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 Other	Eliminations	Consolidated
	Generation	NewEnergy	Regulated Electric	Regulated Gas			
				(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							
Unaffiliated revenues	$ 181.8	2,928.0	$ 806.8	$ 384.3	$ 2.5	$	$ 4,303.4
Intersegment revenues	603.7	86.8		2.6		(693.1)	
Total revenues	785.5	3,014.8	806.8	386.9	2.5	(693.1)	4,303.4
Net income (loss)	41.5	(246.3)	45.4	39.6	0.1		(119.7)
Net income (loss) attributable to common stock	41.5	(246.8)	42.9	38.8	0.1		(123.5)

Certain prior-period amounts have been restated to conform with the current period's reportable segment presentation.

Our Generation business operating results for the quarter ended March 31, 2010 include the following after-tax charges:

- *deferred income tax expense relating to federal subsidies for providing post-employment prescription drug benefits of $0.8 million as a result of healthcare reform legislation enacted in March 2010,*
- *amortization of basis difference in investment in CENG of $25.7 million,*
- *impact of power purchase agreement with CENG of $25.7 million (amount represents the amortization of our "unamortized energy contract asset" less our 50.01% equity in CENG's amortization of its "unamortized energy contract liability"),*
- *loss on early retirement of 2012 Notes of $30.9 million, and*
- *amortization of credit facility amendment fees in connection with the EDF transaction of $1.9 million.*

Our NewEnergy business operating results for the quarter ended March 31, 2010 include the following after-tax charges:

- *deferred income tax expense relating to federal subsidies for providing post-employment prescription drug benefits of $0.1 million as a result of healthcare reform legislation enacted in March 2010, and*
- *amortization of credit facility amendment fees in connection with the EDF transaction of $1.0 million.*

Our Regulated Electric business operating results for the quarter ended March 31, 2010 include an after-tax charge for the deferred income tax expense relating to federal subsidies for providing post-employment prescription drug benefits of $3.1 million as a result of healthcare reform legislation enacted in March 2010.

Our Holding Company and Other businesses operating results for the quarter ended March 31, 2010 include an after-tax charge for the deferred income tax expense relating to federal subsidies for providing post-employment prescription drug benefits of $4.8 million as a result of healthcare reform legislation enacted in March 2010.

Total assets declined approximately $1.4 billion during 2010 due primarily to a decrease in cash and cash equivalents as a result of income taxes paid on the transaction with EDF and the retirement of debt.

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Pension and Postretirement Benefits

We show the components of net periodic pension benefit cost in the following table:

	Quarter Ended March 31,	
	2010	**2009**
	(In millions)	
Components of net periodic pension benefit cost		
Service cost	**$ 9.5**	$ 15.2
Interest cost	**21.7**	27.2
Expected return on plan assets	**(26.7)**	(29.6)
Recognized net actuarial loss	**8.1**	10.6
Amortization of prior service cost	**1.0**	3.3
Amount capitalized as construction cost	**(1.9)**	(2.6)
Net periodic pension benefit cost[1]	**$ 11.7**	$ 24.1

1 BGE's portion of our net periodic pension benefit cost, excluding amounts capitalized, was $6.3 million in 2010 and $7.2 million in 2009.

We show the components of net periodic postretirement benefit cost in the following table:

	Quarter Ended March 31,	
	2010	**2009**
	(In millions)	
Components of net periodic postretirement benefit cost		
Service cost	**$ 0.7**	$ 1.6
Interest cost	**4.7**	5.8
Amortization of transition obligation	**0.5**	0.5
Recognized net actuarial loss	**0.3**	0.7
Amortization of prior service cost	**(0.7)**	(0.8)
Amount capitalized as construction cost	**(1.3)**	(1.5)
Net periodic postretirement benefit cost[1]	**$ 4.2**	$ 6.3

1 BGE's portion of our net periodic postretirement benefit cost, excluding amounts capitalized, was $4.8 million in 2010 and $4.6 million in 2009.

Our non-qualified pension plans and our postretirement benefit programs are not funded; however, we have trust assets securing certain executive pension benefits. We estimate that we will incur approximately $9.3 million in pension benefit payments for our non-qualified pension plans and approximately $25.7 million for retiree health and life insurance costs in 2010. We contributed $12.2 million to our qualified pension plans in April 2010.

Healthcare Reform Legislation

During March 2010, the Patient Protection and Affordable Care Act and the Healthcare and Education Reconciliation Act of 2010 were signed into law. These laws eliminate the tax exempt status of drug subsidies provided to companies under Medicare Part D after December 31, 2012. As a result of this new legislation, we recorded a noncash charge to reflect additional deferred income tax expense of $8.8 million in the quarter ended March 31, 2010.

Financing Activities

Credit Facilities and Short-term Borrowings

Our short-term borrowings may include bank loans, commercial paper, and bank lines of credit. Short-term borrowings mature within one year from the date of issuance. We pay commitment fees to banks for providing us lines of credit. When we borrow under the lines of credit, we pay market interest rates. We enter into these facilities to ensure adequate liquidity to support our operations.

Constellation Energy

Our liquidity requirements are funded with credit facilities and cash. We fund our short-term working capital needs with existing cash and with our credit facilities, which support direct cash borrowings and the issuance of commercial paper, if available. We also use our credit facilities to support the issuance of letters of credit, primarily for our NewEnergy business.

Constellation Energy had bank lines of credit under committed credit facilities totaling $4.0 billion at March 31, 2010 for short-term financial needs as follows:

Type of Credit Facility	Amount (In billions)	Expiration Date	Capacity Type
Syndicated Revolver	$ 2.32	July 2012	Letters of credit and cash
Commodity-linked	0.50	August 2014	Letter of credit
Bilateral	0.55	September 2014	Letters of credit
Bilateral	0.25	December 2014	Letters of credit and cash
Bilateral	0.25	June 2014	Letters of credit and cash
Bilateral	0.15	September 2013	Letters of credit
Total	$ 4.02		

Collectively, these facilities currently support the issuance of letters of credit and/or cash borrowings up to $4.0 billion. At March 31, 2010, we had approximately $1.9 billion in letters of credit issued including $0.4 billion in letters of credit issued under the commodity-linked credit facility discussed below and no commercial paper outstanding or direct borrowings under these facilities.

