

CONSTELLATION ENERGY

2008 ANNUAL REPORT

ENERGY GENERATION • ENERGY DELIVERY • ENERGY PRODUCTS AND SERVICES

FINANCIAL HIGHLIGHTS

In millions, except per share amounts

	2008	2007
Common Stock Data		
Reported (GAAP) (loss) earnings per share	\$ (7.34)	\$ 4.50
Loss from discontinued operations	\$ —	\$ (0.01)
Special items ¹	\$ 10.91	\$ (0.09)
Earnings per common share from continuing operations and before special items (adjusted earnings per share) ²	\$ 3.57	\$ 4.60
Dividends declared per common share	\$ 1.91	\$ 1.74
Average shares outstanding—assuming dilution	179.1	182.5
Market price per share—year-end	\$ 25.09	\$ 102.53
Financial Data		
Total revenues	\$ 19,818	\$ 21,193
GAAP net (loss) income	\$ (1,314)	\$ 822
Loss from discontinued operations	\$ —	\$ (1)
Special items (after-tax) ¹	\$ 1,954	\$ (16)
Net income from continuing operations before special items ²	\$ 640	\$ 839
Total assets	\$ 22,284	\$ 21,742
Total debt	\$ 7,690	\$ 5,041
Total common equity	\$ 3,181	\$ 5,340
Capital expenditures	\$ 2,223	\$ 1,665

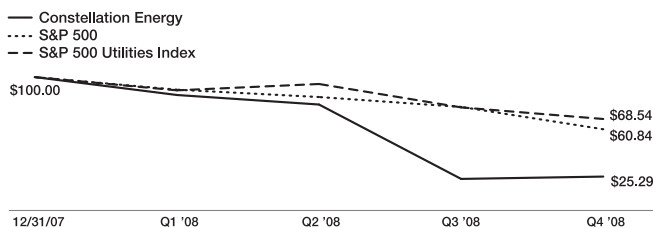
Certain prior-year amounts have been reclassified to conform with the current year's presentation.

¹ Includes merger termination, Series A Preferred Stock conversion and strategic alternatives costs, impairment losses and other costs, impacts of Maryland Settlement agreement, mark-to-market losses on certain non-qualifying hedges, emission allowance inventory write-down, workforce reduction costs and earnings from our synthetic fuel processing facilities.

² Represents a measure that is not determined in accordance with generally accepted accounting principles (GAAP). However, we believe the impact of discontinued operations, accounting changes and special items obscures trends in our results and that it is useful to consider our results excluding these items.

2006 Earnings: Our GAAP earnings per share were \$5.16. Excluding income from discontinued operations of \$1.04 and special items of \$0.51, our earnings per share were \$3.61.

1-Year Total Return To Shareholders



Over the past year, an investment of \$100 in Constellation Energy stock on Dec. 31, 2007, was worth—with dividends reinvested—\$25.29 on Dec. 31, 2008.

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Dear Fellow Shareholders:

The global economic crisis which began in 2008 affected your company in profound ways. We had to make dramatic shifts in strategy, reshape the management team and fundamentally change the mix of our earnings power. Both the credit markets and the commodities markets experienced sudden and sharp changes in 2008 and required prompt action and transformation at Constellation Energy. We have emerged chastened, but also confident in our new business model and the opportunities that we can pursue in the energy marketplace. To understand the effects of 2008, it is useful to look back over a longer period to put events into perspective.

Our company has been challenged in many ways in the past decade, and yet it remains a leader in many sectors of the energy market with excellent people and an excellent mix of physical assets. Ten years ago in 1999, the energy market in our home state of Maryland restructured from a regulated model to a competitive model, and many states across the nation also opened their electricity markets to competition. To facilitate the restructuring process in Maryland, we agreed to a six-year rate freeze for our Baltimore Gas and Electric (BGE) residential electric customers. This cap kept residential power prices below market rates at a time when commodity fuel costs were rising, and it also reduced the profitability of both our utility and our

generation fleet. To compensate, we pursued a growth strategy around the emergence of competitive markets across the United States. We have strongly advocated the wisdom of competition in energy markets ever since. During this period, our increased earnings power allowed us to build and purchase new generation plants. We also developed the leading competitive platform to sell electricity to large commercial and industrial customers.

In many respects, ours was a contrarian strategy, and while we enjoyed many years of strong results, we've also encountered headwinds. Commodity prices increased dramatically since 2001, and the price of electricity did not keep up with the cost of fuel inputs. The rate caps in Maryland eventually expired and BGE's residential customers were faced with large percentage increases in their bills in 2006. Adding to the price pressure on power were the investments we needed to make to meet or exceed improved air emission standards and reduce the carbon footprint of our activities. Given the rising commodity prices and higher costs for environmental upgrades, power prices have increased significantly compared to the below-market levels under rate caps. During the transition to market prices, it has been difficult for many of our constituencies to understand or appreciate the merits of

restructuring and competitive energy markets, even though BGE's rates have always been—and continue to be—in line with or below our peers in the MidAtlantic and Northeast regions.

