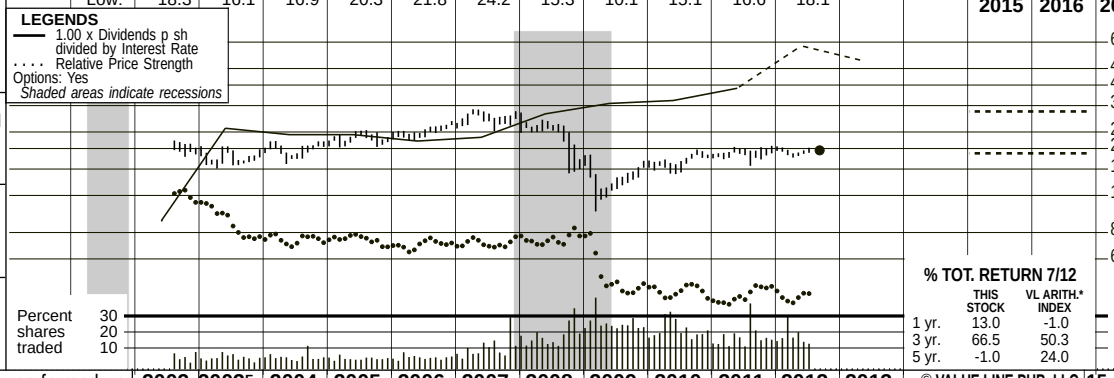
PEPCO HOLDINGS NYSE-POM

RECENT PRICE	P/E RATIO		RELATIVE P/E RATIO	DIV'D YLD	
19.62	16.4	(Trailing: 19.8 Median: 14.0)	1.12	5.5%	VALUE LINE

TIMELINESS 3 Raised 2/5/10
SAFETY 3 Lowered 6/6/03
TECHNICAL 2 Raised 8/24/12
BETA .75 (1.00 = Market)

High:	21.9	20.6	21.7	24.5	27.0	30.7	29.6	18.7	19.8	20.6	20.5
Low:	18.3	16.1	16.9	20.3	21.8	24.2	15.3	10.1	15.1	16.6	18.1

Target Price Range
2015 | 2016 | 2017



2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	30	(+55%)	15%
Low	19	(-5%)	4%

Insider Decisions

	S	O	N	D	J	F	M	A	M
to Buy	0	0	1	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	3Q2011	4Q2011	1Q2012
to Buy	130	157	156
to Sell	141	134	148
Hld's(000)	122366	118632	131009

% TOT. RETURN 7/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.0	-1.0
3 yr.	66.5	50.3
5 yr.	-1.0	24.0

Pepco Holdings, Inc. (PHI) was formed on August 1, 2002, upon the merger of Potomac Electric Power Co. (PEPCO) and Conectiv. In the $2.2 billion deal, PEPCO common stockholders received one common share in PHI for each of their shares, and Conectiv investors exchanged each of their common shares for $25 worth of PHI stock and cash, prorated 50/50.