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The commodity-linked credit facility currently allows for the issuance of letters of credit up to a maximum capacity of $0.5 billion. This commodity-linked facility is designed to help manage our contingent collateral requirements associated with the hedging of our NewEnergy business because its capacity increases as natural gas price levels decrease compared to a reference price that is adjusted periodically.

At March 31, 2010, Constellation Energy had $21.1 million of short-term notes outstanding with a weighted average effective interest rate of 6.33%.

BGE

BGE has a $600.0 million revolving credit facility expiring in 2011. BGE can borrow directly from the banks, use the facility to allow commercial paper to be issued, if available, or issue letters of credit. At March 31, 2010, BGE had no commercial paper or direct borrowings outstanding. There were immaterial letters of credit outstanding at March 31, 2010.

Debt

Constellation Energy

As part of our voluntary commitment to reduce our debt by $1 billion with funds received from the EDF transaction, we retired the following debt during the quarter ended March 31, 2010 completing this commitment.

7.00% Notes due April 1, 2012

In February 2010, we retired an aggregate principal amount of $486.5 million of our 7.00% Notes due April 1, 2012 pursuant to a cash tender offer, at a premium of approximately 11%. We recorded a loss on this transaction of $50.1 million within "Interest expense" on our Consolidated Statements of Income (Loss).

Tax-Exempt Notes

In March 2010, we repurchased our outstanding $47 million and $65 million variable rate tax-exempt notes. Since these notes are variable rate instruments, there was no gain or loss recorded upon repurchase.

Net Available Liquidity

The following table provides a summary of our, and BGE's, net available liquidity at March 31, 2010.

At March 31, 2010	**Constellation Energy**	**BGE**
	(In billions)	
Credit facilities[1]	$ 3.5	$ 0.6
Less: Letters of credit issued[1]	(1.5)	
Less: Cash drawn on credit facilities		
Undrawn facilities	2.0	0.6
Less: Commercial paper outstanding		
Net available facilities	2.0	0.6
Add: Cash and cash equivalents	1.6	0.3
Cash and facility liquidity	3.6	0.9
Add: EDF put arrangement	1.1	
Net available liquidity	$ 4.7	$ 0.9

1 Excludes $0.5 billion commodity-linked credit facility due to its contingent nature and $0.4 billion in letters of credit posted against it.

Other Sources of Liquidity

Our Investment Agreement with EDF includes an asset put arrangement that provides us with an option at any time through December 31, 2010 to sell certain non-nuclear generation assets, at pre-agreed prices, to EDF for aggregate proceeds of no more than $2 billion pre-tax, or approximately $1.4 billion after-tax. The amount of after-tax proceeds will be impacted by the assets actually sold and the related tax impacts at that time.

Exercise of the put arrangement is conditioned upon the receipt of regulatory approvals and third party consents, the absence of any material liens on such assets, and the absence of a material adverse effect, as defined in the Investment Agreement. We have received regulatory approvals and consents for the majority of the assets covered by the put arrangement. As of March 31, 2010, we have approximately $1.1 billion after-tax of liquidity available through the put arrangement. We expect to receive regulatory approval for an additional asset in the second quarter of 2010, which will increase the net after-tax liquidity from the put arrangement to approximately $1.4 billion.

Credit Facility Compliance and Covenants

Certain credit facilities of Constellation Energy contain a provision requiring Constellation Energy to maintain a ratio of debt to capitalization equal to or less than 65%. At March 31, 2010, the debt to capitalization ratio as defined in the credit agreements was 32%.

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Under our $2.32 billion credit facility, we granted a lien on certain of our generating facilities and pledged our ownership interests in our nuclear business to the lenders upon the completion of the transaction with EDF.

The credit agreement of BGE contains a provision requiring BGE to maintain a ratio of debt to capitalization equal to or less than 65%. At March 31, 2010, the debt to capitalization ratio for BGE as defined in this credit agreement was 44%.

Decreases in Constellation Energy's or BGE's credit ratings would not trigger an early payment on any of our, or BGE's, credit facilities. However, the impact of a credit ratings downgrade on our financial ratios associated with our credit facility covenants would depend on our financial condition at the time of such a downgrade and on the source of funds used to satisfy the incremental collateral obligation resulting from a credit ratings downgrade. For example, if we were to use existing cash balances or exercise the put option with EDF to fund the cash portion of any additional collateral obligations resulting from a credit ratings downgrade, we would not expect a material impact on our financial ratios. However, if we were to issue long-term debt or use our credit facilities to fund any additional collateral obligations, our financial ratios could be materially affected. Failure by Constellation Energy, or BGE, to comply with these covenants could result in the acceleration of the maturity of the borrowings outstanding and preclude us from issuing letters of credit under these facilities.

The credit facilities of Constellation Energy and BGE contain a material adverse change representation but draws on the facilities are not conditioned upon Constellation Energy and BGE making this representation at the time of the draw. However, to the extent a material adverse change has occurred and prevents Constellation Energy or BGE from making other representations that are required at the time of the draw, the draw would be prohibited.

Income Taxes

We compute the income tax expense (benefit) for each quarter based on the estimated annual effective tax rate for the year. The effective tax rate was 33.3% for the quarter ended March 31, 2010 compared to 66.9% for the same period of 2009. The lower effective tax rate for 2010 reflects the impact of favorable adjustments (primarily related to reductions of uncertain tax positions and higher deductions for qualified production activities). The higher effective tax rate in 2009 reflects the impact of unfavorable nondeductible adjustments (primarily related to nondeductible dividends on the Series B Preferred Stock and the write-off of the unamortized debt discount on the 14% Senior Notes) in relation to the lower estimated 2009 taxable income (primarily attributable to losses on the divestiture of a majority of our international commodities and our Houston-based gas trading operations).

The BGE effective tax rate was 41.6% for the quarter ended March 31, 2010 compared to 39.5% for the same period of 2009. The higher effective tax rate for 2010 is primarily due to the impact of the healthcare reform legislation enacted in the first quarter of 2010, which eliminates the tax exempt status of prescription drug subsidies received under Medicare Part D.

