

Environmental, Safety and Health Management System Reviews

Presented to NAEM

August 3, 2005

Agenda

About Pepco Holdings, Inc.

Our Lines of Business

Our Corporate ESH
Policies

Our Corporate Supplier
Audit Program

Our Plans for Future
Program Improvements



Pepco Holdings, Inc.

A Diversified energy company

- Formed in 2002 in connection with the merger of Pepco and Conectiv
- Operations in the District of Columbia, Delaware, Maryland, New Jersey, Pennsylvania and Virginia
- The largest electricity delivery company in the mid-Atlantic region

Headquartered in
Washington DC

Trades on NYSE
as POM



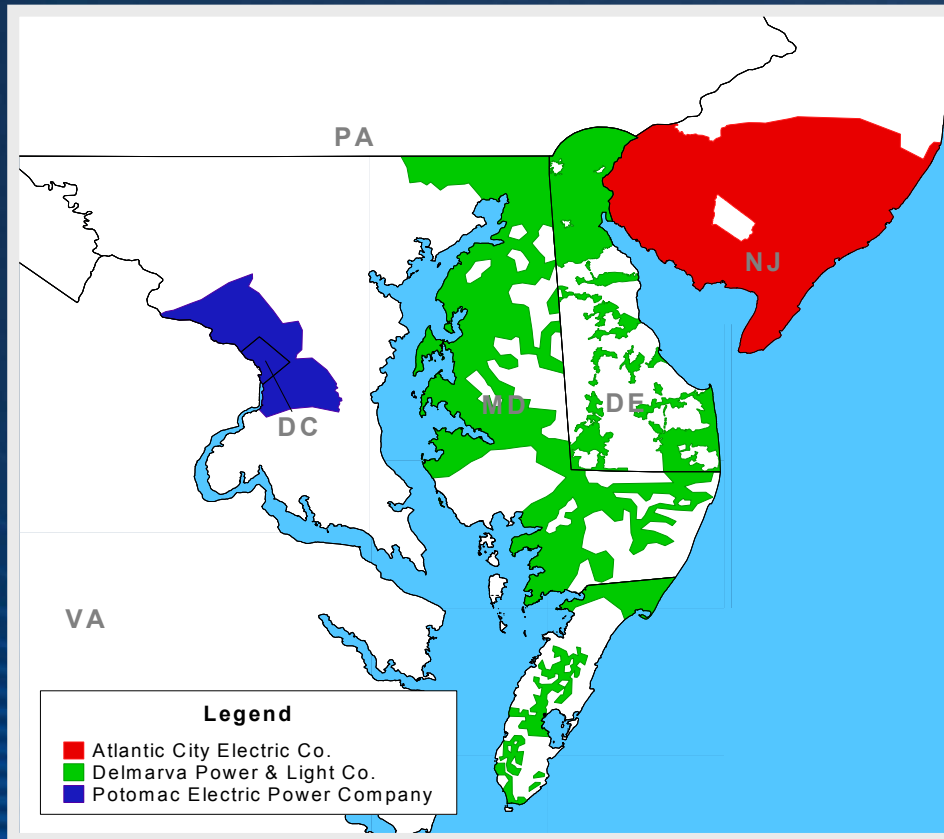
About PHI: Operating Subsidiaries

PHI is a public utility holding company of operating subsidiaries engaged in three principal businesses:

- Regulated power delivery,
- Non-regulated competitive energy generation, marketing and supply,
- Other non-regulated activities consisting primarily of services for energy related assets.



About PHI: Regional Operations



Power Delivery

Over 30,000 miles of overhead transmission and distribution lines

Over 10,000 miles of underground lines

Over 500 substations

Over 1.7 million electric customers



Our Vision

Be the premier energy delivery and services company in the mid-Atlantic region through employees focused on customer service, reliability, and profitability.

Our Values

Safety and Environment are Core Values at PHI

- Safety and Security
- Accountability
- Respect
- Teamwork
- Integrity
- Excellence
- Diversity
- Environmental Stewardship

Our Policies

PHI's Environmental Policy

“Work with our suppliers, contractors and customers to promote the use of our products and services in an environmentally beneficial manner.”

Environmental Stewardship is integrated into our daily activities using an ***Environmental Management System*** that assigns accountability and measures progress in reducing our environmental footprint.



Our Policies

PHI's Safety Policy

“Work with our suppliers and contractors to ensure that the products and services that they provide meet our safety standards.”

