BALTIMORE GAS & ELECTRIC CO
Form 10-Q
May 07, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For The Quarterly Period Ended **March 31, 2010**

Commission File Number	Exact name of registrant as specified in its charter	IRS Employer Identification No.
1-12869	**CONSTELLATION ENERGY GROUP, INC.**	**52-1964611**

100 CONSTELLATION WAY, BALTIMORE, MARYLAND 21202
(Address of principal executive offices) (Zip Code)

410-470-2800
(Registrant's telephone number, including area code)

1-1910	**BALTIMORE GAS AND ELECTRIC COMPANY**	**52-0280210**

2 CENTER PLAZA, 110 WEST FAYETTE STREET, BALTIMORE, MARYLAND 21202
(Address of principal executive offices) (Zip Code)

410-234-5000
(Registrant's telephone number, including area code)

MARYLAND
(State of Incorporation of both registrants)

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) have been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether Constellation Energy Group, Inc. has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark whether Baltimore Gas and Electric Company has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether Constellation Energy Group, Inc. is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer ý Accelerated filer o Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether Baltimore Gas and Electric Company is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer o Accelerated filer o Non-accelerated filer ý Smaller reporting company o

Indicate by check mark whether Constellation Energy Group, Inc. is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No ý

Indicate by check mark whether Baltimore Gas and Electric Company is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No ý

Common Stock, without par value 201,681,394 shares outstanding of Constellation Energy Group, Inc. on April 30, 2010.

Baltimore Gas and Electric Company meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form in the reduced disclosure format.

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PART I FINANCIAL INFORMATION

Item 1 Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (LOSS) (UNAUDITED)

Constellation Energy Group, Inc. and Subsidiaries

	Three Months Ended March 31, 2010	2009
	(In millions, except per share amounts)	
Revenues		
Nonregulated revenues	**$ 2,518.2**	$ 3,112.3
Regulated electric revenues	**751.3**	806.8
Regulated gas revenues	**317.1**	384.3
Total revenues	**3,586.6**	4,303.4
Expenses		
Fuel and purchased energy expenses	**2,362.1**	3,273.2
Fuel and purchased energy expenses from affiliate	**198.5**	
Operating expenses	**396.4**	581.7
Merger termination and strategic alternatives costs		42.3
Impairment losses and other costs		28.6
Workforce reduction costs		10.8
Depreciation, depletion, and amortization	**131.4**	148.6
Accretion of asset retirement obligations	**0.5**	17.9
Taxes other than income taxes	**66.8**	77.9
Total expenses	**3,155.7**	4,181.0
Equity Investment Losses	**(20.7)**	
Net Gain (Loss) on Divestitures	**4.9**	(334.5)
Income (Loss) from Operations	**415.1**	(212.1)
Other Expense	**(22.3)**	(56.3)
Fixed Charges		
Interest expense	**121.5**	115.1
Interest capitalized and allowance for borrowed funds used during construction	**(15.6)**	(21.6)
Total fixed charges	**105.9**	93.5
Income (Loss) from Continuing Operations Before Income Taxes	**286.9**	(361.9)
Income Tax Expense (Benefit)	**95.6**	(242.2)
Net Income (Loss)	**191.3**	(119.7)
Less: Net (Loss) Income Attributable to Noncontrolling Interests and BGE Preference Stock Dividends	**(0.2)**	3.8
Net Income (Loss) Attributable to Common Stock	**$ 191.5**	$ (123.5)
Average Shares of Common Stock Outstanding Basic	**200.3**	198.5
Average Shares of Common Stock Outstanding Diluted	**201.9**	198.5
Earnings (Loss) Per Common Share Basic	**$ 0.96**	$ (0.62)

Earnings (Loss) Per Common Share Diluted	**$**	**0.95**	$	(0.62)
Dividends Declared Per Common Share	**$**	**0.24**	$	0.24

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Constellation Energy Group, Inc. and Subsidiaries