As we developed our strategic platform to address the competitive markets, we became a leader in the marketing and trading of commodities, particularly electricity, gas and coal. Our success in this business eventually led us to conclude that we should have a larger platform and a larger balance sheet to maintain the growth potential of these businesses. To that end, we agreed in December 2005 to merge with FPL Group, a partnership which would have created one of the nation's largest generators of clean power with our combined fleet of nuclear and renewable power plants. Unfortunately, the timing of this merger collided with the end of residential rate caps in Maryland, and the resulting political and regulatory firestorm ended our efforts to merge with FPL.

After the collapse of the merger, we engaged in 2007 and through 2008 in a number of steps to achieve a similar strategic result, including exploring the sale or joint venture of our commodities activities. We also sought out and achieved a settlement with the State of Maryland, which was intended to achieve greater regulatory and political stability by putting the angst of the controversial 1999 restructuring process behind us.

While our businesses were growing nicely through this period, they were also dependent on a healthy credit market to support them. Market-based trading activities require capital on both a direct and contingent basis. Contingent capital has to be available to adjust for commodity price swings and potential rating agency actions, among other reasons. When we entered the unprecedented global credit crisis of 2008, commodity prices had already been experiencing their own unprecedented level of volatility. The combination of the two forces precluded our ability to consummate a strategic action to broaden and stabilize our balance sheet since our likely partners all experienced similar pressures. The credit environment had suddenly frozen in a fashion where it was difficult to support the existing business on our own.

The violence of the markets in the fall of 2008 was unlike anything anyone in the financial markets had ever experienced. There was, no doubt, a need to react urgently and instinctively. It was a crisis, and many decisions had to be made in a market environment which was changing by the hour. In the face of financial institutions collapsing around us, we needed to address the potential ramifications of a credit rating downgrade and the inability to protect ourselves against it. We, therefore, made the decision to preserve the franchise in the best way we had available, while maintaining the option to achieve a higher value if conditions warranted

it. That path was to sell Constellation Energy to an entity which had the strongest perceived financial wherewithal, as well as an established strategic interest in the energy business. On Sept. 19, we entered into an acquisition agreement with MidAmerican Energy Holdings Company, a subsidiary of Warren Buffet's Berkshire Hathaway. At the time, MidAmerican was unmatched as a financial and strategic partner. Its credibility in the markets allowed us to maintain our strong customer franchises and stabilize our platform. As the credit markets continued to erode between September and December, we worked diligently to reduce risk from our platform and downsize our commodities businesses, which required the kind of credit support no longer available in the market.

In early December, our partner in the new nuclear business, EDF Group, launched a bid to acquire one-half of our nuclear fleet in the form of a joint venture. Our Board of Directors made the determination that EDF's offer was superior to MidAmerican's, and we successfully terminated the merger agreement with MidAmerican. This was the kind of outcome we anticipated might happen with the passage of time after the crisis in September, and we were pleased that the successful bidder was not only our established partner, but the largest and most financially sound nuclear operator in the world.

This series of events in the latter half of 2008 had a high degree of transactional complexity, but I believe that when we complete the EDF transaction later this year we'll find ourselves in a very strong place.

The decade-long history since restructuring began has presented many obstacles but also many opportunities. We grew our commodities businesses in response to competitive market opportunities, and then rapidly downsized them as the capital markets collapsed. The success of these businesses over those years, however, allowed us to invest and build several other important, more enduring businesses. We purchased three nuclear plants to establish a fleet; built the largest competitive retail and wholesale power businesses in the country; established a leading platform to pursue the new nuclear renaissance; and developed a cleaner and more efficient fleet of fossil and renewable generation plants. These surviving businesses, along with our regulated utility, BGE, have allowed us to increase our fundamental earnings power by 50 percent since 2001.

These gains and the broadening of our earnings base are particularly meaningful when our long-term performance is compared to the broader market overall. From November 2001, when I became CEO, through the first quarter of 2009, our stock performance falls in the middle of all S&P 500 companies. The middle of the pack is not where we want to be long-term,

but this example illustrates that our expanded earnings base endured the worst of an unprecedented financial meltdown in reasonably good fashion. Over time, we believe this strong, stable earnings power will translate into greater stock value. Everyone at Constellation Energy has worked hard to adjust the mix of our earnings and thereby adjust to a new world where risk premiums on capital deployed have increased dramatically.

Having provided that background and context, let me review the performance for 2008. For the year, one-time events and special items primarily drove the lion's share of the losses. Excluding the MidAmerican merger termination costs and other special charges, our 2008 adjusted earnings would have been \$3.57 per share. During the year, our employees continued their focus on operational excellence, despite the market upheaval. Our nuclear units generated a record 32 million megawatt hours of electricity in 2008, and we were among the industry leaders with a fleet capacity of 94.7 percent. Early this year, we set a world record for a pressurized water reactor with the 692nd consecutive day of operation for Calvert Cliffs Unit 2.

We're now nine months into a comprehensive strategic realignment and we have sharply reduced our exposure to commodity price risk. We have significantly pared back the scope of energy trading activities. Earlier this year, we

divested our London-based coal and freight business and our wholesale natural gas business. As a result of these activities, we expect to receive \$1 billion in collateral to support our ongoing businesses. Our de-risking activities will continue through this year.