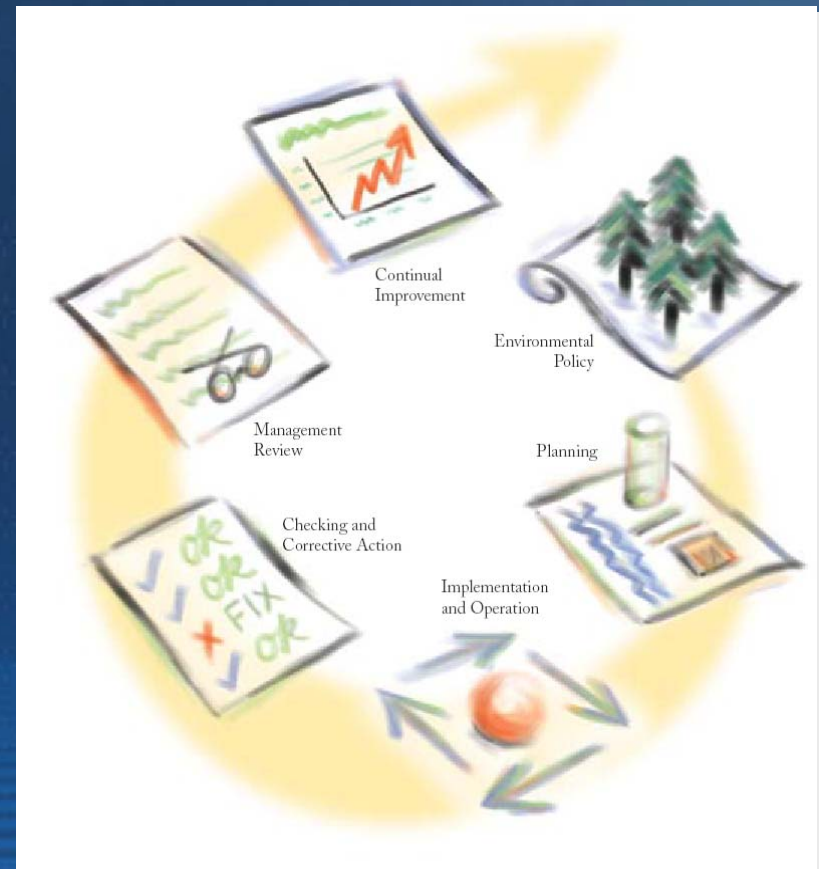
We are creating a ***Safety Management System*** that fosters continuous improvement in the safety of our employees, contractors, customers and communities.



Our Environmental and Safety Management Systems

We have adopted a comprehensive EMS/SMS to:

- Ensure that appropriate technology and procedural controls are in place.
- Increase communication within and among LOBs
- Ensure that roles and responsibilities are clearly delineated.
- Promote clear lines of accountability.
- Reduce potential ESH risks and liabilities.
- Drive continuous improvement in ESH performance.



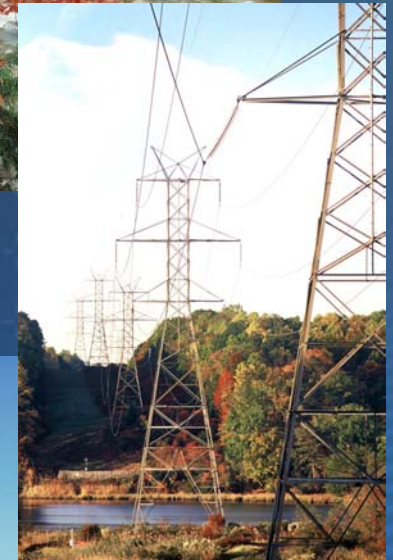
Our Environmental and Safety Management Systems

PHI's EMS is organized:

- Policy
- Roles and Responsibilities
- Compliance
- Stewardship
- Risk Management

PHI's SMS is organized:

- Policy
- Roles and Responsibilities
- Compliance
- Risk Management



Our Environmental and Safety Management Systems

PHI's EMS/SMS specifies roles and responsibilities for:

- LOBs
- Employees
- Safety & Environment
- Legal Services
- Communications
- Governmental Affairs
- Supply Chain
- Internal Audits

PHI's Risk Management Audits Include:

- Internal ESHS audits
- External (Supplier) Audits



Our Supplier Audit Program

We proactively support the LOBs in procuring most cost-effective suppliers for:

- Handling, packaging, recycling, storing, treating and disposing of their by-products associated with day-to-day operations and activities.
- Responding to emergency response incidents.
- Managing other contract services in which their activities could potentially impact the environment onsite or offsite of PHI facilities.



Supplier Audit Program Objectives

Minimize potential environmental risks and liabilities.

Develop a consistent mechanism for assessing and evaluating suppliers.

Establish consistent criteria for the approval of suppliers.

Maintain an approved list of suppliers.

Maintain a schedule for conducting site inspections.

Support the needs of the lines of business.



Our Audit Approach

PHI's supplier audits include a review of:

- General facility/site information and history
- Processes and operational controls
- Management systems
- Regulatory compliance issues and history
- Financial solvency



Our Audit Approach

PHI's Supplier Audit Program

- Specifies supplier review frequency:
 - ▶ Dependent upon level of risk
 - ▶ 2 – 4 year review cycle
- Allows for shared inspection programs (CHWMEG) to:
 - ▶ Augment audit program needs
 - ▶ Streamline approval process
 - ▶ Be responsive to LOBs needs
 - ▶ Reduce auditing expenditures



Supplier Audit Program Relationships



Next Steps

Continue to evaluate the supplier audit process and streamline the number of suppliers to reduce risk footprint.

Finalize T&Cs and contracts for environmentally-related suppliers.

Continue to foster and strengthen relationships between LOBs, Supply Chain, Finance and Legal Services.