	Three Months Ended March 31,			
		2010		**2009**
	(In millions)			
Net Income (Loss)	**$**	**191.3**	$	(119.7)
Other comprehensive income (OCI)				
Hedging instruments:				
Reclassification of net loss on hedging instruments from OCI to net income (loss), net of taxes		**108.5**		457.2
Net unrealized loss on hedging instruments, net of taxes		**(232.9)**		(339.2)
Available-for-sale securities:				
Reclassification of net (gain) loss on sales of securities from OCI to net income (loss), net of taxes		**(0.1)**		29.7
Net unrealized gain (loss) on securities, net of taxes		**0.2**		(26.7)
Defined benefit obligations:				
Amortization of net actuarial loss, prior service cost, and transition obligation included in net periodic benefit cost, net of taxes		**5.9**		7.9
Net unrealized gain on foreign currency, net of taxes		**1.7**		2.0
Other comprehensive income equity investment in CENG, net of taxes		**9.9**		
Other comprehensive (loss) income other equity method investees, net of taxes		**(0.2)**		5.7
Comprehensive income		**84.3**		16.9
Less: Comprehensive (loss) income attributable to noncontrolling interests, net of taxes		**(0.2)**		3.8
Comprehensive Income Attributable to Common Stock	**$**	**84.5**	$	13.1

See Notes to Consolidated Financial Statements.
Certain prior-period amounts have been reclassified to conform with the current period's presentation.

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CONSOLIDATED BALANCE SHEETS

Constellation Energy Group, Inc. and Subsidiaries

	*March 31, 2010**	*December 31, 2009*
	(In millions)	
Assets		
Current Assets		
Cash and cash equivalents	**$ 1,937.8**	$ 3,440.0
Accounts receivable (net of allowance for uncollectibles of **$71.9** and $80.4, respectively)	**1,913.2**	1,778.2
Accounts receivable consolidated variable interest entities (net of allowance for uncollectibles of **$90.4** and $80.2, respectively)	**319.3**	359.4
Fuel stocks	**268.3**	314.9
Materials and supplies	**99.9**	93.3
Derivative assets	**686.0**	639.1
Unamortized energy contract assets (includes **$376.9** and $371.3, respectively, related to CENG)	**427.1**	436.5
Restricted cash	**2.2**	2.7
Restricted cash consolidated variable interest entities	**109.8**	24.3
Deferred income taxes	**172.1**	127.9
Other	**186.4**	244.4
Total current assets	**6,122.1**	7,460.7
Investments and Other Noncurrent Assets		
Investment in CENG	**5,222.4**	5,222.9
Other investments	**414.2**	424.3
Regulatory assets (net)	**399.8**	414.4
Goodwill	**25.5**	25.5
Derivative assets	**731.4**	633.9
Unamortized energy contract assets (includes **$311.0** and $400.9, respectively, related to CENG)	**467.2**	604.7
Other	**258.3**	304.2
Total investments and other noncurrent assets	**7,518.8**	7,629.9
Property, Plant and Equipment		
Property, plant and equipment	**12,623.7**	12,534.5
Accumulated depreciation	**(4,127.5)**	(4,080.7)
Net property, plant and equipment	**8,496.2**	8,453.8
Total Assets	**$ 22,137.1**	$ 23,544.4

** Unaudited*
See Notes to Consolidated Financial Statements.
Certain prior-period amounts have been reclassified to conform with the current period's presentation.

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CONSOLIDATED BALANCE SHEETS

Constellation Energy Group, Inc. and Subsidiaries

	March 31, 2010*	***December 31, 2009***
	(In millions)	
Liabilities and Equity		
Current Liabilities		
Short-term borrowings	**$ 21.1**	$ 46.0
Current portion of long-term debt	**0.2**	0.4
Current portion of long-term debt consolidated variable interest entities	**56.5**	56.5
Accounts payable and accrued liabilities	**996.8**	1,019.6
Accounts payable and accrued liabilities consolidated variable interest entities	**228.5**	242.8
Derivative liabilities	**906.7**	632.6
Unamortized energy contract liabilities	**299.5**	390.1
Accrued taxes	**168.2**	877.3
Accrued expenses	**187.7**	297.9
Other	**363.3**	477.5
Total current liabilities	**3,228.5**	4,040.7
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	**3,181.0**	3,205.5
Asset retirement obligations	**29.4**	29.3
Derivative liabilities	**812.9**	674.1
Unamortized energy contract liabilities	**510.0**	653.7
Defined benefit obligations	**742.9**	743.9
Deferred investment tax credits	**30.9**	32.0
Other	**375.3**	388.8
Total deferred credits and other noncurrent liabilities	**5,682.4**	5,727.3
Long-term Debt, Net of Current Portion	**3,765.8**	4,359.6
Long-term Debt, Net of Current Portion consolidated variable interest entities	**454.4**	454.4
Equity		
Common shareholders' equity:		
Common stock	**3,270.8**	3,229.6
Retained earnings	**6,591.4**	6,461.0
Accumulated other comprehensive loss	**(1,100.5)**	(993.5)
Total common shareholders' equity	**8,761.7**	8,697.1
BGE preference stock not subject to mandatory redemption	**190.0**	190.0
Noncontrolling interests	**54.3**	75.3
Total equity	**9,006.0**	8,962.4