Our strategic realignment will shift the company's business model to more stable, risk-adjusted earnings. The main driver of our profitability has been, and will continue to be, our fleet of high-value plants, including our nuclear units, in energy markets such as PJM and New York. The output from our plants is largely unsold for 2011 and beyond. When the economy recovers and energy prices rise in the years ahead, these plants should drive stable earnings growth. BGE is the second cornerstone of our earnings foundation, providing stable earnings during this recessionary cycle and poised for growth when economic activity returns to more normal levels. Our wholesale and retail customer supply businesses represent the third earnings driver. These companies will continue to be leaders in the sector this year and should contribute about a third to our overall earnings in 2009.

Our key strategic priority for the year is to close the EDF transaction, and the process is on track. We've already received two key federal approvals, including the U.S. Committee on Foreign Investment in the United States (CFIUS) and the Federal Energy

Regulatory Commission (FERC), and we're in the review process with other federal and state regulatory agencies. We still anticipate closing this transaction in the third quarter of this year. I can say without hesitation that the EDF joint venture is in the best long-term interest of our investors. It allows the company to remain independent and publicly traded, preserving the potential for long-term share price appreciation when the stock market recovers. The EDF joint venture also complements our option to pursue the renaissance of nuclear power. This can become an exciting element of our strategic plan because this should be the right time in history to be among the leaders in developing low-carbon energy resources such as new nuclear facilities.

It's also clear, however, that the lingering recession continues to take a toll on our performance and that of virtually every sector of our economy. What's encouraging, though, is that even in the midst of this economic malaise we're seeing many positive signs that the energy and environmental agendas are moving in the right direction in Maryland, Washington, D.C., and across the nation. These agendas translate directly into business opportunities and our company in some respects is ahead of the curve and well positioned. These are just a few examples:


- BGE residential customers are embracing new tools to help them manage and reduce energy usage.

The utility has enrolled more than 90,000 customers in its PeakRewardsSM program, which was launched in May of 2008 and provides bill credits to customers who select a smart thermostat or switch to cycle their central air conditioners during times of peak demand. BGE is also launching a full suite of energy efficiency programs to serve residential, commercial and industrial customers. BGE plans in the months ahead to seek Maryland Public Service Commission authorization and federal stimulus funding through the American Reinvestment and Recovery Act of 2008 to launch a multi-year Smart Grid initiative throughout the service territory. Building on the highly successful results of our pilot program last summer, Smart Grid would empower all customers to manage their energy consumption and peak demand in response to real-time pricing and usage information. Smart Grid would also enable new applications, including growing development of renewable energy and “smart charging” of future plug-in electric vehicles. BGE anticipates that over time these and other transformational initiatives would reduce peak demand by as much as 1,700 megawatts, significantly offsetting the need to construct new, more expensive power generation facilities. These programs would significantly modernize the grid, enhance reliability and directly address key environmental initiatives such as climate change.

- Our commercial energy customers are committing to energy conservation and renewable technologies. Constellation NewEnergy is finding great interest in its demand response programs, in which customers receive payments from grid operators to curb energy usage during peak periods. In 2008, Constellation Energy Projects & Services, our energy services unit, deployed eight new solar installations at customer sites in five states, including the first solar project for a Maryland state agency, the Maryland Environmental Service. Altogether, we own nearly five megawatts of distributed solar generation projects nationwide and believe this can be a growth area for the company if the proper federal and state incentive programs are put in place.
- The most dramatic signs of progress on the policy front are associated with new nuclear, as even one-time critics are now embracing this proven and safe technology as the most efficient and effective way to address global climate change. These projects have the potential to create thousands of construction jobs, hundreds of permanent plant positions and improve grid reliability. A new unit three at Calvert Cliffs would generate 1,600 megawatts of non-greenhouse gas-emitting electricity, enough to power 1.3 million Maryland homes.

2008 was a year of unprecedented market upheaval and extraordinary challenge. Our results were disappointing. However, we took prompt and prudent steps to respond to the exceptional circumstances. As a result, we have largely regained our footing and secured an excellent partner for our nuclear business in EDF. In a short period of time, we've made considerable progress on a promising growth plan for 2010 and beyond.

I would ask our shareholders to assess Constellation Energy's long-term value proposition and to view the 2008 results in the context of the collapse of credit markets and this unrelenting global economic downturn. The building blocks of our growth plan are largely in place and will further solidify when we close our joint venture with EDF. Your management team and Board believe that Constellation Energy's values and people remain strong, and those two elements will continue to be crucial as we face the future.



Mayo A. Shattuck III
*Chairman, President and
Chief Executive Officer*

April 16, 2009

LEADERSHIP

Board of Directors

Mayo A. Shattuck III

*Chairman, President and CEO,
Constellation Energy*
Director since 1999

Yves C. de Balmann

Co-Chairman, Bregal Investments
Director since 2003

Douglas L. Becker

Chairman and CEO, Laureate Education, Inc.
Director since 1998

Ann C. Berzin

*Retired Chairman and CEO,
Financial Guaranty Insurance Company*
Director since 2008

James T. Brady

*Managing Director,
Mid-Atlantic, Ballantrae International, Ltd.*
Director since 1999

James R. Curtiss, Esq.

