

BALTIMORE GAS & ELECTRIC CO  
Form 10-K  
February 27, 2007

# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **DECEMBER 31, 2006**

Commission  
file number  
**1-12869**  
**1-1910**

Exact name of registrant as specified in its charter

**CONSTELLATION ENERGY GROUP, INC.**  
**BALTIMORE GAS AND ELECTRIC COMPANY**

IRS Employer  
Identification No.  
**52-1964611**  
**52-0280210**

**MARYLAND**  
(States of incorporation)  
**750 E. PRATT STREET BALTIMORE, MARYLAND 21202**  
(Address of principal executive offices) (Zip Code)  
**410-783-2800**  
(Registrants telephone number, including area code)

### SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

Title of each class	Name of each exchange on which registered
Constellation Energy Group, Inc. Common Stock Without Par Value	} New York Stock Exchange, Inc. Chicago Stock Exchange, Inc.
6.20% Trust Preferred Securities (\$25 liquidation amount per preferred security) issued by BGE Capital Trust II, fully and unconditionally guaranteed, based on several obligations, by Baltimore Gas and Electric Company	} New York Stock Exchange, Inc.

### SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

Not Applicable

Indicate by check mark if Constellation Energy Group, Inc. is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if Baltimore Gas and Electric Company is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if Constellation Energy Group, Inc. is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark if Baltimore Gas and Electric Company is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) have been subject to such filing requirements for the past 90 days. Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  x

Indicate by check mark whether Constellation Energy Group, Inc. is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  x Accelerated filer  o Non-accelerated filer  o

Indicate by check mark whether Baltimore Gas and Electric Company is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  o Accelerated filer  o Non-accelerated filer  x

Indicate by check mark whether Constellation Energy Group, Inc. is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  o No  x

Indicate by check mark whether Baltimore Gas and Electric Company is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes  o No  x

Aggregate market value of Constellation Energy Group, Inc. Common Stock, without par value, held by non-affiliates as of June 30, 2006 was approximately \$9,699,558,195 based upon New York Stock Exchange composite transaction closing price.

**CONSTELLATION ENERGY GROUP, INC. COMMON STOCK, WITHOUT PAR VALUE  
180,679,592 SHARES OUTSTANDING ON JANUARY 31, 2007.**

### DOCUMENTS INCORPORATED BY REFERENCE

Part of Form 10-K	Document Incorporated by Reference
III	Certain sections of the Proxy Statement for the 2007 Annual Meeting of Shareholders for Constellation Energy Group, Inc.

Baltimore Gas and Electric Company meets the conditions set forth in General Instruction I(1)(a) and (b) of Form 10-K and is therefore filing this Form in the reduced disclosure format.

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## Forward Looking Statements

We make statements in this report that are considered forward looking statements within the meaning of the Securities Exchange Act of 1934. Sometimes these statements will contain words such as believes, anticipates, expects, intends, plans, and other similar words. We also disclose non-historical information that represents management's expectations, which are based on numerous assumptions. These statements and projections are not guarantees of our future performance and are subject to risks, uncertainties, and other important factors that could cause our actual performance or achievements to be materially different from those we project. These risks, uncertainties, and factors include, but are not limited to:

