Notice of Annual Meeting and Proxy Statement

Baltimore Gas and Electric Company
Annual Meeting of Shareholders

April 20, 1994 10:00 a.m.

Sheraton Inner Harbor Hotel
300 South Charles Street
Baltimore, Maryland

M004

BGE

Christian H. Poindexter
Chairman of the Board
and Chief Executive Officer

Baltimore Gas and Electric Company
P.O. Box 1475
Baltimore, Maryland 21203-1475

BGE

March 4, 1994

Dear Shareholder:

You are invited to attend our Annual Shareholders' Meeting on Wednesday, April 20, 1994, at 10 a.m. Please note that the meeting will be held at a new location this year, the Sheraton Inner Harbor Hotel located at 300 South Charles Street in Baltimore.

At the meeting, I will review 1993 company operations, answer your questions, and attend to other business matters. The following pages provide additional details about the meeting as well as other useful information.

A proxy card is enclosed that lists all matters that need your vote. Please sign and return this card promptly in the envelope provided. If you plan to attend the meeting, please check the box on the proxy card. If you cannot attend the meeting, please sign and return the card to ensure that your shares will be voted in your absence.

Because your opinion is important to us, we have enclosed a card for you to give us your comments about the company. Please return this card in the same envelope as the proxy card.

Thank you for your continued support of the Baltimore Gas and Electric Company.

Sincerely,

C H Poindexter

Chairman of the Board

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of the Shareholders of Baltimore Gas and Electric Company will be held at the Sheraton Inner Harbor Hotel, 300 South Charles Street, Baltimore, Maryland, at 10:00 a.m. on April 20, 1994 for the following purposes:

1. The election of fourteen directors to serve for the ensuing year and until their successors are elected and qualified.

2. The election of Coopers & Lybrand as independent auditors for 1994.

3. The transaction of such other business as may properly come before the Annual Meeting.

Each of the above items is described in the Proxy Statement which accompanies this Notice.

The stock transfer books will not be closed before the Annual Meeting. Common shareholders of record at the close of business on February 18, 1994 will be entitled to notice of and to vote at the Annual Meeting.

C. W. Shivery
Secretary

March 4, 1994

PROXY STATEMENT

Annual Meeting of Shareholders — April 20, 1994 — 10:00 A.M.
Sheraton Inner Harbor Hotel
300 South Charles Street
Baltimore, Maryland

This proxy statement is provided in connection with the 1994 Annual Meeting of Shareholders of Baltimore Gas and Electric Company (the Company or BGE). Proxies are solicited so that all common shares may be voted. Shares cannot be voted unless the owner of record is present or represented by proxy at the Annual Meeting. By completing and returning the accompanying proxy card, the shareholder authorizes Messrs. Jerome W. Geckle, George V. McGowan, or Christian H. Poindexter, as designated on the face of the proxy, to vote all shares for the shareholder. All returned proxies which are properly executed will be voted as the shareholder directs. If no direction is given, the executed proxies will be voted FOR each of the directors and FOR the election of Coopers & Lybrand as independent auditors. A proxy may be revoked by a shareholder at any time before it is voted at the Annual Meeting by giving notice of revocation to the Company in writing, by execution of a later dated proxy, or by attending and voting at the Annual Meeting.

The accompanying proxy is solicited on behalf of the Board of Directors by the Company, through its directors, officers, and other employees. In addition, the Company has retained Georgeson & Co. Inc., a proxy solicitation firm, to assist in the solicitation, and it is anticipated that the fee for these services will not exceed $13,500 plus out-of-pocket expenses. Solicitations will be made primarily through the use of the mail, but they may also be made in person, by telephone, or by telecopy. The Company bears the cost of soliciting proxies. This proxy statement and the accompanying proxy card are being sent or given to shareholders beginning on or about March 4, 1994, together with the 1993 Annual Report to Shareholders.

Common shareholders of record at the close of business on February 18, 1994, will be entitled to vote on all matters at the Annual Meeting. Each share will be entitled to one vote. On February 18, 1994, the Company had 146,446,343 outstanding shares of common stock, without par value. The presence in person or by proxy of the holders entitled to cast 73,223,172 votes (a majority of all the votes entitled to be cast at the meeting) will constitute a quorum. Broker non-votes, abstentions and withhold-authority votes all count for the purpose of determining a quorum. Each item on the agenda must receive the affirmative vote of a majority of the shares voted at the meeting in order to pass. Shares voted include votes for or against an item, but do not include broker non-votes, abstentions or withhold-authority votes.

The Board of Directors is aware of two items of business to be considered at the Annual Meeting: Item 1, the election of fourteen directors and Item 2, the election of independent auditors for 1994.

Item 1. Election of 14 Directors

The entire Board of Directors is elected at the Annual Meeting. Each director is elected for a term of one year and until a successor is elected and qualified. Each of the nominees was elected a director at the 1993 Annual Meeting of Shareholders except Mr. Curtiss, Dr. Hrabowski, and Ms. Lampton who were elected to the Board effective January 1, 1994.

