



FEDERAL ENERGY REGULATORY COMMISSION

August 25, 2008
Pepco Holdings, Inc.
Docket No. ER08-686-000

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FERC Encourages MidAtlantic Grid Investment

The Federal Energy Regulatory (FERC) today granted Pepco Holdings, Inc.'s request to implement a transmission rate incentive plan for eight transmission projects in Maryland, New Jersey and the Delmarva Peninsula that will improve reliability and reduce congestion.

Background and Order

The Energy Policy Act of 2005 (EPA 2005) directed FERC to establish incentive-based treatments to promote capital investment in transmission infrastructure. FERC subsequently issued Order No. 679, which established processes by which a public utility could seek transmission rate incentives. FERC found the Pepco request was consistent with Order No. 679.

Pepco Holdings, Inc. will upgrade existing substation equipment, add new substations, rebuild and reconduct existing lines, and add discrete transmission lines.

FERC is granting Pepco Holdings, Inc., effective June 1, 2008, their request for a 150-basis point return on equity (ROE) adder for the projects because the projects were approved baseline projects by the PJM Regional Transmission Expansion Plan, which means that PJM made a determination that the projects are regional in nature and mitigate congestion or ensure PJM's ability to continue to serve load reliably.

Pepco Holdings, Inc. also sufficiently demonstrated that the projects are not routine and that, individually and combined, they address significant reliability issues.