Unrecognized Tax Benefits

The following table summarizes the change in unrecognized tax benefits during 2010 and our total unrecognized tax benefits at March 31, 2010:

At March 31, 2010

	(In millions)
Total unrecognized tax benefits, January 1, 2010	$ 312.5
Increases in tax positions related to the current year	4.3
Increases in tax positions related to prior years	2.8
Reductions in tax positions related to prior years	(28.8)
Reductions in tax positions as a result of a lapse of the applicable statute of limitations	(0.6)
Total unrecognized tax benefits, March 31, 2010[1]	$ 290.2

1 BGE's portion of our total unrecognized tax benefits at March 31, 2010 was $104.3 million.

Increases in tax positions related to the current year and prior years are primarily due to unrecognized tax benefits for repair and depreciation deductions measured at amounts consistent with prior IRS examination results and state income tax accruals.

Decreases in tax positions related to prior years are primarily due to the resolution of the tax treatment of distributions received from our shipping joint venture in July 2008 and repair deductions.

Total unrecognized tax benefits as of March 31, 2010 of $290.2 million include outstanding claims of approximately $63.0 million, including $51.6 million in state tax credits, for which no tax benefit was recorded on our Consolidated Balance Sheet because refunds were not received and the claims do not meet the "more-likely-than-not" threshold.

If the total amount of unrecognized tax benefits of $290.2 million were ultimately realized, our income tax

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expense would decrease by approximately $167 million. However, the $167 million includes state tax refund claims of $51.6 million that have been disallowed by tax authorities and are subject to appeals. These state refund claims may be resolved by March 31, 2011. For this reason, we believe it is reasonably possible that reductions to our total unrecognized tax benefits of approximately $50 million may occur by March 31, 2011, although these reductions are not expected to materially impact income tax expense.

Interest and penalties recorded in our Consolidated Statements of Income (Loss) as tax expense (benefit) relating to liabilities for unrecognized tax benefits were as follows:

	For the Quarter Ended March 31,	
	2010	**2009**
	(In millions)	
Interest and penalties recorded as tax expense (benefit)	**$ 3.4**	$ (0.7)

BGE's portion of interest and penalties was immaterial for both periods presented.

Accrued interest and penalties recognized in our Consolidated Balance Sheets were $26.5 million, of which BGE's portion was $2.6 million, at March 31, 2010, and $23.1 million, of which BGE's portion was $1.6 million, at December 31, 2009.

Taxes Other Than Income Taxes

Taxes other than income taxes primarily include property and gross receipts taxes along with franchise taxes and other non-income taxes, surcharges, and fees.

BGE and our NewEnergy operations collect certain taxes from customers such as sales and gross receipts taxes, along with other taxes, surcharges, and fees that are levied by state or local governments on the sale or distribution of gas and electricity. Some of these taxes are imposed on the customer and others are imposed on BGE and our NewEnergy business. Where these taxes, such as sales taxes, are imposed on the customer, we account for these taxes on a net basis with no impact to our Consolidated Statements of Income (Loss). However, where these taxes, such as gross receipts taxes or other surcharges or fees, are imposed on BGE or our NewEnergy business, we account for these taxes on a gross basis. Accordingly, we recognize revenues for these taxes collected from customers along with an offsetting tax expense, which are both included in our and BGE's Consolidated Statements of Income (Loss). The taxes, surcharges, or fees that are included in revenues were as follows:

Quarter Ended March 31,	**2010**	**2009**
	(In millions)	
Constellation Energy (including BGE)	**$ 31.0**	$ 30.7
BGE	**21.9**	21.6

Guarantees

Our guarantees do not represent incremental Constellation Energy obligations; rather they primarily represent parental guarantees of subsidiary obligations. The following table summarizes the maximum exposure by guarantor based on the stated limit of our outstanding guarantees:

At March 31, 2010	**Stated Limit**
	(In billions)
Constellation Energy guarantees	$ 9.6
BGE guarantees	0.3
Total guarantees	$ 9.9

At March 31, 2010, Constellation Energy had a total of $9.9 billion in guarantees outstanding related to loans, credit facilities, and contractual performance of certain of its subsidiaries as described below.

- Constellation Energy guaranteed a face amount of $9.6 billion as follows:
  - $8.8 billion on behalf of our Generation and NewEnergy businesses to allow them the flexibility needed to conduct business with counterparties without having to post other forms of collateral. Our estimated net exposure for obligations under commercial transactions covered by these guarantees was approximately $2 billion at March 31, 2010, which represents the total amount the parent company could be required to fund based on March 31, 2010 market prices. For those guarantees related to our derivative liabilities, the fair value of the obligation is recorded in our Consolidated Balance Sheets.
  - $0.6 billion primarily on behalf of CENG's nuclear generating facilities for nuclear insurance and credit support to ensure these plants have funds to meet expenses and obligations to safely operate and maintain the plants. We recorded the fair value of $12.3 million for these guarantees on our Consolidated Balance Sheets.
  - $0.2 billion to its other nonregulated businesses.
- BGE guaranteed the Trust Preferred Securities of $250.0 million of BGE Capital Trust II.

Commitments and Contingencies

We have made substantial commitments in connection with our Generation, NewEnergy, regulated electric and gas, and other nonregulated businesses. These commitments relate to:

- purchase of electric generating capacity and energy,
- procurement and delivery of fuels,
- the capacity and transmission and transportation rights for the physical delivery of energy to meet our obligations to our customers, and
- long-term service agreements, capital for construction programs, and other.

Our Generation and NewEnergy businesses enter into various long-term contracts for the procurement and delivery of fuels to supply our generating plant requirements. In most cases, our contracts contain provisions for price escalations, minimum purchase levels, and other financial commitments. These contracts expire in various years between 2010 and 2018. In addition, our NewEnergy business enters into long-term contracts for the capacity and transmission rights for the delivery of energy to meet our physical obligations to our customers. These contracts expire in various years between 2010 and 2030.

Our Generation and NewEnergy businesses also have committed to long-term service agreements and other purchase commitments for our plants.

Our regulated electric business enters into various long-term contracts for the procurement of electricity. These contracts expire between 2010 and 2012 and represent BGE's estimated requirements as follows:

Contract Duration	*Percentage of Estimated Requirements*
From April 1, 2010 to May 2011	100%
From June 2011 to September 2011	75
From October 2011 to May 2012	50
From June 2012 to September 2012	25

The cost of power under these contracts is recoverable under the Provider of Last Resort agreement reached with the Maryland PSC.