Commitments, Guarantees, and Contingencies (see Notes)

Total Liabilities and Equity	**$ 22,137.1**	$ 23,544.4

** Unaudited*
See Notes to Consolidated Financial Statements.
Certain prior-period amounts have been reclassified to conform with the current period's presentation.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Constellation Energy Group, Inc. and Subsidiaries

Three Months Ended March 31,	2010	2009
	(In millions)	
Cash Flows From Operating Activities		
Net income (loss)	**$ 191.3**	$ (119.7)
Adjustments to reconcile to net cash (used in) provided by operating activities		
Depreciation, depletion, and amortization	**131.4**	148.6
Amortization of nuclear fuel		30.8
Amortization of energy contracts and derivatives designated as hedges	**17.4**	(43.3)
All other amortization	**6.0**	35.1
Accretion of asset retirement obligations	**0.5**	17.9
Deferred income taxes	**(2.4)**	(308.8)
Investment tax credit adjustments	**(1.1)**	(1.5)
Deferred fuel costs	**23.9**	16.6
Defined benefit obligation expense	**20.6**	30.7
Defined benefit obligation payments	**(15.5)**	(282.2)
Workforce reduction costs		10.8
Impairment losses and other costs		28.6
Impairment losses on nuclear decommissioning trust assets		60.5
Merger termination and strategic alternatives costs		37.2
(Gain) loss on divestitures	**(4.9)**	334.5
Equity in earnings of affiliates less than dividends received	**31.3**	5.7
Derivative contracts classified as financing activities	**39.1**	296.8
Changes in:		
Accounts receivable, excluding margin	**87.0**	219.9
Derivative assets and liabilities, excluding collateral	**(75.9)**	67.6
Net collateral and margin	**(109.1)**	211.6
Materials, supplies, and fuel stocks	**38.2**	270.0
Other current assets	**35.3**	240.9
Accounts payable and accrued liabilities	**(33.0)**	(345.9)
Accrued taxes and other current liabilities	**(931.0)**	7.5
Other	**(12.5)**	19.9
Net cash (used in) provided by operating activities	**(563.4)**	989.8
Cash Flows From Investing Activities		
Investments in property, plant and equipment	**(190.9)**	(392.1)
Investments in nuclear decommissioning trust fund securities		(135.4)
Proceeds from nuclear decommissioning trust fund securities		116.7
Proceeds from sales of investments and other assets	**24.8**	31.4
Contract and portfolio acquisitions	**(3.4)**	(866.3)
(Increase) decrease in restricted funds	**(66.1)**	979.3
Other	**1.5**	(0.9)
Net cash used in investing activities	**(234.1)**	(267.3)
Cash Flows From Financing Activities		
Net (repayment) issuance of short-term borrowings	**(24.9)**	207.2
Proceeds from issuance of common stock	**11.0**	5.8
Proceeds from issuance of long-term debt		109.0
Repayment of long-term debt	**(600.7)**	(1,119.6)
Debt issuance costs	**(4.0)**	(62.7)
Common stock dividends paid	**(46.3)**	(85.7)
BGE preference stock dividends paid	**(3.3)**	(3.3)
Proceeds from contract and portfolio acquisitions		863.8
Derivative contracts classified as financing activities	**(39.1)**	(296.8)

Other	**2.6**	4.3
Net cash used in financing activities	**(704.7)**	(378.0)
Net (Decrease) Increase in Cash and Cash Equivalents	**(1,502.2)**	344.5
Cash and Cash Equivalents at Beginning of Period	**3,440.0**	202.2
Cash and Cash Equivalents at End of Period	**$ 1,937.8**	$ 546.7

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Baltimore Gas and Electric Company and Subsidiaries