2002	2003F	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
41.11	42.33	38.35	42.49	43.57	46.71	48.88	41.66	31.27	26.02	*25.55*	*25.60*	Revenues per sh	*27.45*
3.12	3.80	3.71	3.67	3.47	3.30	3.55	2.82	2.97	3.00	*3.00*	*3.10*	"Cash Flow" per sh	*3.70*
1.79	1.35	1.46	1.49	1.33	1.53	1.93	1.06	1.24	1.14	*1.20*	*1.30*	Earnings per sh A	*1.70*
.42	1.00	1.00	1.00	1.04	1.04	1.08	1.08	1.08	1.08	*1.08*	*1.12*	Div'd Decl'd per sh B ■	*1.16*
3.06	3.48	2.75	2.46	2.47	3.11	3.57	3.89	3.56	4.14	*4.00*	*4.00*	Cap'l Spending per sh	*3.90*
18.17	17.48	17.87	18.88	18.82	20.04	19.14	19.15	18.79	19.06	*19.40*	*19.70*	Book Value per sh C	*21.50*
164.85	171.77	188.33	189.82	191.93	200.51	218.91	222.27	225.08	227.50	*235.00*	*242.00*	Common Shs Outst'g D	*255.00*
11.3	13.4	13.6	14.9	18.1	18.2	12.2	13.7	14.0	16.7	*Bold figures are*		Avg Ann'l P/E Ratio	*14.0*
.62	.76	.72	.79	.98	.97	.73	.91	.89	1.05	*Value Line*		Relative P/E Ratio	*.95*
2.1%	5.5%	5.0%	4.5%	4.3%	3.7%	4.6%	7.4%	6.2%	5.7%	*estimates*		Avg Ann'l Div'd Yield	*4.9%*
6777.3	7271.3	7221.8	8065.5	8362.9	9366.4	10700	9259.0	7039.0	5920.0	*6000*	*6200*	Revenues ($mill)	*7000*
294.9	245.2	261.3	277.4	254.4	296.5	400.0	235.0	276.0	257.0	*280*	*320*	Net Profit ($mill)	*430*
17.0%	18.3%	38.7%	38.8%	39.1%	39.3%	29.6%	31.9%	18.8%	37.2%	*40.0%*	*40.0%*	Income Tax Rate	*40.0%*
- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	*Nil*	*Nil*	AFUDC % to Net Profit	*Nil*
58.7%	63.1%	59.7%	57.1%	54.6%	54.1%	56.2%	53.8%	49.0%	49.1%	*49.0%*	*50.0%*	Long-Term Debt Ratio	*50.0%*
36.4%	35.6%	39.6%	42.3%	45.1%	45.9%	43.8%	46.2%	51.0%	50.9%	*51.0%*	*50.0%*	Common Equity Ratio	*50.0%*
8228.9	8439.3	8494.0	8469.3	8004.0	8753.0	9568.0	9203.0	8292.0	8516.0	*8910*	*9570*	Total Capital ($mill)	*10980*
6798.0	6964.9	7088.0	7312.0	7576.6	7876.7	8314.0	8863.0	7673.0	8220.0	*7750*	*7800*	Net Plant ($mill)	*8100*
4.6%	4.8%	5.0%	5.0%	5.1%	5.1%	5.8%	4.5%	5.1%	4.5%	*4.5%*	*5.5%*	Return on Total Cap'l	*5.5%*
8.7%	7.9%	7.6%	7.6%	7.0%	7.4%	9.5%	5.5%	6.5%	5.9%	*6.0%*	*7.0%*	Return on Shr. Equity	*8.0%*
9.2%	7.7%	7.7%	7.7%	7.0%	7.4%	9.5%	5.5%	6.5%	5.9%	*6.0%*	*7.0%*	Return on Com Equity E	*8.0%*
5.3%	2.0%	2.5%	2.4%	1.5%	2.3%	4.2%	NMF	.8%	.3%	*.5%*	*1.5%*	Retained to Com Eq	*2.5%*
46%	75%	68%	69%	78%	68%	56%	101%	87%	95%	*91%*	*85%*	All Div'ds to Net Prof	*69%*

CAPITAL STRUCTURE as of 6/30/12
Total Debt $5127 mill. **Due in 5 Yrs** $1560 mill.
LT Debt $4203 mill. **LT Interest** $250 mill.
(LT interest earned: 2.5x)

Pension Assets-12/11 $1.7 bill. **Oblig.** $2.1 bill.

Pfd Stock None

Common Stock 228,885,730 shs.
as of 7/25/12

MARKET CAP: $4.5 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-2.5	+4.1	-2.8
Avg. Resid'l Use (KWH)	10395	11253	10836
Avg. Resid'l Revs. per KWH(¢)	N/A	N/A	N/A
Capacity at Peak (Mw)	N/A	N/A	N/A
Peak Load, Summer (Mw)	N/A	N/A	N/A
Annual Load Factor (%)	N/A	N/A	N/A
% Change Customers (yr-end)	+.6	+1.1	+.7
Fixed Charge Cov. (%)	188	204	251

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	-3.5%	-4.5%	*-3.0%*
"Cash Flow"	-4.5%	-4.0%	*4.0%*
Earnings	-4.5%	-4.5%	*7.0%*
Dividends	- -	1.5%	*1.0%*
Book Value	0.5%	0.5%	*2.0%*

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	2520	2065	2539	2135	9259
2010	1819	1636	2067	1517	7039
2011	1634	1409	1643	1234	5920
2012	1292	1179	*1900*	*1629*	*6000*
2013	*1300*	*1200*	*2000*	*1700*	*6200*