Our regulated gas business enters into various long-term contracts for the procurement, transportation, and storage of gas. Our regulated gas business has gas procurement contracts that expire between 2010 and 2011, and transportation and storage contracts that expire between 2010 and 2027. The cost of gas under these contracts is recoverable under BGE's gas cost adjustment clause discussed in *Note 1* of our 2009 Annual Report on Form 10-K.

We have also committed to long-term service agreements and other obligations related to our information technology systems.

At March 31, 2010, the total amount of commitments was $6.2 billion. These commitments are primarily related to our Generation and NewEnergy businesses.

Long-Term Power Sales Contracts

We enter into long-term power sales contracts in connection with our load-serving activities. We also enter into long-term power sales contracts associated with certain of our power plants. Our load-serving power sales contracts extend for terms through 2019 and provide for the sale of energy to electricity distribution utilities and certain retail customers. Our power sales contracts associated with power plants we own extend for terms into 2016 and provide for the sale of all or a portion of the actual output of certain of our power plants. Substantially all long-term

contracts were executed at pricing that approximated market rates, including profit margin, at the time of execution.

Contingencies

Litigation

In the normal course of business, we are involved in various legal proceedings. We discuss the significant matters below.

Merger with MidAmerican

Beginning September 18, 2008, seven shareholders of Constellation Energy filed lawsuits in the Circuit Court for Baltimore City, Maryland challenging the then-pending merger with MidAmerican. Four similar suits were filed by other shareholders of Constellation Energy in the United States District Court for the District of Maryland.

The lawsuits claim that the merger consideration was inadequate and did not maximize value for shareholders, that the sales process leading up to the merger was flawed, and that unreasonable deal protection devices were agreed to in order to ward off competing bids. The federal lawsuits also assert that the conversion of the Preferred Stock issued to MidAmerican into debt is not permitted under Maryland law.

The termination of the MidAmerican merger renders moot the claims attempting to enjoin the merger with MidAmerican. One of the federal merger cases was voluntarily dismissed on December 31, 2008, and the other federal merger cases were dismissed as moot on May 27, 2009. Plaintiffs' counsel in six of the seven state merger cases have filed dismissals without prejudice of their MidAmerican merger claims. On April 16, 2010, the seventh merger case was dismissed without prejudice by the Court, thereby concluding these cases.

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Securities Class Action

Three federal securities class action lawsuits have been filed in the United States District Courts for the Southern District of New York and the District of Maryland between September 2008 and November 2008. The cases were filed on behalf of a proposed class of persons who acquired publicly traded securities, including the Series A Junior Subordinated Debentures (Debentures), of Constellation Energy between January 30, 2008 and September 16, 2008, and who acquired Debentures in an offering completed in June 2008. The securities class actions generally allege that Constellation Energy, a number of its present or former officers or directors, and the underwriters violated the securities laws by issuing a false and misleading registration statement and prospectus in connection with Constellation Energy's June 27, 2008 offering of Debentures. The securities class actions also allege that Constellation Energy issued false or misleading statements or was aware of material undisclosed information which contradicted public statements including in connection with its announcements of financial results for 2007, the fourth quarter of 2007, the first quarter of 2008 and the second quarter of 2008 and the filing of its first quarter 2008 Form 10-Q. The securities class actions seek, among other things, certification of the cases as class actions, compensatory damages, reasonable costs and expenses, including counsel fees, and rescission damages.

The Southern District of New York granted the defendants' motion to transfer the two securities class actions filed there to the District of Maryland, and the actions have since been transferred for coordination with the securities class action filed there. On June 18, 2009, the court appointed a lead plaintiff, who filed a consolidated amended complaint on September 17, 2009. On November 17, 2009, the defendants moved to dismiss the consolidated amended complaint in its entirety. We are unable at this time to determine the ultimate outcome of the securities class actions or their possible effect on our, or BGE's financial results.

ERISA Actions

In the fall of 2008, multiple class action lawsuits were filed in the United States District Courts for the District of Maryland and the Southern District of New York against Constellation Energy; Mayo A. Shattuck III, Constellation Energy's Chairman of the Board, President and Chief Executive Officer; and others in their roles as fiduciaries of the Constellation Energy Employee Savings Plan. The actions, which have been consolidated into one action in Maryland (the Consolidated Action), allege that the defendants, in violation of various sections of ERISA, breached their fiduciary duties to prudently and loyally manage Constellation Energy Savings Plan's assets by designating Constellation Energy common stock as an investment, by failing to properly provide accurate information about the investment, by failing to avoid conflicts of interest, by failing to properly monitor the investment and by failing to properly monitor other fiduciaries. The plaintiffs seek to compel the defendants to reimburse the plaintiffs and the Constellation Energy Savings Plan for all losses resulting from the defendants' breaches of fiduciary duty, to impose a constructive trust on any unjust enrichment, to award actual damages with pre- and post-judgment interest, to award appropriate equitable relief including injunction and restitution and to award costs and expenses, including attorneys' fees. On October 2, 2009, the defendants moved to dismiss the consolidated complaint in its entirety. We are unable at this time to determine the ultimate outcome of the Consolidated Action or its possible effects on our, or BGE's, financial results.

Mercury

Since September 2002, BGE, Constellation Energy, and several other defendants have been involved in numerous actions filed in the Circuit Court for Baltimore City, Maryland alleging mercury poisoning from several sources, including coal plants formerly owned by BGE. The plants are now owned by a subsidiary of Constellation Energy. In addition to BGE and Constellation Energy, approximately 11 other defendants, consisting of pharmaceutical companies, manufacturers of vaccines, and manufacturers of Thimerosal have been sued. Approximately 70 cases, involving claims related to approximately 132 children, have been filed to date, with each claimant seeking $20 million in compensatory damages, plus punitive damages, from us.

The claims against BGE and Constellation Energy have been dismissed in all of the cases either with prejudice based on rulings by the Court or without prejudice based on voluntary dismissals by the plaintiffs' counsel. Plaintiffs may attempt to pursue appeals of the rulings in favor of BGE and Constellation Energy once the cases are finally concluded as to all defendants. We believe that we have meritorious defenses and intend to defend the actions vigorously. However, we cannot predict the timing, or outcome, of these cases, or their possible effect on our, or BGE's, financial results.