Information concerning the nominees for election as directors is presented below. Each of the nominees has consented to serve as a director if elected. Should any nominee become unable to accept nomination or election, it is intended that the enclosed proxy will be voted for the election of a nominee designated by the Board of Directors, unless the Board of Directors reduces the number of directors.

H. Furlong Baldwin, age 62, currently serves as Chairman of the Board and Chief Executive Officer of Mercantile Bankshares Corporation (a bank holding company), positions he has held since 1984 and 1976, respectively, and as Chairman of the Board and Chief Executive Officer of Mercantile-Safe Deposit and Trust Company, positions he attained in 1976. Mr. Baldwin also serves as a director of GRC International, Inc., USF&G Corporation, Conrail, Inc., Fairchild Space and Defense Corporation, Offitbank, Wills Group, and Constellation Holdings, Inc. He is also the Chairman of the Board and a trustee of Johns Hopkins Hospital and Johns Hopkins Health System, and a trustee of Johns Hopkins University and the Maryland Historical Society. Mr. Baldwin has been a director of the Company since 1988 and is a member of the Executive Committee and the Long Range Strategy Committee.

Beverly B. Byron, age 61, served for seven successive terms as a Congresswoman to the United States House of Representatives from 1978 to 1992. She is a director of Farmers & Mechanics Bank, McDonnell Douglas Corp., UNC Incorporated, Mount Saint Mary's College and Hood College. Mrs. Byron has been a director of the Company since 1993 and is a member of the Audit Committee and the Committee on Nuclear Power.

J. Owen Cole, age 64, currently serves as Chairman of the Executive Committee of the Board of Directors of both First Maryland Bancorp (a bank holding company) and The First National Bank of Maryland, positions he has held since 1988. In addition, he serves as a director of Blue Cross and Blue Shield of Maryland and the Farm Credit Bank of Baltimore. Mr. Cole has been a director of the Company since 1977 and is the Chairman of the Audit Committee and a member of the Committee on Management.

Dan A. Colussy, age 62, currently serves as Chairman of the Board, President and Chief Executive Officer of UNC Incorporated (aviation services). He was elected Chairman of the Board in 1989 and has served as President and Chief Executive Officer since 1984. Mr. Colussy also serves as a director of Blue Cross and Blue Shield of Maryland, the Maryland Business Council, and the Historic Annapolis Foundation. Mr. Colussy has been a director of the Company since 1992 and is a member of the Committee on Management and the Chairman of the Committee on Nuclear Power.

Edward A. Crooke, age 55, currently serves as President and Chief Operating Officer of the Company. Mr. Crooke has been President of the Company since 1988. Mr. Crooke serves as a director of Constellation Holdings, Inc., First Maryland Bancorp, The First National Bank of Maryland, Associated Electric & Gas Insurance Services, Limited, and Baltimore Equitable Insurance. In addition, he serves as a trustee of Goucher College and the Baltimore Museum of Art. Mr. Crooke has been a director of the Company since 1988 and is a member of the Executive Committee.

James R. Curtiss, age 40, currently is a partner in the law firm of Winston & Strawn, a position he attained in 1993. From 1988 to 1993, he served as a Commissioner of the United States Nuclear Regulatory Commission. Mr. Curtiss has been a director of the Company since January 1, 1994 and is a member of the Committee on Nuclear Power.

Jerome W. Geckle, age 64, was Chairman of the Board of PHH Corporation (vehicle, relocation, and management services) from 1979 to 1989. He served as Chief Executive Officer of PHH Corporation from 1979 to 1988. Now retired, Mr. Geckle serves as a director of First Maryland Bancorp, The First National Bank of Maryland, and Constellation Holdings, Inc. Mr. Geckle has been a director of the Company since 1980 and is the Chairman of the Committee on Management and a member of the Long Range Strategy Committee.

Dr. Freeman A. Hrabowski, III, age 43, currently serves as the President of the University of Maryland Baltimore County, a position he attained in 1993. Previously, he served as Interim President from 1992 to 1993, Executive Vice President from 1990 to 1992, and Vice Provost from 1987 to 1990. Dr. Hrabowski is also a director of the Citizens Bancorp, Citizens Bank of Maryland, Baltimore Equitable Society, and the University of Maryland Medical System. He has served as a director of the Company since January 1, 1994 and is a member of the Audit and Executive Committees.

Nancy Lampton, age 51, currently serves as Chairman and Chief Executive Officer of American Life and Accident Insurance Company of Kentucky, a position she attained in 1971. Ms. Lampton is also a director of Liberty Bancorp and Liberty National Bank and is a trustee of the University of Louisville. She has served as a director of the Company since January 1, 1994 and is a member of the Long Range Strategy Committee.