Retired Partner, Winston & Strawn
Director since 1994

Dr. Freeman A. Hrabowski III

*President, University of Maryland
Baltimore County*
Director since 1994

Nancy Lampton

*Chairman and CEO,
American Life and Accident
Insurance Company of Kentucky*
Director since 1994

Robert J. Lawless

*Retired Chairman and CEO,
McCormick & Company, Inc.*
Director since 2002

Lynn M. Martin

President, The Martin Hall Group LLC
Director since 2003

John L. Skolds

*Retired Executive Vice President,
Exelon Corporation*
Director since 2007

Michael D. Sullivan

*Chairman,
ADVANCARE Health Care, LLC*
Director since 1992

Committees of the Board

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James T. Brady
James R. Curtiss
Robert J. Lawless
Michael D. Sullivan

Audit Committee

James T. Brady, Chairman
Yves C. de Balmann
Ann C. Berzin
John L. Skolds

*All committee members are audit committee
financial experts as defined by the SEC rules.*

Compensation Committee

Robert J. Lawless, Chairman
Douglas L. Becker
Dr. Freeman A. Hrabowski III
Lynn M. Martin
Michael D. Sullivan

*All committee members are independent
directors.*

Committee on Nuclear Power

James R. Curtiss, Chairman
Nancy Lampton
Lynn M. Martin
John L. Skolds

*All committee members are independent
directors.*

Nominating and Corporate Governance Committee

Michael D. Sullivan, Chairman
Douglas L. Becker
Dr. Freeman A. Hrabowski III
Robert J. Lawless
Lynn M. Martin

*All committee members are independent
directors.*

Executive Team

Mayo A. Shattuck III

*Chairman of the Board, President and CEO,
Constellation Energy*

Michael J. Wallace

*Vice Chairman, Constellation Energy;
Chairman, UniStar Nuclear Energy*

Henry B. Barron

*Executive Vice President, Constellation Energy;
President, CEO and Chief Nuclear Officer,
Constellation Energy Nuclear Group*

Thomas F. Brady

*Executive Vice President, Corporate Strategy,
Constellation Energy; Chairman, Baltimore
Gas and Electric Company*

James L. Connaughton

*Executive Vice President, Corporate Affairs,
Public and Environmental Policy,
Constellation Energy*

Paul J. Allen

*Senior Vice President, Corporate Affairs and
Chief Environmental Officer, Constellation
Energy*

Charles A. Berardesco

*Senior Vice President, General Counsel and
Corporate Secretary, Constellation Energy*

Brenda L. Boulthood

*Senior Vice President and Chief Risk Officer,
Constellation Energy*

Kenneth W. DeFontes

*Senior Vice President, Constellation Energy;
President and CEO, Baltimore Gas and
Electric Company*

Kathleen W. Hyle

*Senior Vice President, Constellation Energy;
Chief Operating Officer, Constellation Energy
Resources*

Beth S. Perlman

*Senior Vice President, Chief Administrative
Officer and Chief Information Officer,
Constellation Energy*

Jonathan W. Thayer

*Senior Vice President and Chief Financial
Officer, Constellation Energy*

UNDERSTANDING OUR FORM 10-K

One of our priorities at Constellation Energy is to provide you with clear, easy-to-read and easy-to-understand information about our company. We want you to know what we do, how we do it and how we're doing. This special section is intended to be a guide, describing and summarizing some of the information contained in our Form 10-K and providing page numbers where more details can be found. Our complete Form 10-K follows this special section.

Breaking Down Our Form 10-K

Our Form 10-K has four parts:

Part I: In-depth descriptions of our businesses.

Part II: Our financial performance, the information in which investors are usually most interested.

Part III: Directs readers to other filings made with the Securities and Exchange Commission for details about our Board of Directors, executive compensation, auditor fees, stock ownership information and other matters.

Part IV: A listing of financial statement schedules and exhibits.

Over the next several pages, we provide descriptions and summaries of some of the major topics included in Parts I and II.

Part I: Our Businesses

Part I of our Form 10-K provides details about our businesses:

- Our merchant energy business
- Our regulated utility—Baltimore Gas and Electric Company
- Our other nonregulated businesses

Also included is information about our environmental matters, employees, properties and executive officers.

Here's Where You Look in Part I

Highlights of What You'll Find

Page(s)	Item	Section	
2 – 4	1. Business	Overview	We have a merchant energy business and a regulated utility. We also discuss the significant events of 2008 that led to our transactions with MidAmerican Energy Holdings Company, EDF Group and our previously announced divestitures. We also discuss our strategy for the next one to two years.
4		Operating Segments	Our reportable operating segments are merchant energy, regulated electric and regulated gas. We also have certain other nonregulated business activities.

