

CONSTELLATION ENERGY-EDF NUCLEAR JOINT VENTURE: MYTHS v. **FACTS**

In December 2008, Constellation Energy reached an agreement with EDF Group (EDF) under which EDF will acquire, for \$4.5 billion, a 49.99 percent interest in Constellation Energy's existing nuclear assets. This joint nuclear venture will deliver significant economic, energy and environmental benefits to Constellation Energy, its customers and the state of Maryland.

Myth

Constellation Energy CEO Mayo Shattuck will receive a big payout when the nuclear joint venture is complete.

Fact

EDF's investment does not trigger any new payments to Constellation Energy's CEO. Our CEO will receive \$0 in relation to EDF's investment in our company and \$0 for any future investment of this kind. Many of the news reports and opinion columns on this subject have been inaccurate. No Constellation Energy executive gets any extra payments from investments like the one EDF is making.

"Change-in-control" payments are triggered only in the event of a corporate merger or takeover (usually a "hostile takeover"). In addition, "change-in-control" payments can only be paid to a senior executive if that executive is fired without cause. The EDF transaction is not a merger or acquisition and could not trigger any "change-in-control" payment.

Boards of directors at most large corporations have long relied on "change-in-control" provisions to ensure that senior executives act in the best interest of shareholders in the event of a merger or potential hostile acquisition, even if pursuing the transaction would cost them their jobs.

Myth

Under the nuclear joint venture, EDF will be in a position to have influence over Baltimore Gas and Electric Company (BGE).

Fact

EDF will have no influence over BGE. EDF is simply investing in a minority interest in Constellation Energy's nuclear subsidiary. The nuclear company employs about 2,600 people, or about a quarter of the company's total workforce of nearly 10,000. EDF would be investing in half of this nuclear operation. Constellation Energy will maintain operational control over all safety, reliability and operational responsibilities at its nuclear plants. This investment does not involve any of Constellation Energy's other businesses, including BGE. Constellation Energy – Baltimore's top-ranked Fortune 500 company – will remain an independent, publicly traded company.

EDF itself has stated clearly that it has no interest in influencing in any way the operations of BGE. And in response to questions raised during the Maryland Public Service Commission (PSC) proceedings, Constellation Energy and EDF

agreed to implement additional measures beyond what is necessary to prevent substantial influence.

For example, the EDF nominee to the Constellation Energy board of directors will not receive any confidential, non-public information about BGE. The EDF nominee also will not be permitted to participate in or vote upon any BGE-specific matters.

Myth

The joint venture will cause BGE customer rates to go up.

Fact

EDF's investment will have no effect on BGE rates. BGE rates are established and regulated by the Maryland PSC. The PSC has full authority over both the delivery service rate, as well as the electricity supply contracts that BGE establishes with the wholesale electricity market.

In 2008, Maryland Governor Martin O'Malley signed a settlement with Constellation Energy that provided \$187 million for rebates to BGE residential ratepayers. The 2008 agreement also locked in an additional \$346 million in rate credits and deferred the filing of additional electric rate cases. Finally, the agreement obligated Constellation Energy to take all responsibility for the decommissioning of the Calvert Cliffs nuclear plants, which the administration has said saved customers \$1.5 billion in future costs.

BGE's 2009 residential electricity rate is about average for the state and in the middle of the pack in the Northeast. The bill for a typical BGE residential customer using 1,000 kilowatt-hours (kWh) monthly is \$158.56, slightly below BGE's Maryland peer group utilities, Pepco and SMECO. For many years, BGE customers paid artificially low rates under mandatory price caps.

About Constellation Energy

Constellation Energy (www.constellation.com) is a leading supplier of energy products and services to wholesale and retail electric and natural gas customers. It owns a diversified fleet of generating units located throughout the United States, totaling approximately 9,000 megawatts of generating capacity, and is among the leaders pursuing the development of new nuclear plants in the United States. The company delivers electricity and natural gas through the Baltimore Gas and Electric Company (BGE), its regulated utility in Central Maryland. A FORTUNE 500 company headquartered in Baltimore, Constellation Energy had revenues of \$19.8 billion in 2008.