George V. McGowan, age 66, served as Chairman of the Board and Chief Executive Officer of the Company and Chairman of the Board of Constellation Holdings, Inc., from 1988 to 1992. Mr. McGowan is a director of Hartland & Co., Maryland National Bank, American Security Bank, The Baltimore Life Insurance Company, Life of Maryland, Inc., McCormick & Company, Inc., UNC Incorporated, and Organization Resources Counselors, Inc. Additionally, he serves as Chairman of the University of Maryland System Board of Regents and as a director of the University of Maryland Medical System. Mr. McGowan has been a director of the Company since 1980 and is the Chairman of the Executive Committee and a member of the Committee on Nuclear Power.

Paul G. Miller, age 71, currently serves as Chairman of the Board of Supercomputer Systems, Inc., a position he attained in 1987. He is also Chairman of the Board and Treasurer of LSC, Inc. (computer data storage systems), positions he assumed in 1986. Mr. Miller is also a director of Bon Secours Health Systems, Inc., Merrill Corporation, and Constellation Holdings, Inc. Mr. Miller has been a director of the Company since 1981 and is the Chairman of the Long Range Strategy Committee and a member of the Committee on Nuclear Power.

Christian H. Poindexter, age 55, currently serves as Chairman of the Board and Chief Executive Officer of the Company and Chairman of the Board of Constellation Holdings, Inc., positions he attained in 1993, after serving as Vice Chairman of the Board, a position he held since 1989. From 1985 to 1989 he was President and Chief Executive Officer of Constellation Holdings, Inc. Mr. Poindexter serves as a director of Johns Hopkins Health Systems, Mercantile Bankshares Corporation, Mercantile Mortgage Corporation, and Mercantile-Safe Deposit and Trust Company. He is a trustee of Johns Hopkins Hospital and Johns Hopkins University. Mr. Poindexter has been a director of the Company since 1988 and is a member of the Executive Committee.

George L. Russell, Jr., age 64, currently is a partner in the law firm of Piper & Marbury, a position he attained in 1986. Mr. Russell is a director of Blue Cross and Blue Shield of Maryland and the University of Maryland Medical System. Mr. Russell has been a director of the Company since 1988 and is a member of the Audit and the Executive Committees.

Michael D. Sullivan, age 54, currently serves as President of Merry-Go-Round Enterprises, Inc. (specialty retailing), a position he has held since 1982. He also served as Chief Executive Officer of Merry-Go-Round Enterprises, Inc. from 1982 to 1994. That company filed a petition under Chapter XI of the Federal Bankruptcy law in January, 1994. In addition, Mr. Sullivan serves as a trustee of Loyola College in Maryland and the Baltimore Symphony Orchestra. Mr. Sullivan has been a director of the Company since 1992 and is a member of the Committee on Management and the Long Range Strategy Committee.

Committees, Meetings, and Fees

The Executive Committee of the Board of Directors may exercise most of the powers of the Board of Directors in the management of the business and affairs of the Company in the intervals between meetings of the full Board. The Committee, however, may not declare dividends, authorize the issuance of stock, recommend to shareholders any action requiring shareholders' approval, amend the by-laws, or approve mergers.

The Audit Committee of the Board of Directors, comprised of outside directors, recommends an auditing firm to be engaged, discusses the scope of the examination with that firm, and reviews the annual financial statements with the auditing firm and with Management of the Company. Additionally, the Committee meets with the Manager of the Auditing Department of the Company to ensure that an adequate program of internal auditing is being carried out, and invites comments and recommendations from the auditing firm concerning the system of internal controls and accounting procedures. The Audit Committee reports on its activities periodically to the Board of Directors.

The Committee on Nuclear Power monitors the performance and safety of the Company's Calvert Cliffs Nuclear Power Plant. The Committee meets periodically, usually on-site at the Calvert Cliffs plant, to confer with Management, senior plant management, and other nuclear oversight personnel. Following each meeting, the Committee reports the results of its observations and findings to the Board of Directors and makes such recommendations as it deems appropriate.

The Committee on Management's duties include recommending to the Board of Directors nominees for election as directors and officers and making recommendations concerning remuneration arrangements for directors and officers of the Company. This Committee, which is comprised of outside directors, considers nominees recommended by shareholders; such recommendations should be submitted in writing to the attention of the Corporate Secretary, Baltimore Gas and Electric Company, P.O. Box 1642, Baltimore, Maryland 21203-1642.

The Long Range Strategy Committee provides an oversight role in the development of the Company's long range strategic goals. The Committee meets periodically to review the continued appropriateness of these goals and to approve for presentation to the Board the implementation of significant strategic initiatives. This Committee also reviews major regulatory, environmental and public policy issues as well as technology advances which may impact Company operations.

The Board of Directors met ten times during 1993 for regularly scheduled meetings. The Committee on Management also met ten times. The Executive Committee met seven times, the Audit Committee met four times, the Committee on Nuclear Power met three times, and the Long Range Strategy Committee met two times. All members of the Board of Directors, except Mr. Sullivan, attended more than 75% of the total number of meetings of the Board and any committees on which they served in 1993.