	Three Months Ended March 31,	
	2010	**2009**
	(In millions)	
Revenues		
Electric revenues	**$ 751.3**	$ 806.8
Gas revenues	**318.0**	386.9
Total revenues	**1,069.3**	1,193.7
Expenses		
Operating expenses		
Electricity purchased for resale	**349.6**	320.9
Electricity purchased for resale from affiliate	**124.0**	204.3
Gas purchased for resale	**194.5**	258.1
Operations and maintenance	**120.5**	105.1
Operations and maintenance from affiliate	**28.5**	21.9
Depreciation and amortization	**67.7**	66.9
Taxes other than income taxes	**47.6**	47.8
Total expenses	**932.4**	1,025.0
Income from Operations	**136.9**	168.7
Other Income	**6.5**	7.5
Fixed Charges		
Interest expense	**34.4**	36.7
Allowance for borrowed funds used during construction	**(1.3)**	(1.0)
Total fixed charges	**33.1**	35.7
Income Before Income Taxes	**110.3**	140.5
Income Taxes	**45.9**	55.5
Net Income	**64.4**	85.0
Preference Stock Dividends	**3.3**	3.3
Net Income Attributable to Common Stock	**$ 61.1**	$ 81.7

See Notes to Consolidated Financial Statements.
Certain prior-period amounts have been reclassified to conform with the current period's presentation.

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CONSOLIDATED BALANCE SHEETS

Baltimore Gas and Electric Company and Subsidiaries

	March 31, 2010*	December 31, 2009
	(In millions)	
Assets		
Current Assets		
Cash and cash equivalents	$ **310.5**	$ 13.6
Accounts receivable (net of allowance for uncollectibles of **$35.9** and $46.2, respectively)	**367.8**	311.7
Accounts receivable, unbilled (net of allowance for uncollectibles of **$1.0** and $1.0, respectively)	**194.7**	252.7
Investment in cash pool, affiliated company		314.7
Accounts receivable, affiliated companies	**1.7**	15.4
Fuel stocks	**28.7**	73.8
Materials and supplies	**36.4**	31.9
Prepaid taxes other than income taxes	**24.5**	49.5
Regulatory assets (net)	**45.3**	72.5
Restricted cash consolidated variable interest entity	**48.1**	24.3
Deferred income taxes		11.2
Other	**10.0**	11.3
Total current assets	**1,067.7**	1,182.6
Investments and Other Assets		
Regulatory assets (net)	**399.8**	414.4
Receivable, affiliated company	**319.9**	326.2
Other	**59.0**	98.2
Total investments and other assets	**778.7**	838.8
Utility Plant		
Plant in service		
Electric	**4,816.3**	4,772.4
Gas	**1,267.9**	1,260.6
Common	**496.8**	499.0
Total plant in service	**6,581.0**	6,532.0
Accumulated depreciation	**(2,343.5)**	(2,318.2)
Net plant in service	**4,237.5**	4,213.8
Construction work in progress	**232.7**	215.5
Plant held for future use	**3.7**	2.4

Net utility plant		**4,473.9**		4,431.7
Total Assets	**$**	**6,320.3**	$	6,453.1

** Unaudited*
See Notes to Consolidated Financial Statements.

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CONSOLIDATED BALANCE SHEETS

Baltimore Gas and Electric Company and Subsidiaries

	March 31, 2010*	December 31, 2009
	(In millions)	
Liabilities and Equity		
Current Liabilities		
Short-term borrowings	$	$ 46.0
Current portion of long-term debt consolidated variable interest entity	**56.5**	56.5
Accounts payable and accrued liabilities	**130.9**	166.0
Accounts payable and accrued liabilities, affiliated companies	**80.3**	98.3
Customer deposits	**76.9**	76.0
Deferred income taxes	**25.6**	
Accrued taxes	**79.6**	80.2
Residential customer rate credit		112.4
Accrued expenses and other	**97.7**	96.1
Total current liabilities	**547.5**	731.5
Deferred Credits and Other Liabilities		
Deferred income taxes	**1,099.5**	1,087.6
Payable, affiliated company	**244.1**	243.4
Deferred investment tax credits	**9.2**	9.5
Liability for uncertain tax positions	**71.4**	73.3
Other	**17.2**	20.0
Total deferred credits and other liabilities	**1,441.4**	1,433.8
Long-term Debt		
Rate stabilization bonds consolidated variable interest entity	**510.9**	510.9
Other long-term debt	**1,431.5**	1,431.5
6.20% deferrable interest subordinated debentures due October 15, 2043 to wholly owned BGE Capital Trust II relating to trust preferred securities	**257.7**	257.7
Unamortized discount and premium	**(2.1)**	(2.2)
Current portion of long-term debt consolidated variable interest entity	**(56.5)**	(56.5)
Total long-term debt	**2,141.5**	2,141.4
Equity		
Common shareholder's equity	**1,999.9**	1,938.8
Preference stock not subject to mandatory redemption	**190.0**	190.0
Noncontrolling interest		17.6
Total equity	**2,189.9**	2,146.4
Commitments, Guarantees, and Contingencies (see Notes)		
Total Liabilities and Equity	**$ 6,320.3**	$ 6,453.1