- ◆ the timing and extent of changes in commodity prices and volatilities for energy and energy related products including coal, natural gas, oil, electricity, nuclear fuel, freight, and emission allowances,
- ◆ the liquidity and competitiveness of wholesale markets for energy commodities,
- ◆ the effect of weather and general economic and business conditions on energy supply, demand, and prices,
- ◆ the ability to attract and retain customers in our competitive supply activities and to adequately forecast their energy usage,
- ◆ the timing and extent of deregulation of, and competition in, the energy markets, and the rules and regulations adopted on a transitional basis in those markets,
- ◆ uncertainties associated with estimating natural gas reserves, developing properties, and extracting natural gas,
- ◆ regulatory or legislative developments that affect deregulation, transmission or distribution rates and revenues, demand for energy, or increases in costs, including costs related to nuclear power plants, safety, or environmental compliance,
- ◆ the inability of Baltimore Gas and Electric Company (BGE) to recover all its costs associated with providing customers service,
- ◆ the conditions of the capital markets, interest rates, availability of credit, liquidity, and general economic conditions, as well as Constellation Energy Group's (Constellation Energy) and BGE's ability to maintain their current credit ratings,
- ◆ the effectiveness of Constellation Energy's and BGE's risk management policies and procedures and the ability and willingness of our counterparties to satisfy their financial and performance commitments,
- ◆ operational factors affecting commercial operations of our generating facilities (including nuclear facilities) and BGE's transmission and distribution facilities, including catastrophic weather-related damages, unscheduled outages or repairs, unanticipated changes in fuel costs or availability, unavailability of coal or gas transportation or electric transmission services, workforce issues, terrorism, liabilities associated with catastrophic events, and other events beyond our control,
- ◆ the actual outcome of uncertainties associated with assumptions and estimates using judgment when applying critical accounting policies and preparing financial statements, including factors that are estimated in determining the fair value of energy contracts, such as the ability to obtain market prices and, in the absence of verifiable market prices, the appropriateness of models and model inputs (including, but not limited to, estimated contractual load obligations, unit availability, forward commodity prices, interest rates, correlation and volatility factors),
- ◆ changes in accounting principles or practices,

- ◆ losses on the sale or write down of assets due to impairment events or changes in management intent with regard to either holding or selling certain assets,
- ◆ the ability to successfully identify and complete acquisitions and sales of businesses and assets, and
- ◆ cost and other effects of legal and administrative proceedings that may not be covered by insurance, including environmental liabilities.

Given these uncertainties, you should not place undue reliance on these forward looking statements. Please see the other sections of this report and our other periodic reports filed with the Securities and Exchange Commission (SEC) for more information on these factors. These forward looking statements represent our estimates and assumptions only as of the date of this report.

Changes may occur after that date, and neither Constellation Energy nor BGE assume responsibility to update these forward looking statements.



## PART I

### Item 1. Business

#### Overview

Constellation Energy is an energy company that includes a merchant energy business and BGE, a regulated electric and gas public utility in central Maryland.

Constellation Energy was incorporated in Maryland on September 25, 1995. On April 30, 1999, Constellation Energy became the holding company for BGE and its subsidiaries. References in this report to we and our are to Constellation Energy and its subsidiaries, collectively. References in this report to the regulated business(es) are to BGE.

Our merchant energy business is a competitive provider of energy solutions for a variety of customers. It has electric generation assets located in various regions of the United States and provides energy solutions to meet customers' needs. Our merchant energy business focuses on serving the energy and capacity requirements (load-serving) of, and providing other energy products and risk management services, for various customers.

Our merchant energy business includes:

- ◆ a generation operation that owns, operates, and maintains fossil, nuclear, and hydroelectric generating facilities and holds interests in qualifying facilities, fuel processing facilities and power projects in the United States,
- ◆ a wholesale marketing, risk management, and trading operation that primarily provides energy products and services to distribution utilities, power generators, and other wholesale customers,
- ◆ an electric and natural gas retail operation that provides energy products and services to commercial, industrial, and governmental customers, and
- ◆ a generation operations and maintenance services operation.

BGE is a regulated electric transmission and distribution utility company and a regulated gas distribution utility company with a service territory that covers the City of Baltimore and all or part of ten counties in central Maryland. BGE was incorporated in Maryland in 1906.

Our other nonregulated businesses:

- ◆ design, construct, and operate heating, cooling, and cogeneration facilities, and provide various energy-related services, including energy consulting, for commercial, industrial, and governmental customers throughout North America, and
- ◆ provide home improvements, service heating, air conditioning, plumbing, electrical, and indoor air quality systems, and provide natural gas to residential customers in central Maryland.

On October 24, 2006, Constellation Energy and FPL Group, Inc. (FPL Group) agreed to terminate the Agreement and Plan of Merger the parties entered into on December 18, 2005. For additional information related to the merger termination, see *Note 15 to Consolidated Financial Statements*. For a discussion of other recent events that have impacted us, our strategy, and the seasonality of our business, please refer to *Item 7. Management's Discussion and Analysis* section.

