



2008 Annual Shareholders Meeting

Mayo A. Shattuck III Remarks

Good morning and welcome to those investors here in Baltimore and others on the phone.

It's a pleasure for me to update you on the performance of your company.

That performance, I'm delighted to say, has been exceptionally strong in the second quarter and will significantly exceed Wall Street's consensus estimate of \$.91 cents per share.

This performance was driven by strong execution at each of our operating divisions...

...And particularly strong results from our Global Commodities Group.

We don't usually give a preview of our quarter's results, but given the timing of this meeting, and the current uncertainty in all sorts of markets, it seems only fair to give you an indication.

The full financial detail will be available on July 31st when we report full second quarter results.

Following my brief remarks, and after the conclusion of the business portion of today's meeting, we'll have an opportunity for Q&A.

I'll do my best to keep my commentary informative and informal.

Having delivered the good news that we had an excellent quarter...

...I'll begin with a more sobering topic, one that I know is on the minds of many of you...and that is rising energy prices.

Where are prices headed, and what can we do to better manage energy in this new high-priced environment.

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Step one is to stop pointing fingers.

One thing that won't help is blaming so-called energy "speculators."

...There is no mystery or conspiracy behind rising energy costs.

Costs are going up because of global supply and demand.

...The surge in demand is sending prices skyrocketing for oil, coal and natural gas and a host of other commodities.

This surge is hitting our economy – in Maryland and across our country - at a time when we need a massive investment in a cleaner and more sustainable energy infrastructure.

The affects of this rising commodity cycle have been – and will continue to be - significantly exacerbated by a host of environmental and reliability issues.



Energy and the environment do more than intersect...today every investment decision has an important environmental consequence.

You could call greenhouse gases an energy issue...or an environmental Issue.

Our company is paying for scrubbers at coal plants, such as the nearly \$1 billion we're investing at our Brandon Shores facility and other Maryland fossil plants, and the latest in pollution abatement technology.

An investment in energy infrastructure is, almost by definition, an investment in the environment.

Looking ahead, a great deal of our energy and environmental policy hinges on putting a price on carbon emissions.

Today, that price is unknown...

But all signs point to energy costs continuing to trend upward in the years ahead.

Of course this is very unwelcome news for our customers and political leaders, who are feeling enormous pressure from voters squeezed by energy prices.

How do you stand up during a campaign and say:

"Energy prices are going up...

...And there's not a heck of a lot I can do about it..."

One of my key points today is that we need to find ways to "de-politicize" the core elements of the energy debate.

Fact-based discussion about potential solutions and approaches is necessary and long overdue.

I hope we hear a lot of it during the upcoming presidential campaign because energy policy should be front and center.

...We need to accept that we cannot turn back the clock to yesterday's energy prices.

I think Joseph Kelliher, chairman of the Federal Energy Regulatory Commission, put it well last month at a hearing on rising energy prices.

Chairman Kelliher said:

"The United States cannot simultaneously make the massive investments necessary to assure security of our electricity supply...

...make additional large investments to confront climate change...

...And, lower electricity prices.

"Doing so, would likely result in failure."

I couldn't agree more with this assessment.

It's an enormous challenge.

It's a lousy political message.



It's a very tough and painful reality.

I believe it also happens to be the truth and we must accept it.

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That sums up my energy policy stump speech...and I'll move from the soapbox to our performance highlights.

Rising commodity prices certainly affect performance across all of our business units.

Naturally, the significant tightening of global credit markets has affected our business as well, as it has virtually every sector of the global economy.

2007 was an extraordinary year for Constellation Energy in terms of growth and share appreciation.

At the start of this year, the rapid and nearly unprecedented rise in coal prices created challenges for two of our coal suppliers...leading to defaults.

Our first quarter earnings were further suppressed by losses associated with hedge accounting in our merchant operations.

These incidents, while not unprecedented, were atypical...and associated with the extreme price volatility I've been speaking about this morning.

Unlike many sectors, we do not associate market volatility with earnings headwinds and, in fact, often times just the opposite is true.

As those of you who have followed us for the past several years know, Constellation Energy repeatedly has displayed an ability to excel in times of market turbulence.

We saw evidence of that in the recently completed quarter.

Overall, we're confident that our competitive businesses and portfolio management and trading organization are well-positioned to achieve strong growth through the remainder of the year.

Now I'd like to touch briefly on some of the investments we've pursued recently.

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We've continued to deploy moderate amounts of capital opportunistically, and we're confident these investments will help drive earnings growth.

Our Global Commodities Group, for example, just closed the purchase of UK-based uranium marketing firm, Nufcor International Limited.

The uranium market is small but maturing and poised for growth.

The acquisition of Nufcor is a natural extension of our expanding global commodities presence, which includes coal, natural gas, power and freight logistics.

Another example of the approach we've taken with capital deployment is the June acquisition of the West Valley gas-fired peaking plant, a 200-megawatt facility near Salt Lake City.

This strategically located generation asset broadens our footprint in western markets.



To bolster our presence in regulated markets in the South, earlier this year we purchased the partially completed Hillabee Energy Center, a gas-fired plant in Alabama.

The plant should be online in 2010 at roughly half the cost of newly built generation.

In all, we've grown our generation portfolio to more than 9,000 megawatts and have an ownership interest in 31 plants in seven states.

