

KEY ELEMENTS OF SETTLEMENT PROPOSAL

- **BGE Electric Rate Credit.** BGE will give all Maryland residential electric customers an equal one-time credit – to be distributed no later than December 31, 2009 – in the amount of what a 10% annual reduction would be for the average customer. This will be comparable, but not identical, to the credit received last year under the 2008 settlement.
- **Electric Universal Service Program Fund.** For every calendar year from 2009 through 2014, Constellation will contribute to the Electric Universal Service Program the same amount that BGE ratepayers are charged for the program – which was approximately \$20 million in calendar year 2008.
- **BGE Electric Distribution and Natural Gas Delivery Rate Cases.** Any electric distribution or natural gas delivery rate increase would not be effective prior to October 1, 2011, and would be capped at 2.5%. BGE not may file a request for a second distribution or delivery rate increase until April 1, 2013 at the earliest, and this increase would also be capped at 2.5%. The distribution portion of the bill is approximately 15 percent of the total bill.
- **Long-Term Rate Stabilization.** Constellation will provide 20% of the standard offer service residential energy load to BGE on a rate-regulated basis, with details to be decided by the PSC, unless the PSC decides the transaction is not in the public interest.
- **Clean Energy.** Constellation and EDF agree to pay \$200 million to the expansion of the Smart Grid program or another clean energy project.
- **Limitations on Executive Compensation.** Constellation agrees not to pay its current CEO benefits under his change of control agreement, or supplemental retirement plan, valued collectively at approximately \$87 million.
- **Capital Expenditures.** Every year, BGE will present its planned capital expenditure plan for the following 3-5 years to the PSC, and the PSC can require modifications to the plan if the modifications are in the best interests of BGE ratepayers.

Ring-Fencing

- **BGE Independent Board.** BGE will establish a Board of Directors, with a majority of independent directors.
- **BGE Strategic Plans.** BGE will establish a Board-level strategic planning committee, comprised of a majority of independent directors, to establish BGE business plans independent of Constellation authority.
- **BGE Executive Compensation.** BGE will establish a Board-level compensation committee to set compensation for BGE’s senior executives. The compensation

committee will be limited to independent directors, as required by NYSE rules. The compensation committee must tie incentive plans for BGE senior management to BGE-specific performance, not Constellation stock performance. BGE will hire an independent, outside accounting firm to determine the appropriate metrics to determine incentives.

- **BGE Non-Consolidation Opinion.** Constellation and BGE will endeavor to ensure that BGE would be protected if Constellation were to file for bankruptcy. Constellation and BGE will also endeavor to ensure that BGE has a credit rating independent from Constellation. BGE will file with the PSC a non-consolidation opinion from a nationally-recognized, independent bankruptcy expert that BGE has established sufficient “ring-fencing” provisions so that in the event of a Constellation bankruptcy, a court would not order consolidation of BGE assets and liabilities with those of Constellation.

- **BGE Dividend Distribution/Credit Rating.** BGE will not pay dividends unless its investment rating from all three rating agencies reaches a level equal to the average rating of a group of specified peer utilities – and unless there is a future positive outlook. BGE will not pay dividends to Constellation if the payment would result in BGE’s equity falling below 50% of its total capital.

- **Allocation of Costs.** Constellation will not allocate any of the costs in the EDF transaction – or any of the costs related to its obligations under the settlement agreement – to BGE. The PSC will review the current formulas for cost allocations for services provided by Constellation to BGE.

- **Protection from Compelled Bankruptcy.** BGE and Constellation will put in place governance procedures such that unless approved by all directors on the BGE Board, BGE and Constellation will not be authorized to consent to or initiate BGE bankruptcy proceedings or liquidate BGE’s assets.

- **Independence of BGE.** Unless the PSC decides otherwise, BGE will conduct business and hold assets in its own name and maintain its own books and financial statements.

- **Constellation Prohibited Actions.** Constellation will not pledge BGE’s assets for the backing of any Constellation securities.

- **Access to Books and Records.** BGE and Constellation will ensure that the PSC has access to all books and records necessary to examine BGE transactions and all information provided to and by credit rating agencies related to BGE.

- **BGE Customers Held Harmless.** Constellation and BGE commit that BGE customers will be held harmless from the liabilities of any non-regulated Constellation activity.

- **PSC Review and Oversight.** The PSC will review BGE contracts with affiliates, the approval process for BGE capital projects, and BGE transfers and loans to affiliates.