Asbestos

Since 1993, BGE and certain Constellation Energy subsidiaries have been involved in several actions concerning asbestos. The actions are based upon the theory of "premises liability," alleging that BGE and Constellation Energy knew of and exposed individuals to an asbestos

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hazard. In addition to BGE and Constellation Energy, numerous other parties are defendants in these cases.

Approximately 482 individuals who were never employees of BGE or Constellation Energy have pending claims each seeking several million dollars in compensatory and punitive damages. Cross-claims and third party claims brought by other defendants may also be filed against BGE and Constellation Energy in these actions. To date, most asbestos claims which have been resolved have been dismissed or resolved without any payment and a small minority have been resolved for amounts that were not material to our financial results.

BGE and Constellation Energy do not know the specific facts necessary to estimate their potential liability for these claims. The specific facts we do not know include:

- the identity of the facilities at which the plaintiffs allegedly worked as contractors,
- the names of the plaintiffs' employers,
- the dates on which and the places where the exposure allegedly occurred, and
- the facts and circumstances relating to the alleged exposure.

Until the relevant facts are determined, we are unable to estimate what our, or BGE's, liability might be. Although insurance and hold harmless agreements from contractors who employed the plaintiffs may cover a portion of any awards in the actions, the potential effect on our, or BGE's, financial results could be material.

Environmental Matters

Solid and Hazardous Waste

In 1999, the EPA proposed to add the 68th Street Dump in Baltimore, Maryland to the Superfund National Priorities List, which is its list of sites targeted for clean-up and enforcement, and sent a general notice letter to BGE and 19 other parties identifying them as potentially liable parties at the site. In March 2004, we and other potentially responsible parties formed the 68th Street Coalition and entered into consent order negotiations with the EPA to investigate clean-up options for the site under the Superfund Alternative Sites Program. In May 2006, a settlement among the EPA and 19 of the potentially responsible parties, including BGE, with respect to investigation of the site became effective. The settlement requires the potentially responsible parties, over the course of several years, to identify contamination at the site and recommend clean-up options. BGE is indemnified by a wholly owned subsidiary of Constellation Energy for most of the costs related to this settlement and clean-up of the site. The clean-up costs will not be known until the investigation is closer to completion, which is expected by mid-2010. The completed investigation will provide a range of remediation alternatives to the EPA, and the EPA is expected to select one of the alternatives by the end of the first quarter of 2011. The clean-up costs we incur could have a material effect on our financial results.

Air Quality

In May 2007, a subsidiary of Constellation Energy entered into a consent decree with the Maryland Department of the Environment to resolve alleged violations of air quality opacity standards at three fossil fuel plants in Maryland. The consent decree requires the subsidiary to pay a $100,000 penalty, provide $100,000 to a supplemental environmental project, and install technology to control emissions from those plants.

In January 2009, the EPA issued a notice of violation (NOV) to a subsidiary of Constellation Energy, as well as the other owners and the operator of the Keystone coal-fired power plant in Shelocta, Pennsylvania. We hold an approximately 21% interest in the Keystone plant. The NOV alleges that the plant performed various capital projects beginning in 1984 without complying with the new source review permitting requirements of the Clean Air Act. The EPA also contends that the alleged failure to comply with those requirements are continuing violations under the plant's air permits. The EPA could seek civil penalties under the Clean Air Act for the alleged violations.

The owners and operator of the Keystone plant are investigating the allegations and have entered into discussions with the EPA. We believe there are meritorious defenses to the allegations contained in the NOV. However, we cannot predict the outcome of this proceeding and it is not possible to determine our actual liability, if any, at this time.

Water Quality

In October 2007, a subsidiary of Constellation Energy entered into a consent decree with the Maryland Department of the Environment relating to groundwater contamination at a third party facility that was licensed to accept fly ash, a byproduct generated by our coal-fired plants. The consent decree requires the payment of a $1.0 million penalty, remediation of groundwater contamination resulting from the ash placement operations at the site, replacement of drinking water supplies in the vicinity of the site, and monitoring of groundwater conditions. We recorded a liability in our Consolidated Balance Sheets of approximately $10.6 million, which includes the $1 million penalty and our estimate of probable costs to remediate contamination, replace drinking water supplies, monitor groundwater conditions, and otherwise comply with the consent decree. We have paid approximately $5.1 million of these costs as of March 31,

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2010, resulting in a remaining liability at March 31, 2010 of $5.5 million. We estimate that it is reasonably possible that we could incur additional costs of up to approximately $10 million more than the liability that we accrued.

Insurance

We discuss our non-nuclear insurance programs in *Note 12* of our 2009 Annual Report on Form 10-K.

Derivative Instruments

Nature of Our Business and Associated Risks

Our business activities primarily include our Generation, NewEnergy, regulated electric and gas businesses. Our Generation and NewEnergy businesses include:

- the generation of electricity from our owned and contractually-controlled physical assets,
- the sale of power, gas, and other energy commodities to wholesale and retail customers, and
- risk management services and energy trading activities.

Our regulated electric and gas businesses engage in electricity and gas transmission and distribution activities in Central Maryland at prices set by the Maryland PSC that are generally designed to recover our costs, including purchased fuel and energy. Substantially all of our risk management activities involving derivatives occur outside our regulated businesses.

In carrying out our business activities, we purchase and sell power, fuel, and other energy-related commodities in competitive markets. These activities expose us to significant risks, including market risk from price volatility for energy commodities and the credit risks of counterparties with which we enter into contracts. The sources of these risks include, but are not limited to, the following:

- the risks of unfavorable changes in power prices in the wholesale forward and spot markets in which we sell a portion of the power from our power generation facilities and purchase power to meet our load-serving requirements,
- the risk of unfavorable fuel price changes for the purchase of a portion of the fuel for our generation facilities under short-term contracts or on the spot market. Fuel prices can be volatile, and the price that can be obtained for power produced from such fuel may not change at the same rate as fuel costs.
- the risk that one or more counterparties may fail to perform under their obligations to make payments or deliver fuel or power,
- interest rate risk associated with variable-rate debt and the fair value of fixed-rate debt used to finance our operations; and
- foreign currency exchange rate risk associated with international investments and purchases of equipment and commodities in currencies other than U.S. dollars.