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Our Customer Supply Group, which provides power and natural gas to business customers across North America, is focusing on the development of new products and tools to improve energy management.

Constellation Energy has a unique ability to serve customers with power, natural gas, renewable products and demand response...and to do so at various locations across North America.

Overall, we now serve more than 500 megawatts of demand response in competitive energy markets.

And we're broadening our capabilities, particularly in the area of renewable energy.

Our Constellation Energy Projects & Services subsidiary has installed rooftop solar projects for government agencies in New Jersey and in California for companies such as General Motors and Alcoa.

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I'd like to shift briefly from operational to strategic highlights.

Let me start with new nuclear and the potential for a new unit 3 at Calvert Cliffs.

As many of you know, we've made no commitment to build.

At this point, we're targeting next year as the timeframe for deciding about the commencement of preliminary site work.

Precise timing is very difficult to predict.

It's dependent on receiving timely and workable loan guarantees, as well as the schedule for state and regulatory reviews.

The other major factor, of course, is cost.

We're finalizing a revised cost estimate based on a variety of factors, including the near record prices for steel, cement and other construction materials.

A few others in the nuclear sector have released revised cost estimates and, as you may have read in press reports, they have gone up significantly.

Virtually all of the materials and components of a new reactor will come from abroad.

America abandoned its nuclear manufacturing base many years ago.

Unfortunately, that will drive the cost of new plants even higher.



We continue to evaluate data from the actual construction of the plant our new nuclear partner, Electricity de France (EDF), is building in Flamanville, France.

Based on that data, and input from our partners, Areva, Bechtel and Alstom, we're developing a working cost model based on current market data.

This model will be continuously refined as we move along a path to price certainty.

So it's clear we're in a radically different economic environment than a few years ago...

...But our approach and philosophy on new nuclear have not changed.

The primary objective has been to develop the strategic option to build and we continue on that path.

At every step of the way, balance-sheet exposure and planning costs have been, and will continue to be, managed with great care.

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Let me close my comments this morning with an update on events in Maryland and several of the most exciting and significant initiatives we've ever undertaken at BGE.

First, as many of you know, earlier this year we reached a successful political and regulatory settlement in Maryland.

It represented a victory for all stakeholders because we've put past disputes behind us and are focusing more on the future.

Secondly, BGE is approaching the challenge of rising energy costs as aggressively as any utility in the country.

A suite of programs and products are advancing concurrently.

In the weeks ahead, through TV and print advertising, you'll be hearing a lot about our "Smart Energy Savers" and "Peak Rewards" programs.

Customers signing up for "Peak Rewards" can save up to \$100 on their summer time bill.

They will have a choice of receiving a programmable thermostat or outside switches on their air conditioner or heat pump...both of which we'll install.

During peak periods, BGE will send a wireless signal to these devices, briefly cycling the operation of the compressor.

We'll be giving customers options on the duration of the interruption so they can pick a level that won't cause undue discomfort or inconvenience.

When we trialed this program in 2007, 97 percent of the customers said the program met or exceeded their expectations and would be likely to continue participation.

Overall, our goal is to install 450,000 smart thermostats and switches over the next three to four years, representing about half of our eligible residential customers, potentially the largest deployment in the country.

Another major initiative relates to dynamic or real-time pricing and advanced metering.



Last month, we launched a 1,000 customer pilot, and participants will be encouraged to lower their energy usage during the days of highest demand in the peak hours of 2 p.m. to 7 p.m.

My apologies to those of you on the phone or online but I'm going to do a little show and tell and hold up what we're calling the "orb."

It will change colors to signal peak, off peak and critical demand periods.

If you see red, for example, it is a signal to put off the laundry or starting the dishwasher until an off-peak period, when the unit will glow green.

This simple and elegant device can really change the way customers think about and use power.

And we've seen peak demand reductions approaching levels as high as 30 to 45 percent from participating residential customers.

Lowering demand leads directly to the best outcomes for our system reliability and the environment.

If approved by the Maryland Public Service Commission, the combined potential of the programs we envision, including smart thermostats, advanced meters, dynamic pricing and energy efficiency, is between 1,500 and 1,700 megawatts.

To put that in context, our Calvert Cliffs nuclear plant in southern Maryland produces 1,725 megawatts.

The gains we can make with demand response are extraordinary.

It represents one of the most encouraging developments for BGE customers and the energy sector overall.

Finally, I'm pleased to conclude my remarks by announcing today that three independent directors have been elected to the board of directors of BGE. Joining the board are Joseph Haskins Jr., chairman, president and chief executive officer of The Harbor Bank of Maryland; Dr. Carla Hayden, executive director of the Enoch Pratt Free Library; and Michael Sullivan, chairman and co-founder of LifeSource Inc., and a member of the board of directors of Constellation Energy.

The expansion of BGE's board will further enhance BGE's corporate governance. To that end, each of these individuals brings with them a wealth of experience as well as a strong knowledge of the local community. We look forward to their individual and collective leadership and guidance as we endeavor to create a stronger energy future for Maryland.

That concludes my prepared remarks...

Thanks very much for attending today and I welcome your questions after we complete the business portion of today's meeting.

I will now ask Mr. Berardesco to conduct the remaining part of the business portion of today's meeting.