PRESS RELEASE

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For Immediate Release

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Spin off BGE, Cut consumer electric rates as condition of Constellation merger, Senators Pipkin, Rosapepe urge PSC

In a letter to the Maryland Public Service Commission, Senators E.J. Pipkin (R, Upper Shore) and Jim Rosapepe (D, College Park) recommended that the merger Constellation Energy is seeking with Chicago-based Exelon be conditioned on:

- Spinning BGE, the local distribution utility currently owned by Constellation, as an independent, Baltimore-based company with long term, lower cost regulated generation as it had from 1816 to 1999, when Maryland's failed deregulation law was passed.

- A 15% cut in BGE rates for residential and small commercial customers locked in with a long term contract between BGE and Constellation for regulated power from its low cost nuclear Calvert 1 and Calvert II plants.

- Commitment by new BGE management to expand generation capacity when needed for residential and small commercial customers through regulated rates.

"The PSC has the opportunity today to reduce electric rates, restore a major corporate headquarters to Baltimore, and reverse the calamity of electric deregulation," they wrote.

"Your father's BGE – that's what the PSC can bring back to Maryland," Pipkin and Rosapepe said. "Lower electric rates, local control, and responsible management focused on reliable service and long term investment, not short term financial speculation."

Pipkin and Rosapepe pointed out that, while putting money in consumers' pockets and keeping a major corporate headquarters in Maryland, their proposal will:

- "not hurt Constellation stockholders since, while they will get a slightly reduced price for their Consideration stock they will retain shares in the newly independent BGE;

- "give Exelon most of what it seeks in the merger – Constellation's national industrial and commercial customers and marketing and trading platform;

- "offset the hit to Exelon's earnings from the long term contract for lower cost, regulated power from Calvert Cliffs with the short term benefits Exelon proposed for Maryland (one time $100 rebate, etc)

- "drive further reductions in electric rates since the newly independent BGE will have the incentive which Constellation and Exelon don't have to build new, lower cost gas generation plants,"

Attached is a copy of their letter to the PSC.

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Re: Case No. 9271

November 3, 2011

Mr. David J. Collins
Executive Secretary
Maryland Public Service Commission
William Donald Schaefer Tower
6 St. Paul Street, 16th Floor
Baltimore, MD 21202

Dear Mr. Collins:

As you know, BGE ratepayers have suffered in recent years from excessive electric rates and power failures caused by the deregulation of rates in 1999. Governor O'Malley and the Maryland Senate have repeatedly urged return to the regulated system that worked well from more than 100 years.

CEG profits have been supported by ratepayers in the following ways (i) CEG sells its own power to its BG&E subsidiary in an oligopolistic market; (ii) CEG avoids constructing natural gas-fired electricity plants in Maryland, even after CEG spends billions to buy such plants elsewhere; and (iii) CEG sold 49% of its nuclear energy division—principally Calvert Cliffs—at a $4 billion profit and reserved a mere fraction of this profit for ratepayer relief

We believe that the proposed merger of Constellation Energy and Exelon provides the opportunity to bring back "your father's BGE": lower rates and more reliable service. The law requires you to approve the merger only if it is "in the public interest." Testimony for a variety of witnesses has documented that, in the absence of asset spinoffs, the merger will increase monopoly power and raise rates. That may be good for Exelon and Constellation, but it is not "in the public interest" and thus would violate state law.

We believe that the PSC can comply with the law, reduce rates for consumers, improve the reliability of power, and assure long term stability for energy supply and electric rates by conditioning approval of the merger on the following:

- Spinoff of BG&E as an independent, publically-traded, Baltimore-based company. To allow BG&E's ratepayers to escape the profit-maximization tactics of CEG, we propose that BG&E be spun off as an independent, publicly-traded company. Based on the values of comparable publicly-traded utilities, the newly-independent BG&E should have a market value of about $1.6 billion. As a result, the value of the $7 billion merger will decline by this amount; however, existing CEG stockholders will each receive one new BG&E share for each CEG share they hold, so CEG stockholders will suffer no losses on the value of their CEG stock from the spin-off.

- A long-term contact between BGE and Constellation for 500 Mw of Calvert Cliffs' capacity (about 25%) at regulated rates saving Standard Offer Service (SOS) customers a minimum of 15% per year. This calculation is based on BGE's current power costs for SOS of about 10 cents per kwh, estimated Calvert Cliffs power costs of about 5 cents per kwh, and a BGE base load of about 2,500 MW. The loss in income to CEG/EXC stockholders from this arrangement should be offset mostly from merger-related synergies in CEG's marketing and generation divisions.

- Commitment by the newly independent BGE to construct its own natural gas-fired electricity plants, or other economical alternatives, under regulated rates for needed additional base load generation. Recent research work —in consultation with General Electric (gas turbine manufacturer) and Anadarko Petroleum (large gas supplier) indicates the natural-gas-related savings to ratepayers could be 20-25% off PJM generation costs. Excluding permitting and siting, new gas fired generation construction requires about 18 months.

This approach will not hurt Constellation stockholders since, while they will get a slightly reduced price for their Consideration stock, they will retain shares in the newly independent BGE. It will give Exelon most of what it seeks in the merger – Constellation's national industrial and commercial customers and marketing and trading platform – and offset the hit to Exelon's earnings from the long term contract for lower cost, regulated power from Calvert Cliffs with the short term benefits Exelon proposed for Maryland (one time $100 rebate, etc). Finally, it will drive further reductions in electric rates since the newly independent BGE will have the incentive which Constellation and Exelon don't have to build new, lower cost gas generation plants."

Thank you for your consideration of our recommendations and let us know if you have questions. We can be reached at 410-841-3141. Jeff Hooke, Chairman of the Maryland Tax Education Foundation (MTEF), who worked with us in preparing this proposal, can be reached at jhooke@hookeassociates.com or (301) 850-2532.

Sincerely,

E.J. Pipkin
Senator

Jim Rosapepe
Senator