Each director, who is not an officer or employee of the Company or its subsidiaries, receives a fee of $900 for each regular, committee, or special meeting of the Board attended and a retainer fee of $18,000 per year, payable quarterly. Each committee chairman receives an additional annual retainer fee of $3,000 per year, payable quarterly. Each director may be reimbursed for reasonable travel expenses incidental to attendance at meetings. Each director who is not an officer or employee may elect to defer receipt of any portion of the fees earned. The Company provides an automobile to Mr. McGowan, a director who retired on December 31, 1992 as Chairman of the Board and Chief Executive Officer of the Company and who continues to participate in civic and community activities on behalf of the Company. The approximate yearly cost to the Company is $10,000.

During 1993, the Company established a director retirement plan. Under this plan, non-employee directors with at least five years of service receive an annual retirement benefit for life equal to the annual Board retainer in effect at the time of the director's retirement from the Board.

Certain Relationships and Transactions

The Company and certain of its subsidiaries paid legal fees to the law firm of Piper & Marbury of which Mr. George L. Russell, Jr., a Company director, is a partner. It is expected that the Company and subsidiaries will continue to do business with this firm in 1994.

The Company and certain of its subsidiaries maintain a banking relationship with Mercantile-Safe Deposit and Trust Company, of which Mr. H. Furlong Baldwin, a Company director, is Chairman of the Board and Chief Executive Officer. As of December 31, 1993, loans to certain of the Company's subsidiaries were outstanding in the amount of $19,684,000. The loans were obtained on competitive terms and in the ordinary course of business.

Security Ownership of Directors and Executive Officers

The following table sets forth the beneficial ownership of equity securities of the Company of each nominee for director, five executive officers, and all directors and executive officers as a group as of January 21, 1994.

Name	Beneficial Ownership (Shares of Common Stock)(1)	
Bruce M. Ambler	23,092	(2)
H. Furlong Baldwin	750	
Beverly B. Byron	300	
J. Owen Cole	3,546	
Dan A. Colussy	1,500	
George C. Creel	18,258	(3)
Edward A. Crooke	50,160	(4)
James R. Curtiss	300	
Jon M. Files	15,702	(5)
Jerome W. Geckle	4,806	
Freeman A. Hrabowski, III	300	
Nancy Lampton	300	
George V. McGowan	98,995	(6)
Paul G. Miller	9,000	
Christian H. Poindexter	73,459	(7)
George L. Russell, Jr.	1,057	
Michael D. Sullivan	1,500	
All Directors and Executive Officers as a Group (26 Individuals)	414,345	

(1) Each of the individuals listed, as well as all directors and executive officers as a group, beneficially owned less than 1% of the Company's outstanding common stock. If the individual participates in the Company's Dividend Reinvestment and Stock Purchase Plan or the Company's Employee Savings Plan those shares are included.

(2) Includes shares awarded under the Company's Long-Term Incentive Plan.

(3) Includes shares awarded under the Company's Long-Term Incentive Plan. Of the total shares, 7,593 shares are held in the name of Mr. Creel's wife and 390 shares are held in the name of Mr. Creel's son, Andrew P. Creel, of which Mr. Creel disclaims beneficial ownership.

(4) Includes shares awarded under the Company's Long-Term Incentive Plan. Of the total shares, 879 shares are beneficially owned by Mr. Crooke with his wife, and 2,850 shares are held in trust which Mr. Crooke votes.

(5) Includes shares awarded under the Company's Long-Term Incentive Plan. Of the total shares, 2,000 shares are held in the name of Mr. Files' wife.

(6) Of the total shares, 1,228 shares are beneficially owned by Mr. McGowan with his wife.

(7) Includes shares awarded under the Company's Long-Term Incentive Plan. Of the total shares, 18,298 shares are held in the name of Mr. Poindexter's wife, and 12,000 shares are held as trustee.

Compensation of Executive Officers by the Company

The summary compensation table below provides information about salary and other compensation. Following the summary compensation table are tables about long-term performance program awards and pension benefits, a performance graph that compares BGE common stockholder return to both the S&P 500 Index and the Dow Jones Electric Utilities Index, and a report by the Committee on Management about executive compensation.