Page(s)	Item	Section	
5 – 11		Merchant Energy Business	<p><i>Our business</i> We develop, own and operate electric generation facilities located in various regions of the United States. We sell power and natural gas to both regulated and nonregulated wholesale and retail marketers and consumers of energy products. We provide energy products and services to meet the load-serving obligations of our wholesale and retail customers. We provide risk management services for energy and energy-related commodities.</p> <p><i>Fuel sources</i> Our electricity generated by fuel type in 2008: nuclear – 63 percent; coal, natural gas and oil – 33 percent; renewable and alternative – 4 percent.</p> <p><i>Our competition</i> We encounter competition from companies of various sizes with varying levels of experience and financial and human resources and differing strategies.</p> <p><i>Merchant energy business operating statistics for the last three years</i> Gross margin from our merchant energy business decreased \$262 million from 2007. This decrease in gross margin primarily reflects the impact of substantial volatility of commodity prices during 2008 on the portfolio management and trading activities of our Global Commodities operation.</p>
12 – 15		Baltimore Gas and Electric Company	<p><i>Our business</i> We're an electric transmission and distribution utility and a natural gas distribution utility with a service territory that includes the City of Baltimore and parts of Central Maryland.</p> <p><i>Electric and gas operating statistics for the last three years</i> Revenues by type, distribution volumes to our customers and the number of customers.</p>
15 – 16		Other Nonregulated Businesses	We offer energy solutions to residential, commercial, industrial and government customers. We are also developing new nuclear energy projects through our UniStar Nuclear Energy, LLC joint venture with EDF Group.
16		Consolidated Capital Requirements	Our total capital requirements for 2008 were \$2.2 billion, and we expect them to be \$1.7 billion in 2009.
16 – 19		Environmental Matters	We are subject to regulations concerning air quality, water quality and the disposal of hazardous substances. Over the next three years, our total estimated capital requirements for environmental matters are approximately \$400 million.
19		Employees	We had approximately 10,200 employees at year-end 2008.
20 – 26	1A. Risk Factors		There are a number of risks related to our businesses, the industries in which we operate and our pending transactions with EDF Group that could adversely affect our financial results.
27 – 28	2. Properties		<p><i>Our offices</i> We have both owned and leased properties. Our corporate offices are in Baltimore, Maryland. We have marketing offices throughout North America and we also lease space internationally.</p> <p><i>Our energy-producing properties</i> We own approximately 9,100 megawatts of electric generating capacity at plants diversified by fuel type and located strategically throughout the United States and Canada.</p>
29		Executive Officers of the Registrant	Our executive officers have a diverse mix of energy, financial and other experience in competitive and regulated markets.

UNDERSTANDING OUR FORM 10-K

Part II: Our Financial Performance

Part II contains management's discussion and analysis of our results of operations and financial condition and our audited financial statements. It compares our results from 2008 with those from 2007 and our results from 2007 with those from 2006.

The sections in Part II include:

- Introductory Items—The Basics
- Management's Discussion and Analysis—The Context
- Financial Statements—The Numbers
- Notes to the Financial Statements—The Details

Introductory Items

The Basics: Includes information about our common stock prices and dividends and historical financial data.

Here's Where You Look in Part II

Highlights of What You'll Find

Page(s)	Item	Section	
30 – 31	5. Market for Registrant's Common Equity, Related Shareholder Matters, Issuer Purchases of Equity Securities, and Unregistered Sales of Equity and Use of Proceeds		<p><i>Our dividend information</i> We declared dividends of \$1.91 per share in 2008. We announced an annual dividend rate of \$0.96 per share in February 2009.</p> <p><i>Our stock price</i> We include the high and low price of our common stock by quarter for the last two years.</p>
32 – 33	6. Selected Financial Data		Summary of our and BGE's operations and financial condition and our financial statistics for the last five years.

Management's Discussion and Analysis

The Context: Our management discusses in detail the financial results and condition of our company and the way we manage our business.

Here's Where You Look in Part II

Highlights of What You'll Find

Page(s)	Item	Section	
34	7. Management's Discussion and Analysis of Financial Condition and Results of Operations	Introduction and Overview	We summarize how we have organized our discussion and analysis.
34 – 35		Strategy	We are pursuing a strategy of operating nuclear and non-nuclear generation facilities, developing new nuclear facilities, providing energy and energy-related products and services through our Customer Supply activities and delivering electric and gas services through our regulated Maryland utility. We are also seeking to increase available liquidity and reduce our business risk, and expect to be in a transition period over the next one to two years.
35 – 40		Business Environment	<p>Energy markets have been volatile over the last several years, with significant changes in natural gas, coal and power prices. In 2008, the collapse of the credit markets led to substantially reduced liquidity and actions that we took to immediately raise capital.</p> <p>We continue to be subject to extensive federal and state regulation and our operations are affected by weather and other factors.</p>

