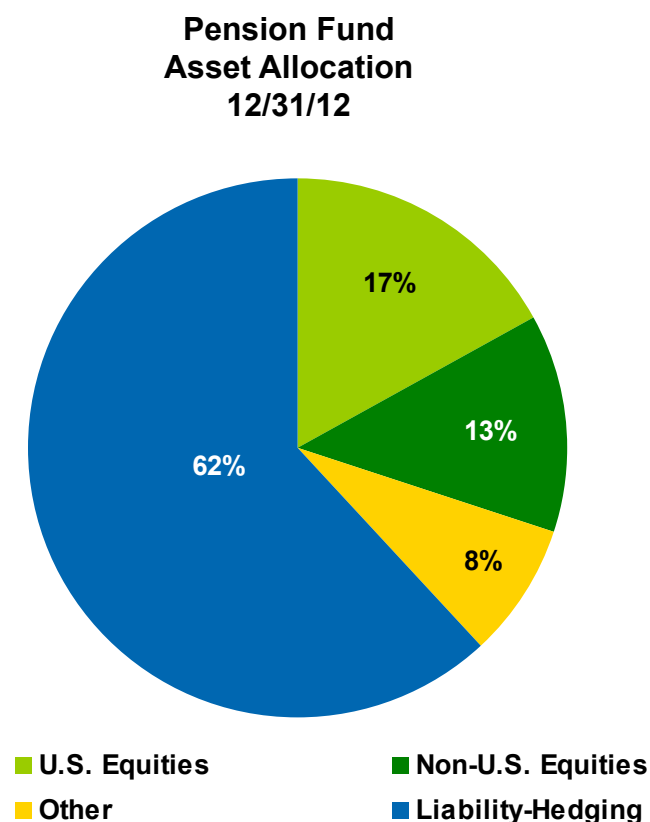
Long-term Debt Maturities

<i>(Millions of dollars)</i>	Maturity Date	Interest Rate	2013	2014	2015
Pepco - Senior Notes	11/15/13	4.95%	\$200	\$ -	\$ -
Pepco - Senior Notes	4/15/14	4.65%	-	175	-
Delmarva Power - FMB	12/1/13	6.40%	250	-	-
Delmarva Power - Unsecured Notes	11/15/14	5.00%	-	100	-
Delmarva Power - Unsecured Notes	6/1/15	5.00%	-	-	100
Atlantic City Electric - FMB	8/1/13	6.625%	69	-	-
Atlantic City Electric - VRDB	4/15/14	Variable	-	18	-
Atlantic City Electric - Secured MTN	8/29/14	7.63%	-	7	-
Atlantic City Electric - Secured MTN	8/24/15	7.68%	-	-	15
Pepco Holdings	10/1/15	2.70%	-	-	250
Potomac Capital Investment - Bank Loan	4/21/14	6.59%		11	-
Total Maturities			\$519	\$311	\$365

Note: Excludes debt maturities related to Atlantic City Electric securitization bonds.

Pension – Liability-Driven Investment Strategy

- Beginning in the second quarter of 2011, PHI initiated a modified pension investment policy to reduce volatility of funded status and pension costs
 - “Return-seeking” (i.e., equity) assets reduced from over 60% to under 40%, with corresponding increase in “liability-hedging” (i.e., fixed income) assets
 - Fixed income portfolio restructured to better track liabilities, with liability hedge ratio increased from less than 15% to more than 50%, reducing exposure to discount rate changes
 - Additional risk reduction will be predicated on contributions and improvements in funded status
 - Strategy designed to meet growth in benefit obligations through investment returns and PHI’s contributions, while maintaining variability of funded status and pension costs at acceptable levels



Our Approach to Earnings Guidance

- Range provided for ongoing operations (GAAP results excluding special, unusual or extraordinary items)
- For guidance purposes, the items below will be excluded from results even if not classified as a special item for reporting purposes:
 - Effect of adopting new accounting standards
 - Effect of changes in tax law
 - Impairments of assets, including goodwill
 - All earnings or losses associated with the retail energy supply business at Pepco Energy Services, including the net mark-to-market effects of economic hedging activities
 - All earnings or losses associated with the cross-border energy lease investments, including the associated interest on the tax liability
 - Other unusual items

Reconciliation of GAAP EPS to Adjusted EPS

	Year Ended December 31,	
	2012	2011
Reported (GAAP) Diluted Earnings per Share from Continuing Operations	\$ 1.24	\$ 1.15
Adjustments (after-tax):*		
• Mark-to-market (gains)/losses from Pepco Energy Services retail energy economic hedging activities	(0.06)	0.08
• Impairment charges related to Pepco Energy Services long-lived assets	0.03	-
• Effect of adopting a tax law change in District of Columbia	-	0.02
Adjusted Earnings per Share from Continuing Operations (Non-GAAP)	\$ 1.21	\$ 1.25

* Calculated using a composite income tax rate of approximately 40%

Q&A