SUMMARY COMPENSATION TABLE

		Annual Compensation		Long-Term Compensation	
Name and Principal Position @12/31/93	Fiscal Year	Salary	Bonus	Restricted Stock Award (1)	All Other Compensation (2)
Christian H. Poindexter	1993	$ 465,533	$ 124,000	$ 81,813	$ 36,844
Chairman of the Board and	1992	$ 355,300	-0-	$ 267,150	$ 29,805
Chief Executive Officer	1991	$ 338,433	-0-	-0-	$ 25,691
Edward A. Crooke	1993	$ 361,267	$ 83,000	-0-	$ 30,335
President and Chief Operating	1992	$ 328,533	-0-	$ 232,900	$ 29,347
Officer	1991	$ 314,000	-0-	-0-	$ 25,240
Bruce M. Ambler	1993	$ 264,000	$ 139,267 (3)	-0-	$ 15,902
President and Chief Executive	1992	$ 249,633	$ 66,733	$ 198,650	$ 13,159
Officer of Constellation Holdings, Inc.	1991	$ 237,767	-0-	-0-	$ 11,389
George C. Creel	1993	$ 220,233	$ 47,000	-0-	$ 19,079
Senior Vice President—Generation	1992	$ 205,767	-0-	$ 154,563	$ 16,278
	1991	$ 184,467	-0-	-0-	$ 13,653
Jon M. Files	1993	$ 188,600	$ 36,500	-0-	$ 19,740
Vice President—Management	1992	$ 181,167	-0-	$ 61,650	$ 17,297
Services	1991	$ 175,633	-0-	-0-	$ 14,944

(1) At December 31, 1993, Mr. Poindexter held 15,200 shares of Restricted Stock with a value of $385,700, Mr. Crooke held 10,200 shares of Restricted Stock with a value of $258,825, Mr. Ambler held 8,700 shares of Restricted Stock with a value of $220,763, Mr. Creel held 6,750 shares of Restricted Stock with a value of $171,281, and Mr. Files held 2,700 shares of Restricted Stock with a value of $68,513. Dividends on Restricted Stock Awards are paid directly to the named executive officers from the record date following the date of grant.

(2) These amounts represent the Company match under the Company's savings plans and the interest on the cumulative corporate funds used to pay annual premiums on policies providing split-dollar life insurance benefits (calculated at the Internal Revenue Service's blended rate).

(3) $80,000 of Mr. Ambler's 1993 bonus relates to 1993 performance, and $59,267 relates to performance initiated in 1992 and completed in 1993.

Long-Term Performance Program

In 1993, the long-term performance program was established. The initial awards under the program will be based on corporate performance for the years 1994 through 1996 and will be paid out in 1997, if earned. For all executive officers except Mr. Ambler, performance will be measured by comparing BGE's total shareholder return to the Dow Jones Electric Utilities Index. Both are shown in the Performance Graph on page 9. For Mr. Ambler, performance will be measured in terms of improvement in Constellation Holdings, Inc. net income.

		Estimated Future Payouts (award opportunities) under Non-Stock Price-Based Plans		
Name	Performance Period Until Payout	Threshold	Target	Maximum
Christian H. Poindexter	3 years	$82,500	$165,000	$330,000
Edward A. Crooke	3 years	$54,000	$108,000	$216,000
Bruce M. Ambler	3 years	$45,000	$ 90,000	$180,000
George C. Creel	3 years	$22,500	$ 45,000	$ 90,000
Jon M. Files	3 years	$15,000	$ 30,000	$ 60,000

Pension Benefits

The following table shows annual pension benefits payable upon normal retirement at age 65 to executives, including the five individuals named in the Summary Compensation Table. Pension benefits are computed at 60% of total final average salary plus bonus for Messrs. Poindexter, Crooke, and Ambler, without regard to years of service. Pension benefits are computed at 55% of total final average salary plus bonus for Messrs. Creel and Files, who have attained the maximum credited years of service.

Total Final Salary and Bonus	Percentage of Final Average Salary and Bonus	
	55%	60%
$200,000	$110,000	$120,000
225,000	123,750	135,000
250,000	137,500	150,000
275,000	151,250	165,000
300,000	165,000	180,000
350,000	192,500	210,000
400,000	220,000	240,000
450,000	247,500	270,000
500,000	275,000	300,000
550,000	302,500	330,000
600,000	330,000	360,000