Constellation Energy maintains a website at constellation.com where copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments may be obtained free of charge. These reports are posted on our website the same day they are filed with the SEC. The SEC maintains a website (sec.gov), where copies of our filings may be obtained free of charge. The website address for BGE is bge.com. These website addresses are inactive textual references, and the contents of these websites are not part of this Form 10-K.

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In addition, the website for Constellation Energy includes copies of our Corporate Governance Guidelines, Principles of Business Integrity, Corporate Compliance Program and Insider Trading Policy, and the charters of the Audit, Compensation and Nominating, and Corporate Governance Committees of the Board of Directors. Copies of each of these documents may be printed from our website or may be obtained from Constellation Energy upon written request to the Corporate Secretary.

The Principles of Business Integrity is a code of ethics that applies to all of our directors, officers, and employees, including the chief executive officer, chief financial officer, and chief accounting officer. We will post any amendments to, or waivers from, the Principles of Business Integrity applicable to our chief executive officer, chief financial officer, or chief accounting officer on our website.

### Operating Segments

The percentages of revenues, net income, and assets attributable to our operating segments are shown in the tables below. We present information about our operating segments, including certain other items, in *Note 3 to Consolidated Financial Statements*.

	Unaffiliated Revenues			
	Merchant Energy	Regulated Electric	Regulated Gas	Other Nonregulated
2006	83 %	11 %	5 %	1 %
2005	81	12	6	1
2004	76	16	6	2

	Net Income (1)			
	Merchant Energy	Regulated Electric	Regulated Gas	Other Nonregulated
2006	77 %	16 %	5 %	2 %
2005	67	28	5	(3 )
2004	72	26	5	(3 )



	Merchant Energy	Regulated Electric	Total Assets Regulated Gas	Other Nonregulated
2006	75 %	17 %	6 %	2 %
2005	77	16	6	1
2004	71	20	7	2

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

(1) *Excludes income from discontinued operations in 2006, 2005 and 2004 and cumulative effects of changes in accounting principles in 2005 as discussed in more detail in Item 8. Financial Statements and Supplementary Data.*

## Merchant Energy Business

### Introduction

Our merchant energy business integrates electric generation assets with the marketing and risk management of energy and energy-related commodities, allowing us to manage energy price risk over geographic regions and time.

Constellation Energy Commodities Group, our wholesale marketing, risk management, and trading operation, dispatches the energy from our generating facilities and from some facilities with which we have power purchase agreements, manages the risks associated with selling the output and purchasing non-nuclear fuels, and enters into transactions to meet customers' energy and risk management requirements. This operation also trades energy and energy-related commodities and deploys risk capital in the management of our portfolio in order to earn additional returns. Constellation NewEnergy, our electric and gas retail operation, provides electricity, natural gas, transportation, and other energy services to commercial, industrial, and governmental customers.

Constellation Generation Group, our merchant generation operation, oversees the ownership, operations, maintenance, and performance of our fossil, nuclear and renewable generation and fuel processing facilities. Our generation capacity supports our wholesale and retail operations by providing a source of reliable power supply. Constellation Generation Group also owns and operates a generation operations and maintenance services organization.

Our merchant energy business:

- ◆ provided approximately 34,650 megawatts (MW) of peak load in the aggregate to distribution utilities, municipalities, commercial, industrial, and governmental customers during 2006,
- ◆ provided approximately 355,000 million British Thermal Units (mmBTUs) of natural gas to commercial, industrial, and governmental customers during 2006,
- ◆ delivered 26.0 million tons of coal to international and domestic third-party customers and to our own fleet during 2006, and
- ◆ managed approximately 8,680 MW of generation capacity as of December 31, 2006.

We analyze the results of our merchant energy business as follows:

- ◆ **Mid-Atlantic Region** our fossil, nuclear, and hydroelectric generating facilities and load-serving activities in the PJM Interconnection (PJM) region. This also includes active portfolio management of generating assets and other physical and financial contractual arrangements, as well as other PJM competitive supply activities. In addition, due to the expiration of its power purchase agreement, beginning in June 2006 until its sale in December 2006, the results of our University Park generating facility are included with the Mid-Atlantic Region. University Park was previously

included in Plants with Power Purchase Agreements.