Objectives and Strategies for Using Derivatives

Risk Management Activities

To lower our exposure to the risk of unfavorable fluctuations in commodity prices, interest rates, and foreign currency rates, we routinely enter into derivative contracts, such as fixed-price forward physical purchase and sales contracts, futures, financial swaps, and option contracts traded in the over-the-counter markets or on exchanges, for hedging purposes. The objectives for entering into such hedging transactions primarily include:

- fixing the price for a portion of anticipated future electricity sales from our generation operations,

- fixing the price of a portion of anticipated fuel purchases for the operation of our power plants,
- fixing the price for a portion of anticipated energy purchases to supply our load-serving customers, and
- managing our exposure to interest rate risk and foreign currency exchange risks.

Non-Risk Management Activities

In addition to the use of derivatives for risk management purposes, we also enter into derivative contracts for trading purposes primarily for:

- optimizing the margin on surplus electricity generation and load positions and surplus fuel supply and demand positions,
- price discovery and verification, and
- deploying limited risk capital in an effort to generate returns.

Accounting for Derivative Instruments

The accounting requirements for derivatives require recognition of all qualifying derivative instruments on the balance sheet at fair value as either assets or liabilities.

Accounting Designation

We must evaluate new and existing transactions and agreements to determine whether they are derivatives, for which there are several possible accounting treatments. Mark-to-market is required as the default accounting treatment for all derivatives unless they qualify, and we specifically designate them, for one of the other accounting treatments. Derivatives designated for any of the elective accounting treatments must meet specific, restrictive criteria,

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both at the time of designation and on an ongoing basis. The permissible accounting treatments include:

- normal purchase normal sale (NPNS),
- cash flow hedge,
- fair value hedge, and
- mark-to-market.

We discuss our accounting policies for derivatives and hedging activities and their impacts on our financial statements in *Note 1* of our 2009 Annual Report on Form 10-K.

NPNS

We elect NPNS accounting for derivative contracts that provide for the purchase or sale of a physical commodity that will be delivered in quantities expected to be used or sold over a reasonable period in the normal course of business. Once we elect NPNS classification for a given contract, we cannot subsequently change the election and treat the contract as a derivative using mark-to-market or hedge accounting.

Cash Flow Hedging

We generally elect cash flow hedge accounting for most of the derivatives that we use to hedge market price risk for our physical energy delivery activities because hedge accounting more closely aligns the timing of earnings recognition and cash flows for the underlying business activities. Management monitors the potential impacts of commodity price changes and, where appropriate, may enter into or close out (via offsetting transactions) derivative transactions designated as cash flow hedges.

Commodity Cash Flow Hedges

We have designated fixed-price forward contracts as cash-flow hedges of forecasted sales of energy and forecasted purchases of fuel and energy for the years 2010 through 2016. We had net unrealized pre-tax losses on these cash-flow hedges recorded in "Accumulated other comprehensive loss" of $1,146.4 million at March 31, 2010 and $951.3 million at December 31, 2009.

We expect to reclassify $951.2 million of net pre-tax losses on cash-flow hedges from "Accumulated other comprehensive loss" into earnings during the next twelve months based on market prices at March 31, 2010. However, the actual amount reclassified into earnings could vary from the amounts recorded at March 31, 2010, due to future changes in market prices.

When we determine that a forecasted transaction originally hedged has become probable of not occurring, we reclassify net unrealized gains or losses associated with those hedges from "Accumulated other comprehensive loss" to earnings. We recognized in earnings the following pre-tax amounts on such contracts:

Quarter ended March 31,	**2010**	**2009**
	(In millions)	
Pre-tax losses	**$ (1.4)**	$ (166.4)

Interest Rate Swaps Designated as Cash Flow Hedges

We use interest rate swaps designated as cash flow hedges to manage our interest rate exposures associated with new debt issuances and to manage our exposure to fluctuations in interest rates on variable rate debt. The effective portion of gains and losses on these interest rate cash flow hedges, net of associated deferred income tax effects, is recorded in "Accumulated other comprehensive loss" in our Consolidated Statements of Comprehensive Income (Loss). We reclassify gains and losses on the hedges from "Accumulated other comprehensive loss" into "Interest expense" in our Consolidated Statements of Income (Loss) during the periods in which the interest payments being hedged occur.

Accumulated other comprehensive loss includes net unrealized pre-tax gains on interest rate cash-flow hedges of prior debt issuances totaling $7.4 million at March 31, 2010 and $11.3 million at December 31, 2009. We expect to reclassify $0.6 million of pre-tax net gains on

these cash-flow hedges from "Accumulated other comprehensive loss" into "Interest expense" during the next twelve months. We had no hedge ineffectiveness on these swaps.

Fair Value Hedging

We elect fair value hedge accounting for a limited portion of our derivative contracts including certain interest rate swaps. The objectives for electing fair value hedging in these situations are to manage our exposure and to optimize the mix of our fixed and floating-rate debt.

Interest Rate Swaps Designated as Fair Value Hedges

We use interest rate swaps designated as fair value hedges to optimize the mix of fixed and floating-rate debt. We record any gains or losses on swaps that qualify for fair value hedge accounting treatment, as well as changes in the fair value of the debt being hedged, in "Interest expense." We record changes in fair value of the swaps in "Derivative assets and liabilities" and changes in the fair value of the debt in "Long-term debt" in our Consolidated Balance Sheets. In addition, we record the difference between interest on hedged fixed-rate debt and floating-rate swaps in "Interest expense" in the periods that the swaps settle.

We have interest rate swaps qualifying as fair value hedges relating to $400 million of our fixed-rate debt

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maturing in 2012 and 2015, and converted this notional amount of debt to floating-rate. The fair value of these hedges was an unrealized gain of $44.4 million at March 31, 2010 and $35.8 million at December 31, 2009 and was recorded as an increase in our "Derivative assets" and an increase in our "Long-term debt." We had no hedge ineffectiveness on these interest rate swaps.