Page(s)	Item	Section	
40 – 44		Critical Accounting Policies	These are the accounting policies that require difficult, subjective or complex judgment and which are most important to the portrayal and understanding of our financial condition and results of operations.
44 – 47		Significant Events	<p><i>2008 significant events include:</i></p> <ul style="list-style-type: none"> • Our execution and subsequent termination of the merger agreement with MidAmerican Energy Holdings Company • Our investment agreement with EDF Group • Announced divestitures of the following: <ul style="list-style-type: none"> – a majority of our international commodities operation (January 2009) – our Houston-based gas trading operation (February 2009) • Collapse of credit markets and volatility of commodity prices • Workforce reductions • Emission allowance regulation (Clean Air Interstate Rule court decisions) • Acquisitions of the following: <ul style="list-style-type: none"> – a gas-fired peaking plant in Utah – a uranium marketing services company in the United Kingdom – a partially completed gas-fired, combined-cycle power generating facility in Alabama • Asset sales of the following: <ul style="list-style-type: none"> – a portion of our working interests in proved and unproved gas properties in Arkansas – our working interest in oil and natural gas producing properties in Oklahoma to Constellation Energy Partners LLC, a related party – our working interests in proved natural gas reserves in Wyoming and our equity investment in certain entities that own interests in proved natural gas reserves and unproved properties in Texas and Montana • Several issuances of long-term debt • Execution of Maryland settlement agreement
47 – 62		Results of Operations	<p><i>The detailed discussion of our earnings</i></p> <p>Our overall net loss for 2008 was \$1,314.4 million, a decrease of \$2,135.9 million from net income of \$821.5 million in 2007, driven mostly by merger termination, preferred stock conversion and strategic alternatives costs, impairment losses and other costs, and the impact of the Maryland settlement agreement credit to residential electric customers.</p> <p>Our merchant energy net loss for 2008 was \$1,357.4 million, a decrease of \$2,035.7 million from net income of \$678.3 million in 2007.</p> <p>Our regulated electric net income for 2008 was \$1.1 million, a decrease of \$96.8 million from 2007. Our regulated natural gas net income for 2008 was \$37.2 million, an increase of \$8.4 million from 2007.</p>
63 – 69		Financial Condition	<p><i>Cash flow</i></p> <p>Cash used in our operations was \$1,274.3 million in 2008 and was primarily due to an increase in net collateral and margin posted.</p> <p><i>Security ratings</i></p> <p>All of our security ratings are investment-grade.</p> <p><i>Net available liquidity / Collateral downgrade</i></p> <p>We had net available liquidity of \$2.3 billion at December 31, 2008 and January 31, 2009. Based on contractual provisions at December 31, 2008 and January 31, 2009, a one level downgrade of our senior unsecured debt would require us to provide additional collateral of \$1.8 billion.</p>
70 – 71		Capital Resources	We're estimating that we'll spend \$1.7 billion in 2009 and \$1.1 billion in 2010 to fund existing and anticipated projects.

UNDERSTANDING OUR FORM 10-K

72 – 79

Risk Management

We are exposed to various risks. Our risk management program relies upon an effective system of internal controls, and the Audit Committee of our Board of Directors periodically reviews compliance with our risk parameters, limits and trading guidelines. Additionally, our risk management committee, consisting of members of senior management, is responsible for establishing policies and reviewing procedures for the identification, assessment, measurement and management of risks as well as for the monitoring and reporting of risk exposures.

Our Financial Statements

The Numbers: We provide separate financial statements for Constellation Energy and BGE. This section also includes our management's reports on our financial information and the effectiveness of our internal controls as well as our auditor's reports on our financial information and its report on the effectiveness of Constellation Energy's internal controls.

Here's Where You Look in Part II

Highlights of What You'll Find

Page(s)	Item	Section	
80	8. Financial Statements and Supplementary Data	Reports of Management	Our management accepts responsibility for the information and representations in our financial statements and concludes that our and BGE's internal control over financial reporting was effective as of December 31, 2008.
81 – 82		Reports of Independent Registered Public Accounting Firm	PricewaterhouseCoopers LLP states its opinion that both Constellation Energy's and BGE's consolidated financial statements are presented fairly, in all material respects, and that Constellation Energy maintained, in all material respects, effective internal control over financial reporting at December 31, 2008.
83		Consolidated Statements of Income (Loss)	Our net loss for 2008 was \$1,314.4 million, which included \$1,204.4 million of merger termination and strategic alternatives costs and \$741.8 million of impairment losses and other costs.
84 – 85		Consolidated Balance Sheets	Our total assets were \$22.3 billion at December 31, 2008.
86		Consolidated Statements of Cash Flows	Our cash and cash equivalents at December 31, 2008 were \$0.2 billion, a decrease of \$0.9 billion from a year earlier.
87		Consolidated Statements of Common Shareholders' Equity and Comprehensive Income	We discuss the composition of and changes in our common shareholders' equity.
88 – 91		BGE Financial Statements	We include financial statements for BGE because it is a separate registrant required to file reports with the SEC.

Notes to Our Financial Statements

The Details: We explain the processes, events, actions, projects, issues and specifics that produce the amounts reflected in our financial statements.

Here's Where You Look in Part II

Highlights of What You'll Find

Page(s)	Item	Section	
92 – 105		Note 1: Significant Accounting Policies	Accounting methods that we use and how they're applied throughout our businesses, along with the new accounting standards issued and adopted.
106 – 113		Note 2: Other Events	Our 2008 net loss reflected the adverse impact of other events totaling \$1,874.8 million after-tax. This was primarily driven by \$1,204.4 million after-tax in merger termination and strategic alternatives costs, \$470.7 million after-tax in impairment losses and other costs, and \$110.5 million after-tax in losses associated with the Maryland settlement credit.

