



February 15, 2005

Dear Pepco Business Customer:

You may already know that since January 2001, customers in the District of Columbia have been free to choose an electricity supplier other than Pepco. If you don't choose another supplier, Pepco buys the electricity and charges you a price approved by the District of Columbia Public Service Commission (DCPSC). This is called "Standard Offer Service" (SOS). If you do choose another supplier, Pepco will continue to *deliver* the electricity to your place of business.

Since February 2001 when competition was introduced to D.C.'s electricity market, the rates Pepco could charge for the electricity it sells were reduced by 7 percent and capped. In practical terms, that means that Pepco's D.C. electricity customers have not experienced a price increase in nearly 10 years.

On February 8, 2005, price caps were removed and Pepco's SOS rates increased. You and your fellow large commercial customers will see your bills go up by an average of 32 percent annually.

You may receive offers from competing electricity suppliers. You should take the time to review these offers and decide on the best choice of electricity supplier for your business. If you take no action, you will remain a Pepco SOS supply customer.

Under the rules governing this phase of electricity customer choice in the District of Columbia, commercial customers who choose SOS must commit to remain with SOS for 12 months. Because this is an important decision for all our business customers, the D.C. Public Service Commission (DC PSC) has extended the deadline for choosing SOS or an alternative by the close of three billing cycles after Feb. 8, 2005. While deciding, you may also opt for Market Price Service (MPS) from Pepco. MPS does not carry the year-long service commitment. However, its price will fluctuate according to market conditions on an hourly and daily basis. While the MPS price will fluctuate, however, it will never be less than the price of SOS service.

The deadlines for choosing SOS or an alternative vary according to each customer's billing cycle dates; if you are considering a switch from SOS, please call 202-872-2040 to determine your individual deadline. The deadline for the earliest billing cycle group is now April 19, 2005 and that for the latest billing cycle group is May 20, 2005.

If you have any questions about your customer choice options, please call the above number. Pepco wants to give you all the help you need to make this important business decision.

Sincerely yours,

Michael J. Sullivan
Vice President, Customer Care