Hedge Ineffectiveness

For all categories of derivative instruments designated in hedging relationships, we recorded in earnings the following pre-tax gains (losses) related to hedge ineffectiveness:

Quarter ended March 31,	**2010**	2009
	(In millions)	
Cash-flow hedges	**$ 13.3**	$ 29.1
Fair value hedges		23.9
Total	**$ 13.3**	$ 53.0

We did not recognize any gain or loss during 2010 and 2009 relating to changes in value for the portion of our fair value hedges excluded from our hedge effectiveness assessment.

Mark-to-Market

We generally apply mark-to-market accounting for risk management and trading activities for which changes in fair value more closely reflect the economic performance of the underlying business activity. However, we also use mark-to-market accounting for derivatives related to the following physical energy delivery activities:

- our nonregulated retail gas customer supply activities, which are managed using economic hedges that we have not designated as cash-flow hedges in order to match the timing of recognition of the earnings impacts of those activities to the greatest extent permissible, and
- economic hedges of activities that require accrual accounting for which the related hedge requires mark-to-market accounting.

Quantitative Information About Derivatives and Hedging Activities

Balance Sheet Tables

We present our derivative assets and liabilities in our Consolidated Balance Sheets on a net basis, including cash collateral, whenever we have a legally enforceable master netting agreement with a counterparty to a derivative contract. We use master netting agreements whenever possible to manage and substantially reduce our potential counterparty credit risk. The net presentation in our Consolidated Balance Sheets reflects our actual credit exposure after giving effect to the beneficial effects of these agreements and cash collateral, and our credit risk is reduced further by other forms of collateral.

The following tables provide information about the types of market risks we manage using derivatives. These tables only include derivatives and do not reflect the price risks we are hedging that arise from physical assets or nonderivative accrual contracts within our Generation and NewEnergy businesses.

As discussed more fully following the tables, we present this information by disaggregating our net derivative assets and liabilities into gross components on a contract-by-contract basis before giving effect to the risk-reducing benefits of master netting arrangements and collateral. As a result, we must present each individual contract as an "asset value" if it is in the money or a "liability value" if it is out of the money, regardless of whether the individual contracts offset market or credit risks of other contracts in full or in part. Therefore, the gross amounts in these tables do not reflect our actual economic or credit risk associated with derivatives. This gross presentation is intended only to show separately the various derivative contract types we use, such as commodities, interest rate, and foreign exchange.

In order to identify how our derivatives impact our financial position, at the bottom of the tables we provide a reconciliation of the gross fair value components to the net fair value amounts as presented in the *Fair Value Measurements* note and our Consolidated Balance Sheets.

The gross asset and liability values in the tables below are segregated between those derivatives designated in qualifying hedge accounting relationships and those not designated in hedge accounting relationships. Derivatives not designated in hedging relationships include our NewEnergy retail gas operations, economic hedges of accrual activities, the total return swaps entered into to effect the sale of the international commodities and Houston-based gas trading operations, and risk management and trading activities which we have substantially curtailed as part of our effort to reduce risk in our business. We use the end of period accounting designation to determine the classification for each derivative position.

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As of March 31, 2010	Derivatives Designated as Hedging Instruments for Accounting Purposes		Derivatives Not Designated As Hedging Instruments for Accounting Purposes		All Derivatives Combined	
Contract type	**Asset Values[3]**	**Liability Values[4]**	**Asset Values[3]**	**Liability Values[4]**	**Asset Values[3]**	**Liability Values[4]**
			(In millions)			
Power contracts	$ 2,889.0	$ (3,530.5)	$ 16,954.3	$ (17,645.2)	$ 19,843.3	$ (21,175.7)
Gas contracts	2,615.6	(2,342.5)	5,945.3	(5,647.3)	8,560.9	(7,989.8)
Coal contracts	19.9	(55.0)	475.0	(486.3)	494.9	(541.3)
Other commodity contracts[1]			73.5	(34.4)	73.5	(34.4)
Interest rate contracts	44.4		30.4	(39.1)	74.8	(39.1)
Foreign exchange contracts			12.2	(9.8)	12.2	(9.8)
Total gross fair values	$ 5,568.9	$ (5,928.0)	$ 23,490.7	$ (23,862.1)	$ 29,059.6	$ (29,790.1)
Netting arrangements[5]					(27,878.0)	27,878.0
Cash collateral					(105.6)	192.5
Net fair values					$ 1,076.0	$ (1,719.6)
Net fair value by balance sheet line item:						
Accounts receivable[2]					$ (341.4)	
Derivative assets current					686.0	
Derivative assets noncurrent					731.4	
Derivative liabilities current						(906.7)
Derivative liabilities noncurrent						(812.9)
Total Derivatives					$ 1,076.0	$ (1,719.6)

1 Other commodity contracts include oil, freight, emission allowances, and weather contracts.

2 Represents the unrealized fair value of exchange traded derivatives, exclusive of cash margin posted.

3 Represents in-the-money contracts without regard to potentially offsetting out-of-the-money contracts under master netting agreements.

4 Represents out-of-the-money contracts without regard to potentially offsetting in-the-money contracts under master netting agreements.

5 Represents the effect of legally enforceable master netting agreements.

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As of December 31, 2009	Derivatives Designated as Hedging Instruments for Accounting Purposes		Derivatives Not Designated As Hedging Instruments for Accounting Purposes		All Derivatives Combined	
Contract type	**Asset Values[3]**	**Liability Values[4]**	**Asset Values[3]**	**Liability Values[4]**	**Asset Values[3]**	**Liability Values[4]**
			(In millions)			
Power contracts	$ 1,737.3	$ (2,292.1)	$ 11,729.3	$ (12,414.3)	$ 13,466.6	$ (14,706.4)
Gas contracts	1,860.6	(1,380.0)	4,159.1	(3,857.1)	6,019.7	(5,237.1)
Coal contracts	20.1	(40.8)	609.5	(627.2)	629.6	(668.0)
Other commodity contracts[1]	1.4	(0.8)	83.1	(32.1)	84.5	(32.9)
Interest rate contracts	35.8		28.5	(39.9)	64.3	(39.9)
Foreign exchange contracts			13.2	(9.0)	13.2	(9.0)
Total gross fair values	$ 3,655.2	$ (3,713.7)	$ 16,622.7	$ (16,979.6)	$ 20,277.9	$ (20,693.3)
Netting arrangements[5]					(19,261.0)	19,261.0
Cash collateral					(92.6)	125.6
Net fair values					$ 924.3	$ (1,306.7)
Net fair value by balance sheet line item:						
Accounts receivable[2]					$ (348.7)	
Derivative assets current					639.1	
Derivative assets noncurrent					633.9	
Derivative liabilities current						(632.6)
Derivative liabilities noncurrent						(674.1)
Total Derivatives					$ 924.3	$ (1,306.7)

1 Other commodity contracts include oil, freight, emission allowances, and weather contracts.

2 Represents the unrealized fair value of exchange traded derivatives, exclusive of cash margin posted.

3 Represents in-the-money contracts without regard to potentially offsetting out-of-the-money contracts under master netting agreements.