- ◆ **Plants with Power Purchase Agreements** our generating facilities outside the Mid-Atlantic Region with long-term power purchase agreements. As discussed in *Note 2 to Consolidated Financial Statements*, the sale of the High Desert facility resulted in a reclassification of its results to discontinued operations.
- ◆ **Wholesale Competitive Supply** our marketing, risk management, and trading operation that provides energy products and services primarily to distribution utilities, power generators, and other wholesale customers. We also provide global energy and related services and upstream and downstream natural gas services.
- ◆ **Retail Competitive Supply** our operation that provides electric and natural gas energy products and services to commercial, industrial, and governmental customers.
- ◆ **Other** our investments in qualifying facilities and domestic power projects and our generation operations and maintenance services.

In December 2006, we completed the sale of the following gas-fired plants owned by our merchant energy business:

<b>Facility</b>	<b>Capacity (MW)</b>	<b>Unit Type</b>	<b>Location</b>
High Desert	830	Combined Cycle	California
Rio Nogales	800	Combined Cycle	Texas
Holland	665	Combined Cycle	Illinois
University Park	300	Peaking	Illinois
Big Sandy	300	Peaking	West Virginia
Wolf Hills	250	Peaking	Virginia

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We discuss the sale of these gas-fired generating facilities in *Note 2 to Consolidated Financial Statements*.

We present details about our generating properties in *Item 2. Properties*.

### **Mid-Atlantic Region**

We own 6,305 MW of fossil, nuclear, and hydroelectric generation capacity in the Mid-Atlantic Region. The output of these plants is managed by our wholesale marketing, risk management, and trading operation and is hedged through a combination of power sales to wholesale and retail market participants. Our merchant energy business meets the load-serving requirements of various contracts using the output from the Mid-Atlantic Region and from purchases in the wholesale market.

BGE transferred all of these facilities to our merchant energy generation subsidiaries on July 1, 2000 as a result of the implementation of electric customer choice and competition among suppliers in Maryland, except for the Handsome Lake facility that commenced operations in mid-2001. The assets transferred from BGE are subject to the lien of BGE's mortgage.

Our merchant energy business supplies BGE with a portion of its market-based standard offer service obligation. For 2006, the peak load supplied to BGE was approximately 3,490 MW.

### **Plants with Power Purchase Agreements**

We own 2,134 MW of nuclear generation capacity with power purchase agreements for a significant portion of their output. Our facilities with power purchase agreements are the Nine Mile Point Nuclear Station (Nine Mile Point) and the R.E. Ginna Nuclear Plant (Ginna).

We own 100% of Nine Mile Point Unit 1 (620 MW) and 82% of Unit 2 (933 MW). The remaining interest in Nine Mile Point Unit 2 is owned by the Long Island Power Authority. Unit 1 entered service in 1969 and Unit 2 in 1988. Nine Mile Point is located within the New York Independent System Operator (NYISO) region.

We sell 90% of our share of Nine Mile Point's output to the former owners of the plant at an average price of nearly \$35 per megawatt-hour (MWH) under agreements that terminate between 2009 and 2011. The agreements are unit contingent (if the output is not available because the plant is not operating, there is no requirement to provide output from other sources). The remaining 10% of Nine Mile Point's output is managed by our wholesale marketing, risk management, and trading operation and sold into the wholesale market.

After termination of the power purchase agreements, a revenue sharing agreement with the former owners of the plant will begin and continue through 2021. Under this agreement, which applies only to our ownership percentage of Unit 2, a predetermined price is compared to the market price for electricity. If the market price exceeds the strike price, then 80% of this excess amount is shared with the former owners of the plant. The average strike price for the first year of the revenue sharing agreement is \$40.75 per MWH. The strike price increases two percent annually beginning in the second year of the revenue sharing agreement. The revenue sharing agreement is unit contingent and is based on the operation of the unit.

We exclusively operate Unit 2 under an operating agreement with the Long Island Power Authority. The Long Island Power Authority is responsible for 18% of the operating costs (and decommissioning costs) of Unit 2 and has representation on the Nine Mile Point Unit 2 management committee which provides certain oversight and review functions.

In October 2006, we received Nuclear Regulatory Commission (NRC) approval for license extension for both units at our Nine Mile Point nuclear facility. With the renewed licenses, we can continue to operate Unit 1 until 2029 and Unit 2 until 2046.