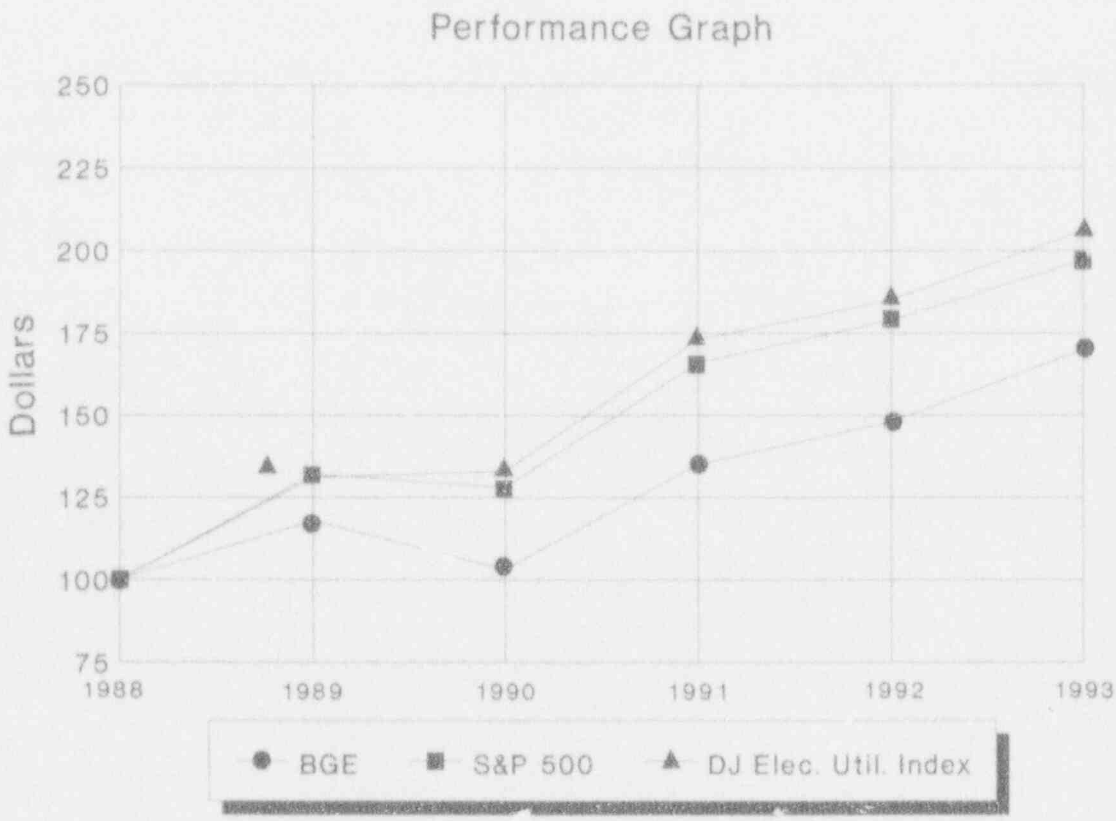
Salary and bonus are calculated in the same manner shown in the Summary Compensation Table. There is no offset of pension benefits for social security or other amounts.

During 1994, the Company will implement a program to secure the supplemental pension benefits for each of the executive officers listed in the Summary Compensation Table. The program, which was approved by the Board of Directors in 1993, does not increase the amount of supplemental pension benefits. In the past, the supplemental pension benefits were unfunded—that means no money was set aside on behalf of the executive as he earned the benefit, and the benefits were paid from the Company's general funds when the executive retired. To provide security, accrued supplemental pension benefits will now be funded through a trust at the time they are earned. An executive officer's accrued benefits in the trust become vested when any of these events occur: retirement eligibility; termination, demotion or loss of benefit eligibility without cause; a change of control of the Company followed within two years by the executive's demotion, termination or loss of benefit eligibility; or reduction of previously accrued benefits. As a result of becoming vested, the executive would be entitled to a payout of the vested amount from the trust upon the later of age 55 or employment termination. To date, no payments have been made to the trust. Future payments will be included in the Summary Compensation Table.

Performance Graph

The following graph assumes $100 was invested on December 31, 1988 in Baltimore Gas and Electric Company common stock, S&P 500 Index and Dow Jones Electric Utilities Index. Total return is computed assuming reinvestment of dividends.

Additional, more detailed information about earnings is included in the Company's Annual Report to Shareholders, particularly in the *Management's Discussion and Analysis of Financial Condition and Results of Operations*, which accompanied this proxy statement.



Report of Committee on Management Regarding Executive Compensation

The Committee on Management, made up completely of outside Directors, is responsible for executive compensation policies. In addition to establishing policies, the Committee approves all compensation plans and recommends to the Board of Directors for approval specific salary amounts and other compensation awards for individual executives.

The Committee designs compensation policies to encourage executives to manage the Company in the best long-term interests of shareholders and to allow BGE to attract and retain executives best suited to lead BGE in a changing industry.

In 1993 all aspects of the compensation policies were reviewed. In the past, policies were crafted to provide compensation that fell midway between the utility industry and the general manufacturing industry. Recently, the Committee determined that the relevant labor market for executives is the utility industry. Utilities used for comparison are electric utilities and combination electric/gas utilities that have annual revenues in the $2-3 billion range. These utilities are thought to best represent the portion of the executive labor market in which BGE competes.

In addition, the Committee also recently determined that base salary should approximate the middle of that labor market for average performance, and that short- and long-term incentive awards for above-average performance should bring total compensation for superior performance to approximately the 75th percentile of the labor market. A similar philosophy is used in designing compensation for all employees. Total compensation is made up of three components: base salary, short-term incentive awards, and long-term incentive awards. As described below, corporate performance is one of the criteria used by the Committee in determining base salary, and it is a key component in determining both short-term and long-term incentive awards.

During 1993, the Committee retained an outside executive compensation consultant, who provides information and advice on a regular basis. In addition, internal compensation analysts (certified by the American Compensation Association) use survey data, outside consultants, and other resources to make recommendations to the Committee.