4 Represents out-of-the-money contracts without regard to potentially offsetting in-the-money contracts under master netting agreements.

5 Represents the effect of legally enforceable master netting agreements.

The magnitude of and changes in the gross derivatives components in these tables do not indicate changes in the level of derivative activities, the level of market risk, or the level of credit risk. The primary factors affecting the magnitude of the gross amounts in the tables are changes in commodity prices and the total number of contracts. If commodity prices change, the gross amounts could increase, even if the level of contracts stays the same, because separate presentation is required for contracts that are in the money from those that are out of the money. As a result, the gross amounts of even fully hedged positions could increase if prices change. Additionally, if the number of contracts increases, the gross amounts also could increase. Thus, the execution of new contracts to reduce economic risk could actually increase the gross amounts in the table because of the requirement to present the gross value of each individual contract separately.

The primary purpose of these tables is to disaggregate the risks being managed using derivatives by contract type and accounting treatment. In order to achieve this objective, we prepare these tables by separating each individual derivative contract that is in the money from each contract that is out of the money and present such amounts on a gross basis, even for offsetting contracts that have identical quantities for the same commodity, location, and delivery period. We must also present these components excluding the substantive credit-risk reducing effects of master netting agreements and collateral. As a result, the gross "asset" and "liability" amounts for each contract type far exceed our actual economic exposure to commodity price risk and credit risk. Our actual economic exposure consists of the net derivative position combined with

our nonderivative accrual contracts, such as those for load-serving, and our physical assets, such as our power plants. Our actual derivative credit risk exposure after master netting agreements and cash collateral is reflected in the net fair value amounts shown at the bottom of the tables above. Our total economic and credit exposures, including derivatives, are managed in a comprehensive risk framework that includes risk measures such as economic value at risk, stress testing, and maximum potential credit exposure.

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Gain and (Loss) Tables

The tables below summarize the gain and loss impacts of our derivative instruments segregated into the following categories:

- cash flow hedges,
- fair value hedges, and
- mark-to-market derivatives.

The tables only include this information for derivatives and do not reflect the related gains or losses that arise from generation and generation-related assets, nonderivative accrual contracts, or NPNS contracts within our Generation and NewEnergy businesses, other than fair value hedges, for which we separately show the gain or loss on the hedged asset or liability. As a result, for mark-to-market and cash-flow hedge derivatives, these tables only reflect the impact of derivatives themselves and therefore do not necessarily include all of the income statement impacts of the transactions for which derivatives are used to manage risk. For a more complete discussion of how derivatives affect our financial performance, see our accounting policy for Revenues, Fuel and Purchased Energy Expenses, and Derivatives and Hedging Activities in *Note 1* of our 2009 Annual Report on Form 10-K.

The following tables present gains and losses on derivatives designated as cash flow hedges. As discussed more fully in our accounting policy, we record the effective portion of unrealized gains and losses on cash flow hedges in Accumulated Other Comprehensive Loss until the hedged forecasted transaction affects earnings. We record the ineffective portion of gains and losses on cash flow hedges in earnings as they occur. When the hedged forecasted transaction settles and is recorded in earnings, we reclassify the related amounts from Accumulated Other Comprehensive Loss into earnings, with the result that the combination of revenue or expense from the forecasted transaction and gain or loss from the hedge are recognized in earnings at a total amount equal to the hedged price. Accordingly, the amount of derivative gains and losses recorded in Accumulated Other Comprehensive Loss and reclassified from Accumulated Other Comprehensive Loss into earnings does not reflect the total economics of the hedged forecasted transactions. The total impact of our forecasted transactions and related hedges is reflected in our Consolidated Statements of Income (Loss).

Cash Flow Hedges							***Quarter Ended March 31,***
	Gain (Loss) Recorded in AOCI			**Gain (Loss) Reclassified from AOCI into Earnings**		**Ineffectiveness Gain (Loss) Recorded in Earnings**	
Contract type:	**2010**	**2009**	**Statement of Income (Loss) Line Item**	**2010**	**2009**	**2010**	**2009**
			(In millions)				
Hedges of forecasted sales:			Nonregulated revenues				
Power contracts	$ 202.5	$ 161.8		$ (59.2)	$ (92.0)	$ 21.8	$ 59.8
Gas contracts	(34.9)	(31.8)		20.2	(21.4)	(1.1)	2.1
Coal contracts		10.0			(229.9)		
Other commodity contracts[1]		13.7		(0.7)	(2.8)		(3.0)
Foreign exchange contracts		0.3			(0.9)		
Total gains (losses)	$ 167.6	$ 154.0	Total included in nonregulated revenues	$ (39.7)	$ (347.0)	$ 20.7	$ 58.9
Hedges of forecasted purchases:			Fuel and purchased energy expense				
Power contracts	$ (455.5)	$ (774.1)		$ (203.1)	$ (426.5)	$ (9.3)	$ (29.3)
Gas contracts	(73.6)	175.2		78.0	25.9		0.7

Coal contracts	(10.8)	(84.6)		(12.5)	(13.3)	1.7	(1.2)
Other commodity contracts[2]	(0.2)	1.8		(0.3)	25.8	0.2	
Foreign exchange contracts		0.1			0.1		
Total losses	$ (540.1)	$ (681.6)	Total included in fuel and purchased energy expense	$ (137.9)	$ (388.0)	$ (7.4)	$ (29.8)
Hedges of interest rates:			Interest expense				
Interest rate contracts		(0.3)		3.9			