** Unaudited*
See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

Baltimore Gas and Electric Company and Subsidiaries

Three Months Ended March 31,	**2010**	**2009**
	(In millions)	
Cash Flows From Operating Activities		
Net income	**$ 64.4**	$ 85.0
Adjustments to reconcile to net cash provided by operating activities		
Depreciation and amortization	**67.7**	66.9
Other amortization	**(0.3)**	0.9
Deferred income taxes	**45.6**	9.0
Investment tax credit adjustments	**(0.3)**	(0.3)
Deferred fuel costs	**23.9**	16.6
Defined benefit plan expenses	**8.2**	9.2
Allowance for equity funds used during construction	**(2.5)**	(2.0)
Changes in		
Accounts receivable	**0.1**	(45.7)
Accounts receivable, affiliated companies	**13.7**	1.3
Materials, supplies, and fuel stocks	**40.6**	113.2
Other current assets	**25.8**	29.3
Accounts payable and accrued liabilities	**(34.5)**	(66.7)
Accounts payable and accrued liabilities, affiliated companies	**(18.0)**	14.8
Other current liabilities	**(73.0)**	102.2
Long-term receivables and payables, affiliated companies	**(1.2)**	(1.9)
Other	**(38.6)**	16.5
Net cash provided by operating activities	**121.6**	348.3
Cash Flows From Investing Activities		
Utility construction expenditures (excluding equity portion of allowance for funds used during construction)	**(87.2)**	(79.3)
Change in cash pool at parent	**314.7**	(238.9)
Proceeds from sales of investments and other assets	**20.9**	
Increase in restricted funds	**(23.8)**	(24.5)
Net cash provided by (used in) investing activities	**224.6**	(342.7)
Cash Flows From Financing Activities		
Repayment of short-term borrowings	**(46.0)**	
Preference stock dividends paid	**(3.3)**	(3.3)
Net cash used in financing activities	**(49.3)**	(3.3)
Net Increase in Cash and Cash Equivalents	**296.9**	2.3
Cash and Cash Equivalents at Beginning of Period	**13.6**	10.7
Cash and Cash Equivalents at End of Period	**$ 310.5**	$ 13.0

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Basis of Presentation

This Quarterly Report on Form 10-Q is a combined report of Constellation Energy Group, Inc. (Constellation Energy) and Baltimore Gas and Electric Company (BGE). References in this report to "we" and "our" are to Constellation Energy and its subsidiaries, collectively. References in this report to the "regulated business(es)" are to BGE.

Various factors can have a significant impact on our results for interim periods. This means that the results for this quarter are not necessarily indicative of future quarters or full year results given the seasonality of our business.

Our interim financial statements on the previous pages reflect all adjustments that management believes are necessary for the fair statement of the results of operations for the interim periods presented. These adjustments are of a normal recurring nature.

Reclassifications

In accordance with the presentation requirements for consolidated variable interest entities (VIEs), which we adopted on January 1, 2010, we have separately presented the following material assets and liabilities of these VIEs on our, and/or BGE's, Consolidated Balance Sheets:

- "Accounts receivable consolidated variable interest entities,"
- "Restricted cash consolidated variable interest entities,"
- "Current portion of long-term debt consolidated variable interest entities,"
- "Accounts payable and accrued liabilities consolidated variable interest entities," and
- "Long-term Debt, Net of Current Portion consolidated variable interest entities."

We discuss our adoption of the reporting requirements for consolidated variable interest entities below in the *Variable Interest Entities* section.