Base salary range increases for Mr. Poindexter and other named executives in 1993 were based upon survey data and the new policies mentioned above. Mr. Poindexter's 1993 base salary increase placed him at the bottom of the range for his new position as Chairman and Chief Executive Officer. Mr. Crooke's base salary increase reflected his promotion to Chief Operating Officer and his expanded duties, including responsibility for nuclear operations. The Committee also considered Messrs. Poindexter and Crooke's individual performance in their former positions when determining their 1993 salary increases.

Bonus payments to Mr. Poindexter and other executives represent the short-term incentive component of executive compensation. Mr. Poindexter's bonus was based upon corporate performance measured by the following factors: higher consolidated earnings per share (an increase of 13.5%, or $.22 per share, in 1993 compared to 1992), competitive retail cost of service, improved customer satisfaction, and continuing improvement in nuclear performance. The other utility executives' bonuses were determined based upon higher utility earnings per share (an increase of 16.4%, or $.25 per share, in 1993 compared to 1992), competitive retail cost of service, plus, as appropriate for their duties, nuclear performance, improved customer satisfaction, individualized performance goals, or a combination of these three factors. Cost of service factors are measured against neighboring utilities. Customer satisfaction is measured by an independent consultant. Nuclear performance is based upon nuclear safety and quality measures as well as plant performance factors. Mr. Ambler's bonus was based upon earnings contributions from Constellation Holdings, higher consolidated earnings per share, and individualized performance goals.

The last component of executive compensation is long-term incentive pay. In the past, restricted BGE common stock awarded under the Long-Term Incentive Plan was the only form of long-term incentive pay for executives. Restricted stock awards were designed to increase the amount of common stock owned by executives and as an incentive for executives to remain at BGE during the restriction period. No restricted stock awards were made to the named executives in 1993, except for an award on January 1, 1993 of 3,500 shares with a 5 year restriction period to Mr. Poindexter upon his promotion to Chairman and Chief Executive Officer. During 1993, the Committee determined a second form of long-term incentive pay for executives was appropriate, and approved the cash long-term performance program for executive officers, including Mr. Poindexter beginning in 1994. The first awards to be made under the new program will be payable in 1997, if earned. These awards are described in the table on page 8 under "Long-Term Performance Program". The program is designed to tie the awards directly to total shareholder return. Program objectives are based upon BGE total shareholder return compared to total shareholder return for the other companies included in the Dow Jones Electric Utilities Index, one of the indices used in the Performance Graph, except for Mr. Ambler. Mr. Ambler's objectives measure improvement in Constellation Holdings net income.

As described on pages 8 and 9 in the "Pension Benefits" section, during 1993 the Committee and the Board of Directors approved a program to secure supplemental pension benefits. The program, which will be implemented during 1994, does not increase benefit levels. The Committee concluded the program was appropriate in light of the common practice in the utility industry, the increasing portion of all benefits provided under unfunded programs, and the total dollar amounts to be provided under the previously unfunded supplemental pension.

Jerome W. Geckle, Chairman	Dan A. Colussy
J. Owen Cole	Michael D. Sullivan

Item 2. Election of Auditors

Coopers & Lybrand, Certified Public Accountants, have been the Company's independent auditors since 1941. Unless the shareholder otherwise specifies in the proxy, the votes represented by the proxies will be cast FOR the election of Coopers & Lybrand as independent auditors for the Company for the year 1994. A member of Coopers & Lybrand will be present at the Annual Meeting and will be given an opportunity to make a statement and answer appropriate questions.

The consolidated financial statements for the previous fiscal year were examined by Coopers & Lybrand. In connection with the auditor function, Coopers & Lybrand also reviewed the Company's annual report, its filings with the Securities and Exchange Commission and Federal Energy Regulatory Commission, and examined the financial statements of various Company benefit plans.

The Audit Committee of the Board of Directors has approved each professional service provided by Coopers & Lybrand during the previous fiscal year, each of which was furnished at customary rates and terms, and has determined that the performance of each service does not impair the independence of Coopers & Lybrand as auditors for the Company.

Other Matters

The Board of Directors knows of no matters to be presented for action at the Annual Meeting other than those mentioned above. However, if any other matters come before the Annual Meeting, if any of the persons named to serve as directors or as auditors should be unable to serve or for good cause will not serve, if any proposal omitted from the proxy statement and proxy are presented for action at the Annual Meeting, and any matters incident to the conduct of the Annual Meeting are presented for action at the Annual Meeting, it is intended that the persons named in the proxy will vote on such matters in accordance with their best judgment.