We own 100% of the Ginna nuclear facility. Ginna consists of a 581 MW reactor that entered service in 1970 and is licensed to operate until 2029. We sell up to 90% of the plant's output and capacity to the former owners for 10 years at an average price of \$44.00 per MWH under a long term unit contingent power purchase agreement. The remaining output is managed by our wholesale marketing, risk management, and trading operation and sold into the wholesale market. During the fourth quarter of 2006, we completed a planned outage at our Ginna nuclear facility, which included increasing the capacity of the plant from 498 MW to the current 581 MW. Based on the new capacity, beginning in 2007, we will sell approximately 80% of Ginna's output to the former owners.

### **Competitive Supply**

We are a leading supplier of energy products and services to wholesale customers and retail commercial, industrial, and governmental customers. In 2006, our wholesale marketing, risk management, and trading operation provided approximately 17,950 peak MWs of wholesale

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full requirements load-serving products. During 2006, our retail competitive supply activities served approximately 16,700 MW of peak load and approximately 355,000 mmBTUs of natural gas.

### *Wholesale and Retail Load-Serving Activities*

Our wholesale marketing, risk management, and trading operation structures transactions that serve the full energy and capacity requirements of various customers outside the PJM region such as distribution utilities, municipalities, cooperatives, and retail aggregators that do not own sufficient generating capacity or in-house supply functions to meet their own load requirements.

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Our retail competitive supply operation structures transactions to supply full energy and capacity requirements and provide natural gas, transportation, and other energy products and services to retail, commercial, industrial, and governmental customers.

Contracts with these customers generally extend from one to ten years, but some can be longer. To meet our customers' load-serving requirements, our merchant energy business obtains energy from various sources, including:

- ◆ bilateral power and natural gas purchase agreements with third parties,
- ◆ unit contingent purchases from generation companies,
- ◆ our generation assets,
- ◆ regional power pools,
- ◆ tolling contracts with generation companies, which provide us the right, but not the obligation, to purchase power at a price linked to the variable cost of production, including fuel, with terms that generally extend from several months to several years, but can be longer, and
- ◆ exchange traded electricity and natural gas contracts.

#### ***Portfolio Management and Trading***

We continue to identify and pursue opportunities which can generate additional returns through portfolio management and trading activities within our business. These opportunities have increased due to the significant growth in scale of our competitive supply operations. In managing our portfolio, we may terminate, restructure, or acquire contracts. Such transactions are within the normal course of managing our portfolio and may materially impact the timing of our recognition of revenues, fuel and purchased energy expenses, and cash flows.

Our wholesale marketing, risk management, and trading operation actively uses energy and energy-related commodities in order to manage our portfolio of energy purchases and sales to customers through structured transactions. We use both derivative and nonderivative contracts in managing our portfolio of energy sales and purchase contracts. Generally, we expect to use both derivative and nonderivative contracts to hedge a majority of our portfolio over a three-year period in order to reduce volatility in our results. Although a substantial portion of our portfolio is hedged, we are able to identify opportunities to deploy risk capital to increase the value of our accrual positions, which we characterize as portfolio management.

We trade energy and energy-related commodities and deploy risk capital in the management of our portfolio in order to earn additional returns. These activities are managed through daily value at risk and stop loss limits and liquidity guidelines, and could have a material impact on our financial results. We discuss the impact of our trading activities and value at risk in more detail in *Item 7. Management's Discussion and Analysis*.

These activities involve the use of a variety of instruments, including:

- ◆ forward contracts (which commit us to purchase or sell energy commodities in the future),
- ◆ swap agreements (which require payments to or from counterparties based upon the difference between two prices for a predetermined contractual (notional) quantity),
- ◆ option contracts (which convey the right to buy or sell a commodity, financial instrument, or index at a predetermined price), and
- ◆ futures contracts (which are exchange traded standardized commitments to purchase or sell a commodity or financial instrument, or make a cash settlement, at a specified price and future date).