We have also reclassified certain prior-period amounts:

- We have separately presented "Other comprehensive income other equity method investees, net of taxes" that was previously reported within "Reclassification of net loss on hedging instruments from OCI to net income (loss), net of taxes" and "Net unrealized gain (loss) on hedging instruments, net of taxes" on our Consolidated Statements of Comprehensive Income (Loss).
- We have separately presented "Electricity purchased for resale from affiliate" that was previously reported within "Electricity purchased for resale" on BGE's Consolidated Statements of Income.
- We have separately presented "Operations and maintenance from affiliate" that was previously reported within "Operations and maintenance" on BGE's Consolidated Statements of Income.

Variable Interest Entities

Effective January 1, 2010, we adopted new accounting, presentation, and disclosure requirements related to VIEs. As a result of our assessment and implementation of the new requirements, our accounting and disclosures related to VIEs were impacted as follows:

We have presented separately on our Consolidated Balance Sheets, to the extent material, the assets of our consolidated VIEs that can only be used to settle specific obligations of the consolidated VIE, and the liabilities of our consolidated VIEs for which creditors do not have recourse to our general credit.

The new requirements emphasize a qualitative assessment of whether the equity holders of the entity have the power to direct matters that most significantly impact the entity. We have evaluated all existing entities under the new VIE accounting requirements, both those previously considered VIEs and those considered potential VIEs. Our accounting for and disclosure about VIEs did not change materially as a result of these assessments.

We consolidate three VIEs for which we are the primary beneficiary, and we have significant interests in six VIEs for which we do not have controlling financial interests and, accordingly, are not the primary beneficiary.

Consolidated Variable Interest Entities

In 2007, BGE formed RSB BondCo LLC (BondCo), a special purpose bankruptcy-remote limited liability company, to acquire and hold rate stabilization property and to issue and service bonds secured by the rate stabilization property. In June 2007, BondCo purchased rate stabilization property from BGE, including the right to assess, collect, and receive non-bypassable rate stabilization charges payable by all residential electric customers of BGE. These charges are being assessed in order to recover previously incurred power purchase costs that BGE deferred pursuant to Maryland Senate Bill 1.

BGE determined that BondCo is a VIE for which it is the primary beneficiary. As a result, BGE, and we, consolidated BondCo.

The BondCo assets are restricted and can only be used to settle the obligations of BondCo. Further, BGE is required to remit all payments it receives from customers for rate stabilization charges to BondCo. During the quarter ended March 31, 2010, BGE remitted $23.8 million to BondCo.

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BGE did not provide any additional financial support to BondCo during the quarter ended March 31, 2010. Further, BGE does not have any contractual commitments or obligations to provide additional financial support to BondCo unless additional rate stabilization bonds are issued. The BondCo creditors do not have any recourse to the general credit of BGE in the event the rate stabilization charges are not sufficient to cover the bond principal and interest payments of BondCo.

During 2009, our retail gas operation formed two new entities and combined them with our existing retail gas operation into a retail gas entity group for the purpose of entering into a collateralized gas supply agreement with a third party gas supplier. While we own 100% of these entities, we determined that the retail gas entity group is a VIE because there is not sufficient equity to fund the group's activities without the additional credit support we provide in the form of a letter of credit and a parental guarantee. We are the primary beneficiary of the retail gas entity group; accordingly, we consolidate the retail gas entity group as a VIE, including the existing retail gas customer supply operation, which we formerly consolidated as a voting interest entity.

The gas supply arrangement is collateralized as follows:

- The assets of the retail gas entity group must be used to settle obligations under the third party gas supply agreement before it can make any distributions to us,
- The third party gas supplier has a collateral interest in all of the assets and equity of the retail gas entity group, and
- As of March 31, 2010, we provided a $100 million parental guarantee and a $49 million letter of credit to the third party gas supplier in support of the retail gas entity group.

Other than credit support provided by the parental guarantee and the letter of credit, we do not have any contractual or other obligations to provide additional financial support to the retail gas entity group. The retail gas entity group creditors do not have any recourse to our general credit. Finally, we did not provide any financial support to the retail gas entity group during the first quarter of 2010, other than the parental guarantee and the letter of credit.

We also consolidate a retail power supply VIE for which we became the primary beneficiary in 2008 as a result of a modification to its contractual arrangements that changed the allocation of the economic risks and rewards of the VIE among the variable interest holders. The consolidation of this VIE did not have a material impact on our financial results or financial condition.

