



For Immediate Release

For further information:  
Yifei Zhang/Julia Frayer  
(617) 933-7200

## **Case closes in controversial Constellation and EDF transaction, LEI Managing Director testifies to over \$400 million benefits in the proposed transactions**

BALTIMORE, October 30, 2009 – Today, the Maryland Public Service Commission (“MPSC” or the “Commission”) issued the Commission Order in the case involving the proposed acquisition of a share of Constellation Energy’s nuclear business by Électricité de France (“EDF”). The Commission approved the transaction, subject to certain conditions. Julia Frayer, Managing Director of London Economics International LLC (“LEI”) testified in September 2009 on behalf of the Staff of the MPSC to potential economic benefits of the proposed transaction.

In December 2008, EDF proposed a transaction to purchase from Constellation a 49.99% interest in Constellation Energy Nuclear Group, LLC. The MPSC ordered further review of the transaction on June 11, 2009 because it concluded that EDF would exercise substantial influence over Constellation and in turn BGE as a result of the transaction.

Julia Frayer estimated that there are significant benefits to Baltimore Gas and Electric Company (“BGE”) customers from the proposed transaction, ranging from \$448 million to \$926 million on a discounted, present value basis. The majority of the benefits come from the macroeconomic benefit and retail rate reductions resulting from the increased likelihood of the nuclear project, Calvert Cliffs #3, being built, if the transaction is consummated. During the cross examination in the initial days of the proceeding, John Morris, Vice President of EDF and Michael J. Wallace, Vice Chairman and Chief Operating Officer of Constellation agreed with Ms. Frayer’s assessment with respect to the transaction’s effect on Calvert Cliffs #3. In her written direct testimony, Ms. Frayer also noted that there is the potential for BGE customers to suffer significant costs in the form of reduced service quality and reliability if certain safeguards are not implemented.<sup>1</sup> The Commission, in its Order issued today, noted that “Julia Frayer offered a sophisticated economic analysis”.<sup>2</sup>

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<sup>1</sup> See Cho, Hanah. “Constellation fights for deal”. *The Baltimore Sun*. 15 September 2009. <<http://www.baltimoresun.com/business/bal-bz.constellation15sep15,0,4800517.story>>

<sup>2</sup> MPSC. Order No. 82986. “In the Matter of the Current and Future Financial Condition of Baltimore Gas and Electric”. Case No. 9173 Phase II. P. 12.

The MPSC conditioned the approval of the transaction on a distribution rate credit to BGE's residential ratepayers of \$110.5 million and a series of measures intended to protect BGE from future risks and strengthen its financial condition. The approval of the transactions is therefore contingent on a capital infusion to BGE from Constellation, implementation of a dividend restriction policy, and certain other conditions pertaining to timing of the next rate case and ring-fencing.<sup>3</sup> Constellation and EDF are required to inform the Commission by no later than November 6, 2009, whether they plan to close the transaction.

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London Economics International LLC (LEI) is a global economic, financial, and strategic advisory professional services firm specializing in energy and infrastructure. The firm combines detailed understanding of specific network and commodity industries, such as electricity generation and distribution, water and wastewater provision, and natural gas distribution, with a suite of proprietary quantitative models to produce reliable and comprehensible results. For further information on LEI, please contact Julia Frayer or Yifei Zhang at (617) 933-7200 or go to [www.londoneconomics.com](http://www.londoneconomics.com).

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<sup>3</sup> MPSC. Order No. 82986. "In the Matter of the Current and Future Financial Condition of Baltimore Gas and Electric". Case No. 9173 Phase II.