

NEWS RELEASE

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Pepco Responds to Mirant's Move to Cancel Pepco Agreements and Block FERC Review

On Thursday, Aug. 28, 2003, Mirant Corporation filed with the U.S. Bankruptcy Court for the Northern District of Texas (the Bankruptcy Court) a motion for an order authorizing the rejection by Mirant of its contractual commitment to reimburse Potomac Electric Power Company (Pepco) for the cost of the electricity supplied to Pepco under the terms of power purchase contracts with third parties.

Mirant's commitment to reimburse Pepco was made in 2000 as part of Mirant's agreement to buy Pepco's power plants. The motion, filed by Mirant with the Bankruptcy Court on Aug. 28, did not seek to reject the transition power agreements (TPAs) under which Mirant supplies Pepco's Standard Offer Service obligations. In a press release issued Aug. 28, Mirant announced that it is attempting to renegotiate the terms of the TPAs with Pepco.

Also on Aug. 28, the Bankruptcy Court, in an *ex parte* proceeding, issued a temporary restraining order (TRO) that temporarily enjoins Pepco from initiating or continuing any proceedings, or encouraging any person or entity from initiating or continuing, any proceedings before the Federal Energy Regulatory Commission (FERC) that seek to require Mirant to continue to perform its obligations under its contract with Pepco. It also temporarily enjoins FERC from taking any action to require or coerce Mirant to abide by the terms of its commitments.

A preliminary injunction hearing has been scheduled for Sept. 10 at which Pepco will request that the injunction be vacated. According to Mirant's filing with the Bankruptcy Court, Mirant sought the TRO in an effort to preempt FERC from taking action, either on its own or as requested by others, to require Mirant to comply with its contractual obligations, as FERC had done in an earlier case involving NRG Energy, Inc.

In response to these events, Dennis R. Wraase, President and Chief Executive Officer of Pepco Holdings, Inc. (NYSE:POM), Pepco's parent company, said, "Mirant's attempt to prevent Pepco from advocating for its customers and to circumvent FERC's jurisdiction is unprecedented. As we have stated previously, we intend to oppose Mirant's legal maneuvers to avoid its financial responsibilities to Pepco and Pepco's customers through all legally available avenues."

About PHI: Pepco Holdings, Inc. is a diversified energy company with headquarters in Washington, D.C. Its principal operations consist of Pepco and Conectiv Power Delivery, which deliver 50,000 gigawatt-hours of power to more than 1.8 million customers in Washington, Delaware, Maryland, New Jersey and Virginia. PHI engages in regulated utility operations by delivering electricity and natural gas, and provides competitive energy and energy products and services to residential and commercial customers.

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