Cal-endar	EARNINGS PER SHARE AG Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.21	.11	.56	.18	1.06
2010	.16	.34	.52	.25	1.24
2011	.27	.42	.35	.10	1.14
2012	.30	.27	*.43*	*.20*	*1.20*
2013	*.30*	*.35*	*.45*	*.20*	*1.30*

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.27	.27	.27	.27	1.08
2009	.27	.27	.27	.27	1.08
2010	.27	.27	.27	.27	1.08
2011	.27	.27	.27	.27	1.08
2012	.27	.27			

BUSINESS: Pepco Holdings, Inc. consists mainly of three electric utility subsidiaries: Potomac Electric Power Co., serving Washington, D.C. and adjoining areas of Maryland; Delmarva Power, which serves the peninsula area of Delaware, Maryland and Virginia; and Atlantic City Electric, serving southern New Jersey. In July 2010, Pepco sold competitive energy business (Conectiv Energy) to Calpine Corp. Electricity customers: 1.8 million; gas customers: 124,000. Electricity breakdown: residential, 30%; commercial, 49%; other, 21%. 2011 depreciation rate: 2.6%. Has approximately 5,104 employees as of 12/31/11. Chrmn., Pres. & CEO: Joseph M. Rigby. Inc.: DE. Address: 701 Ninth Street, N.W., Wash., D.C. 20068. Telephone.: 202-872-2000. Internet: www.pepcoholdings.com.

Pepco Holdings turned in a soft second-quarter showing. The Washington, DC-based utility reported earnings of $0.27 a share, below our $0.33 estimate. The miss was primarily driven by higher-than-expected operating costs related to reliability and system improvement efforts. Although we believe Pepco's heightened spending habits will provide some benefit down the road, they are likely to continue to suppress earnings growth in the near term. As a result, we have reduced our 2012 earnings estimate by $0.05 a share, to $1.20. Despite the weak second-quarter performance, management reiterated its full-year share-net guidance range of $1.15-$1.30.

The company recently received disappointing rulings in its Maryland rate cases. On July 20th, both Pepco and Delmarva Power received decisions in their distribution rate cases in Maryland. For Pepco, the commission approved an $18 million annual rate increase based on an ROE of 9.31%, while Delmarva was approved for an $11 million increase on an ROE of 9.81%. Combined, the utilities were only granted about 50% of their requested hikes.

There are currently three rate cases pending. Looking past the unfavorable regulatory treatment in Maryland, the company still has ongoing cases in DC, Delaware, and New Jersey where it is requesting a total of $154 million of incremental revenues. A decision in DC is expected sometime in the coming months, while rulings in New Jersey and Delaware are pegged for the fourth quarter.

The stock's dividend remains among the highest in the utility sector. Shares of Pepco are currently yielding an attractive 5.5%, well above the industry's 4.1% average. Encouragingly, management reiterated its commitment to maintaining its quarterly payout in Pepco's most recent conference call (August 7th). For investors seeking to add a consistent income play to their portfolios, this stock remains a top selection.

These neutrally ranked shares are well-suited for long-term accounts. Based on our current projections, total return potential to 2015-2017 is above average by utility standards.

Michael Ratty *August 24, 2012*

(A) Based on dil. shs. Excl. nonrecur. items: '01, 30¢; '03, d69¢; '04, 1¢; '05, 47¢; '06, d1¢; '08, 46¢; '10, 62¢. Next egs. rpt. due early Nov. (B) Div'ds paid in late March, June, Sep., and Dec. ■ Div'd reinvest. plan. (C) Incl. def'd chgs: '11, $4.5 bill. or $19.78/sh. (D) In mill. (E) Rate allowed in MD: 9.83% ('10-Pepco), 10.0% ('09-Delmarva); DC: 9.6% ('10-Pep.); DEL: 10.0% ('06-Del.); NJ: 10.3% ('10-ACE); Earned on '10 avg. com. eq., 6.5%. Reg. Clim.: Avg. (F) Pre-'03 results pro forma. (G) Qtrly egs. may not add due to chng. in shs.

Company's Financial Strength	B
Stock's Price Stability	95
Price Growth Persistence	30
Earnings Predictability	70

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