Active portfolio management allows our wholesale marketing, risk management, and trading operation to:

- ◆ manage and hedge its fixed-price energy purchase and sale commitments,
- ◆ provide fixed-price energy commitments to customers and suppliers,
- ◆ reduce exposure to the volatility of market prices, and
- ◆ hedge fuel requirements at our non-nuclear generation facilities.

***Coal and International Services***

Our wholesale marketing, risk management, and trading operation participates in global coal sourcing activities by providing coal and coal-related logistical services, for the variable or fixed supply needs of global customers. In 2006, we delivered 26.0 million tons of coal to global customers and to our own fleet. Additionally, we entered into power, natural gas, freight, and emissions transactions outside of the United States. We also include in our coal services the results from our synthetic fuel processing facility in South Carolina.

We will continue to evaluate new international opportunities, including expanding our coal sourcing, freight, and power, natural gas and emissions activities outside of the United States.

***Natural Gas Services***

Our wholesale marketing, risk management, and trading operation includes upstream (exploration and production) and downstream (transportation and storage) natural gas operations. Our upstream activities include the acquisition, development, and exploitation of natural gas properties. Our downstream activities include providing natural gas to various customers, including large utilities, industrial customers, power generators, wholesale marketers, and retail aggregators.

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In 2006 and 2005, we acquired working interests in gas producing fields. We discuss these acquisitions in more detail in *Note 15 to Consolidated Financial Statements*.

In November 2006, we completed the initial public offering of Constellation Energy Partners LLC (CEP), a limited liability company that we formed. CEP is principally engaged in the acquisition, development, and exploitation of natural gas properties. CEP's existing property is located in the Robinson's Bend Field in the Black Warrior Basin of Alabama. We continue to own 54% of CEP and as a result, we continue to consolidate CEP. We discuss the impact of this initial public offering on our financial results in more detail in *Note 2 to Consolidated Financial Statements*.

### Other

We hold up to a 50% voting interest in 24 operating energy projects that consist of electric generation (primarily relying on alternative fuel sources), fuel processing, or fuel handling facilities. These generating projects are considered qualifying facilities under the Public Utility Regulatory Policies Act of 1978. Each electric generating plant sells its output to a local utility under long-term contracts.

We also provide operation and maintenance services, including testing and start-up, to owners of electric generating facilities.

### UniStar Nuclear

In 2005, we formed UniStar Nuclear, LLC (UniStar), a joint enterprise with AREVA NP, Inc., to develop the business model for a standardized fleet of nuclear power plants based on an advanced design called the U.S. Evolutionary Power Reactor (U.S. EPR). UniStar provides the framework through which we can work with AREVA NP, Inc. to obtain design certification and all necessary approvals from the NRC to license, construct, own, and operate U.S. EPR plants.

UniStar also offers the business framework that could enable the development of future joint ventures with Constellation Energy, other energy companies, and interested parties. Those future joint ventures, in turn, would license, construct, own, and operate nuclear power plants as part of a standardized fleet. However, prior to identifying specific projects or committing to ordering new nuclear power plants, our financial commitment will be limited to the formation of the business platform and business development activities, including licensing and permit activities and securing access to long-lead materials such as heavy forgings needed for reactor pressure vessels and steam generators or turbine and generator parts.

### Fuel Sources

Our power plants use diverse fuel sources. Our fuel mix based on capacity owned at December 31, 2006 and our generation based on actual output by fuel type in 2006 were as follows:

Fuel	Capacity Owned		Generation*	
Nuclear	45	%	52	%
Coal	32		30	
Natural Gas	7		15	
Oil	8			
Renewable and Alternative (1)	5		3	
Dual (2)	3			

\* *Includes output from gas-fired plants until sale in December 2006.*

(1) *Includes solar, geothermal, hydro, waste coal and biomass.*

(2) *Switches between natural gas and oil.*

We discuss our risks associated with fuel in more detail in *Item 7. Management's Discussion and Analysis Market Risk*.

### Nuclear

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The output at our nuclear facilities over the past five years (including periods prior to our acquisition of Ginna in June 2004) is presented in the following table:

	Calvert Cliffs		Nine Mile Point		Ginna	
	MWH	Capacity Factor	MWH*	Capacity Factor	MWH	Capacity Factor
			<i>(MWH in millions)</i>			
2006	13.8	90 %				