The carrying amounts and classification of the above three consolidated VIEs' assets and liabilities included in our consolidated financial statements at March 31, 2010 are as follows:

	(In millions)
Current assets	$ 662.2
Noncurrent assets	43.9
Total Assets	$ 706.1
Current liabilities	$ 414.2
Noncurrent liabilities	431.6
Total Liabilities	$ 845.8

All of the assets in the table above are restricted for settlement of the VIE obligations and all of the liabilities in the table above can only be settled using VIE resources.

Unconsolidated Variable Interest Entities

As of March 31, 2010, we had significant interests in six VIEs for which we were not the primary beneficiary. Other than the obligations listed in the table below, we have not provided any material financial or other support to these entities during the quarter ended March 31, 2010 and we do not intend to provide any additional financial or other support to these entities in the future.

The nature of these entities and our involvement with them are described in the following table:

VIE Category	Nature of Entity Financing	Nature of Constellation Energy Involvement	Obligations or Requirement to Provide Financial Support	Date of Involvement
Power contract monetization entities (2 entities)	Combination of debt and equity financing	Power sale agreements, loans, and guarantees	$33.0 million in letters of credit	March 2005
Power projects and fuel supply entities (4 entities)	Combination of debt and equity financing	Equity investments and guarantees	$5.0 million debt guarantee and working capital funding	Prior to 2003

For purposes of aggregating the various VIEs for disclosure, we evaluated the risk and reward characteristics for, and the significance of, each VIE. We discuss the nature of our involvement with the power contract monetization VIEs in detail in *Note 4* of our 2009 Annual Report on Form 10-K.

We concluded that power over the most economically significant activities of two of the power project VIEs is shared equally among the equity holders. Accordingly, neither of the equity holders consolidate these VIEs. The equity holders own 50% interests in these VIEs and all of

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the significant decisions require the mutual consent of the equity holders.

The following is summary information available as of March 31, 2010 about these entities:

	Power Contract Monetization VIEs	All Other VIEs	Total
	(In millions)		
Total assets	$ 566.6	$ 344.6	$ 911.2
Total liabilities	458.7	114.3	573.0
Our ownership interest		59.4	59.4
Other ownership interests	107.9	170.9	278.8
Our maximum exposure to loss	33.0	65.4	98.4
Carrying amount and location of variable interest on balance sheet:			
-Other investments		60.4	60.4

Our maximum exposure to loss is the loss that we would incur in the unlikely event that our interests in all of these entities were to become worthless and we were required to fund the full amount of all obligations associated with these entities. Our maximum exposure to loss as of March 31, 2010 consists of the following:

- the carrying amount of our investment totaling $60.4 million, and
- debt and payment guarantees totaling $38.0 million.

We assess the risk of a loss equal to our maximum exposure to be remote and, accordingly have not recognized a liability associated with any portion of the maximum exposure to loss. In addition, there are no agreements with, or commitments by, third parties that would affect the fair value or risk of our variable interests in these VIEs.

Earnings Per Share

Basic earnings per common share (EPS) is computed by dividing net income (loss) attributable to common stock by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Our dilutive common stock equivalent shares consist of stock options and other stock-based compensation awards. The following table presents stock options that were not dilutive and were excluded from the computation of diluted EPS in each period, as well as the dilutive common stock equivalent shares:

	Quarter Ended March 31, 2010	2009
	(In millions)	
Non-dilutive stock options	**4.9**	5.5
Dilutive common stock equivalent shares	**1.6**	0.4

As a result of the Company incurring a loss for the quarter ended March 31, 2009, dilutive common stock equivalent shares were not included in calculating diluted EPS for that reporting period.

Acquisitions

Criterion Wind Project

In April 2010, we completed the acquisition of the Criterion wind project in Garrett County, Maryland. The completed cost of this project is expected to be approximately $140 million. This 70 MW wind energy project will be developed, constructed, owned, and operated by us. We expect this facility to be in commercial operation by the end of 2010.

Texas Combined Cycle Generation Facilities

In April 2010, we signed an agreement to purchase the 550 MW Colorado Bend Energy Center and the 550 MW Quail Run Energy Center natural gas combined cycle generation facilities in Texas for $365 million, subject to normal closing adjustments. The transaction is expected to close in the second quarter of 2010, subject to certain state and federal regulatory approvals.

Divestiture

In January 2010, BGE completed the sale of its interest in a nonregulated subsidiary that owns a district chilled water facility to a third party. BGE received net cash proceeds of $20.9 million. No gain or loss was recorded on this transaction in 2010. BGE has no further involvement in the activities of this entity.