Page(s)	Item	Section	
114 – 115		Note 3: Information by Operating Segment	Our revenues, net (loss) income and other financial information are broken out by operating segment. We also discuss the divestitures announced in 2009: a majority of our international commodities business and our Houston-based gas trading business.
116 – 119		Note 4: Investments	Our investments are mainly financial investments related to our nuclear decommissioning trust funds. We also hold investments in certain variable interest entities.
120		Note 5: Intangible Assets	At December 31, 2008, our carrying amount of goodwill was \$4.6 million after impairment losses recorded in 2008, and our total net intangible assets subject to amortization were \$369.6 million.
121 – 122		Note 6: Regulatory Assets (net)	At December 31, 2008, our total regulatory assets (net) were \$574.4 million, which included \$536.3 million deferred for future collection under the rate stabilization plan provided for in Maryland legislation.
123 – 126		Note 7: Pension, Postretirement, Other Postemployment and Employee Savings Plan Benefits	We provide details—obligations, assets, assumption details and company contributions—about our employee benefit plans.
127 – 128		Note 8: Credit Facilities and Short-Term Borrowings	Our short-term borrowings (debt that matures within one year from the date it's issued) may include bank loans, commercial paper and bank lines of credit. Our net available liquidity was \$2.3 billion as of December 31, 2008 and January 31, 2009.
129 – 133		Note 9: Capitalization	At December 31, 2008, our total capitalization was \$8.5 billion—\$5.1 billion in long-term debt, \$20.1 million in minority interests, \$190.0 million in preference stock, and \$3.2 billion in common shareholders' equity. We also provide details about our debt, our preference stock and common stock.
134 – 136		Note 10: Taxes	We provide information about our income tax expense (benefit), net deferred income tax liability and unrecognized tax benefits.
137		Note 11: Leases	We provide details about the capital and operating leases in which we enter.
138 – 142		Note 12: Commitments, Guarantees and Contingencies	We provide details about our commitments, financial guarantees, contingencies, environmental matters, legal proceedings involving us and our insurance coverage.
143 – 149		Note 13: Derivatives and Fair Value Measurements	We explain how we manage commodity price and interest rate exposures, and we disclose the hierarchy of our fair value measurements, as required under SFAS No. 157, <i>Fair Value Measurements</i> , which we adopted on January 1, 2008, and the fair value of our financial instruments.
150 – 151		Note 14: Stock-Based Compensation	We provide stock-based compensation in the form of stock options, restricted stock, performance and service-based units and equity to employees.
152 – 153		Note 15: Merger and Acquisitions	We entered into an investment agreement with EDF Group. We agreed to terminate our merger agreement with MidAmerican Energy Holdings Company. We acquired a uranium marketing services company in the United Kingdom, a gas-fired peaking plant in Utah and a partially completed gas-fired, combined-cycle power generating facility in Alabama.
154		Note 16: Related Party Transactions	We sold our working interest in oil and natural gas producing wells in Oklahoma to Constellation Energy Partners LLC. Our merchant energy business provides BGE with a portion of the energy it needs, we provide BGE with the services of certain corporate functions, and BGE participates in our benefit plans.
155 – 156		Note 17: Quarterly Financial Data (Unaudited)	We break out our financial results—and those of BGE—by quarter for the last two years.

GLOSSARY

Aggregator A company, intermediary or agent that combines the energy needs of multiple customers and then buys or provides the energy and services needed

Asymmetry – Collateral Results from our actions to be economically hedged as well as market conditions or conventions for conducting business, in which certain transactions require the posting of collateral, while other transactions do not

British Thermal Unit (BTU) A basic unit used to measure natural gas; the amount of natural gas needed to raise the temperature of one pound of water by 1 degree Fahrenheit

Collateral A pledge of specific property, usually cash or letters of credit, to protect against risk of default

Customer Supply Business The portion of our business that provides energy and related value-added services to wholesale and retail customers in competitive markets

Decoupling The recovery mechanism approved by the Maryland Public Service Commission to adjust electric and gas revenues to eliminate the effect of abnormal weather and usage patterns on distribution volumes for residential and small commercial customers

Dekatherm (DTH) A standard measurement of natural gas; 10 therms or 1 million BTUs

Deregulation In the industry, the process by which regulated markets become competitive markets, giving customers the opportunity to choose their energy supplier

Distribution The delivery of energy to locations where customers use it—including homes, businesses and industrial facilities

Economic Value at Risk (EvaR) A statistical measure that helps estimate the sensitivity of our total portfolio to changes in market prices

Federal Energy Regulatory Commission (FERC) The U.S. agency that regulates interstate energy activities

Full Requirements Service A product offering that handles all of a customer's energy needs through a combined service that may include

generating or buying energy, managing load and power purchase agreements, scheduling delivery, managing risk, settling accounts and other related activities

Generating Capacity The amount of electricity that can be produced by a specific generating facility

Generation The process of transforming other forms of energy—coal, natural gas, uranium, oil, wind, water or sun—into electricity

