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May 4, 2010

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OFFICE OF THE  
PEOPLES COUNSEL  
DISTRICT GOVERNMENT

Brenda K. Pennington, Esquire  
Interim People's Counsel  
Office of the People's Counsel  
1133 – 15<sup>th</sup> Street, N.W., Suite 500  
Washington, D.C. 20005-2710

RE: **Pepco Holdings' Announced  
Sale of Conectiv Energy  
Generating Assets**

Dear Ms. Pennington:

This will acknowledge receipt of your letter to Mr. Rigby dated April 21, 2010 in which you asked several questions concerning the sale of Conectiv's generation assets to Calpine. Mr. Rigby has asked me to prepare the Company's response to your questions.

1. How will the sale of Conectiv Energy power generation assets affect PHI's transmission and distribution service operations in the District of Columbia?

Following the sale of Conectiv's generating assets, and with the wind down of Pepco Energy Service's retail energy business, Pepco Holdings, Inc ("PHI") will concentrate in the future on repositioning itself as a fundamentally regulated utility company. Although the sale of Conectiv's generating business will not directly affect Pepco's transmission and distribution operations in the District of Columbia (the operations of the two companies have always been subject to strict separation), the sale will result in an improved business risk profile for PHI, reduce the volatility of PHI's future earnings and strengthen PHI's credit profile.

2. PHI's news release notes that it expects there will be a reduction of approximately 150 jobs. How many jobs will be affected within PHI's District of Columbia service territory?

None of the 150 job reductions will occur in the District of Columbia.

3. How will the sale of Conectiv Energy power generation assets affect PHI's power procurement operations as the standard offer service provider in the District of Columbia?

The sale of Conectiv's power generation assets will have no effect on Pepco's ability to procure power on a reasonable basis to satisfy its Standard Offer Service obligation in the District of Columbia.

4. How will the sale of Conectiv Energy power generation assets enhance PHI's equity and business risks?

The sale will allow PHI to de-leverage the holding company, thus improving the consolidated capital structure. PHI's business risk profile will improve because the consolidated risk profile will consist of approximately 90% to 95% utility operating income, up from 70% to 75% prior to the sale. Pepco's capital structure and risk profile will remain the same.

If you have any questions, or require additional information, please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirk J. Emge", written over a horizontal line.

Kirk J. Emge

KJE/rs

Enclosures

cc: Mr. Joseph M. Rigby  
Mr. Anthony J. Kamerick