Investment in Constellation Energy Nuclear Group, LLC (CENG)

On November 6, 2009, we completed the sale of a 49.99% membership interest in CENG, our nuclear generation and operation business, to EDF Group and affiliates (EDF). As a result of this transaction, we retained a 50.01% economic interest in CENG, but we and EDF have equal voting rights over the activities of CENG. Accordingly, we deconsolidated CENG and began to record our investment

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in CENG under the equity method of accounting. For the quarter ended March 31, 2010, we recorded $19.2 million of equity investment losses in CENG, which represents our share of earnings from CENG of $23.4 million, net of the amortization of the basis difference in CENG of $42.6 million. Our equity investment earnings in CENG include $1.2 million of expense related to the portion of the cost of certain share-based awards that we fund on behalf of EDF. The basis difference is the difference between the fair value of our investment in CENG at closing and our share of the underlying equity in CENG, because the underlying assets of CENG were retained at their carrying value. See *Note 2* to our 2009 Annual Report on Form 10-K for a more detailed discussion.

Summarized income statement information for CENG for the quarter ended March 31, 2010 is as follows:

Quarter Ended March 31, 2010

	(In millions)
Revenues	**$ 360.9**
Fuel and purchased energy expenses	**58.4**
Income from operations	**37.6**
Net income	**49.1**

Information by Operating Segment

In connection with the strategic initiatives that were undertaken in 2008 and 2009, we decided to re-align our reporting structure, beginning January 1, 2010, to reflect our current view of managing the business. As a result, as of January 1, 2010, we changed our reportable segments and have recast prior period information to conform with the current presentation.

Our reportable operating segments are Generation, NewEnergy (referred to as Customer Supply in our 2009 Annual Report on Form 10-K), Regulated Electric, and Regulated Gas:

Our Generation business is nonregulated and includes:

a power generation and development operation that owns, operates and maintains fossil and renewable generating facilities, a fuel processing facility, qualifying facilities, and power projects in the United States,

an operation that manages certain contractually owned physical assets, including generating facilities,

an interest in a nuclear generation joint venture (CENG) that owns, operates, and maintains five nuclear generating units, and

an interest in a joint venture (UniStar Nuclear Energy, LLC (UNE)) to develop, own, and operate new nuclear projects in the United States.

Our NewEnergy business is nonregulated and includes:

full requirements load-serving sales of energy and capacity to utilities, cooperatives, and commercial, industrial, and governmental customers,

sales of retail energy products and services to residential, commercial, industrial, and governmental customers,

structured transactions and risk management services for various customers (including hedging of output from generating facilities and fuel costs) and trading in energy and energy-related commodities to facilitate portfolio management,

risk management services for our Generation business,

design, construction, and operation of renewable energy, heating, cooling, and cogeneration facilities for commercial, industrial, and governmental customers throughout North America, including energy performance contracting and energy efficiency engineering services,

upstream (exploration and production) natural gas activities, and sales of home improvements, servicing of electric and gas appliances, and heating, air conditioning, plumbing, electrical, and indoor air quality systems, and providing electric and natural gas to residential customers in central Maryland.

Our regulated electric business purchases, transmits, distributes, and sells electricity in Central Maryland.

Our regulated gas business purchases, transports, and sells natural gas in Central Maryland.

Our Generation, NewEnergy, Regulated Electric, and Regulated Gas reportable segments are strategic businesses based principally upon regulations, products, and services that require different technologies and marketing strategies. We evaluate the performance of these segments based on net income. We account for intersegment revenues using market prices. A summary of information by operating segment is shown in the table below.

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	Reportable Segments				Holding Company and		
	Generation	NewEnergy	Regulated Electric	Regulated Gas	Other	Eliminations	Consolidated
				(In millions)			
Quarter ended March 31,							
2010							
Unaffiliated revenues	**$ 291.2**	**$ 2,227.0**	**$ 751.3**	**$ 317.1**	**$**	**$**	**$ 3,586.6**
Intersegment revenues	**288.7**	**123.9**		**0.9**		**(413.5)**	
Total revenues	**579.9**	**2,350.9**	**751.3**	**318.0**		**(413.5)**	**3,586.6**
Net income (loss)	**27.1**	**104.1**	**27.2**	**37.2**	**(4.3)**		**191.3**
Net income (loss) attributable to common stock	**27.1**	**107.6**	**24.6**	**36.5**	**(4.3)**		**191.5**
2009							