Global Commodities Business The portion of our business that manages contractually owned physical assets, including generation facilities, natural gas properties, international coal sourcing and freight operations, provides risk management services and trades energy and energy-related commodities

Hedging Entering into transactions to manage various types of risk such as commodity price risk

Independent System Operator An independent, regulated entity established to manage a regional transmission system in a non-discriminatory manner and to help ensure the safety and reliability of the bulk power system

Load-Serving The process of providing customers with the energy they need

Mark-to-Market The valuation of a security, commodity or financial instrument to reflect current market values

Maryland Public Service Commission The agency responsible for regulating public utilities doing business in Maryland

Megawatt (MW) 1 million watts of electricity, enough electricity to light 10,000 100-watt light bulbs for one hour

Nuclear Regulatory Commission (NRC) The U.S. agency that regulates commercial nuclear power plants and the civilian use of nuclear materials

Origination The initiation of wholesale energy purchases and sales that may include value-added services along with the energy

Peak Load A measure of the maximum amount of electricity delivered at a point in time

Portfolio Management and Trading Using energy and energy-related commodities to manage our portfolio of purchases and sales to customers through structured transactions, and trading energy and energy-related commodities to deploy risk capital

Regional Transmission Organization (RTO) A group of companies with responsibility for the planning and use of power transmission lines in a geographic region

Regulated Business The portion of our business whose primary operations and prices are set and controlled by the rules and activities of a state utility commission

Securities and Exchange Commission (SEC) The U.S. agency charged with protecting investors, maintaining fair, orderly and efficient markets and facilitating capital formation

Standard Offer Service In Maryland, the obligation of a utility—such as Baltimore Gas and Electric Company—to supply electricity to residential customers and to serve as the provider of last resort (POLR) for those customers who have not chosen an alternate supplier

Tolling Contract An agreement where a buyer pays a plant owner a fixed amount per month to have the right to convert fuel provided by the buyer into electric energy

Transmission The sending of electricity at high voltage, usually on lines running along high towers, from generating plants to substations, where it is then reduced to a lower voltage that is delivered to homes, businesses and industrial facilities

Unit Contingent Power Purchase Agreement A contract with a power plant operator where the buyer receives the specified output from the plant unless the plant is not operating

Value at Risk (VaR) A statistical measure that helps evaluate risk by showing how much the value of our derivative assets and liabilities subject to mark-to-market accounting may change under various circumstances

SHAREHOLDER INFORMATION

Dividends

The Board of Directors sets the record and payment dates for quarterly dividends. In February 2009, we declared a quarterly dividend of \$0.24 cents per share, which is equivalent to an annual dividend of \$0.96 per share. We paid the new dividend on April 1, 2009, to shareholders of record on March 10, 2009. Projected record dates for the next three quarters are June 10, 2009; Sept. 10, 2009; and Dec. 10, 2009. Projected payment dates are July 1, 2009; Oct. 1, 2009; and Jan. 2, 2010.

Detailed information about our dividend policy, as well as our dividend payments and stock price ranges for the last two years, is available on page 30 of our 2008 Form 10-K included within this annual report.

Certifications

As required by the Sarbanes-Oxley Act of 2002, we have filed the Chief Executive Officer and Chief Financial Officer certifications in our 2008 Form 10-K. Additionally, our Chief Executive Officer provided an annual certification in August 2008 with respect to our compliance with the New York Stock Exchange corporate governance listing standards.

**Independent Registered
Public Accounting Firm**
PricewaterhouseCoopers LLP

Stock Transfer Agent and Registrar

American Stock Transfer & Trust
Company
Shareholder Services
59 Maiden Lane
New York, NY 10038
(800) 258-0499
amstock.com

Shareholder Assistance

For general inquiries, or for assistance with lost or stolen stock certificates or dividend checks, name or address changes, stock transfers or the Shareholder Investment Plan, please contact our Stock Transfer Agent and Registrar.

Shareholder Investment Plan

Our Shareholder Investment Plan provides shareholders with an easy, economical way to acquire additional shares. In addition, accounts can be used to sell, deposit and transfer shares. To participate, or for more information, please contact our Stock Transfer Agent and Registrar.

E-mail Alerts

To automatically receive e-mail alerts about our financial information—including notification of SEC filings, financial reports, presentations and press releases—go to E-mail Alerts on the Investor Relations section of our Web site

at constellation.com and register your preferences. You also can make changes in your notification options or unsubscribe from the service.

Form 10-K

Our 2008 Form 10-K is included as part of this annual report. Our 2008 Form 10-K and our other SEC filings are available on our Web site at constellation.com. We also will provide additional copies upon request. Send requests to Constellation Energy Shareholder Services, 100 Constellation Way, Baltimore, MD 21202.

Stock Trading

Constellation Energy common stock trades under the ticker symbol CEG on the New York and Chicago stock exchanges.

Forward-Looking Statements

We make statements in this annual report that are considered forward-looking within the meaning of the Securities and Exchange Act of 1934. These statements are not guarantees of our future results and are subject to risks, uncertainties and other important factors—including those in the Forward-Looking Statements and Risk Factors sections of our 2008 Form 10-K included within this annual report—that could cause our actual results to differ.



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