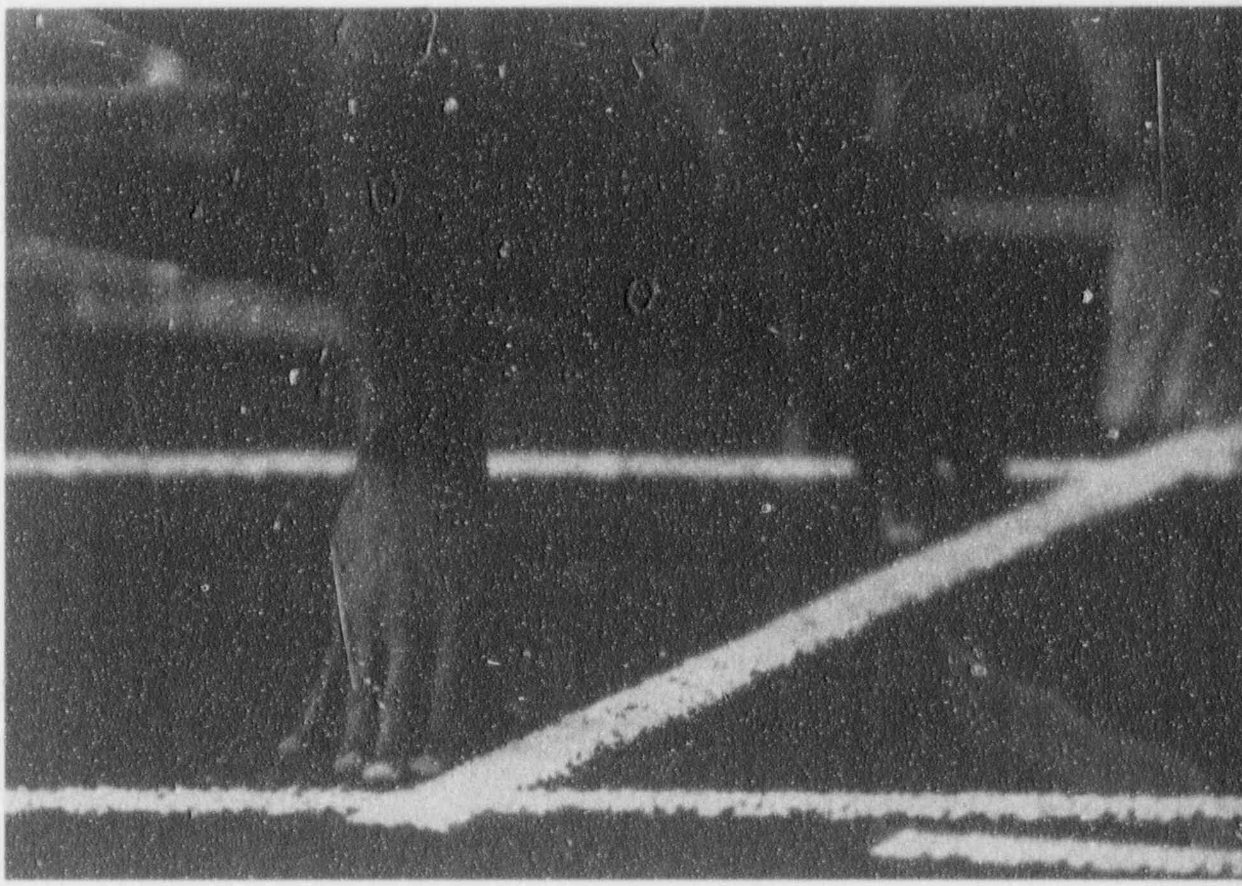
Shareholder Proposals for 1995

Proposals by shareholders intended to be presented at the 1995 Annual Meeting must be received no later than November 4, 1994 for inclusion in the proxy materials. Proposals should be mailed to the attention of the Corporate Secretary, Baltimore Gas and Electric Company, P. O. Box 1642, Baltimore, Maryland 21203-1642.

Please sign and date the enclosed proxy card (or voting instructions card) and return it promptly in the postage-paid envelope provided for that purpose.

BALTIMORE GAS AND ELECTRIC COMPANY

Success is never final.



1993

Annual

Report

BGE

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The coming of competition to our industry calls to mind the words of Winston Churchill on our cover: "Success is never final."

In the utility business, the definition of success is dramatically changing. As a monopoly, our success was the natural consequence of providing safe, reliable service. In 1993 we left behind that enduring standard for success. Today safe, reliable service is considered a minimum expectation.

We also left behind our familiar blue-and-orange logo; its design commemorated the double-diamond anniversary celebrated nearly 28 years ago. The green BGE on our front cover takes its place.

Our new logo symbolizes a culture that welcomes competition—a culture pursuing success. Like contenders in a decathlon, we employ our natural strengths to reach rigorous goals—goals that flex with change and, when achieved, ensure our success.

CONTENTS

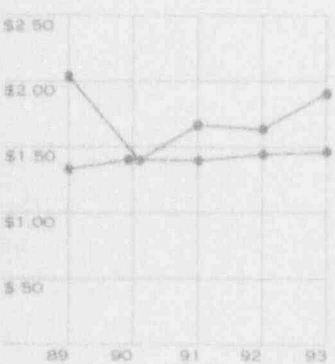
For years we've printed our annual reports on recycled paper. This year, however, we've put a new spin on salvage—the recycled paper we used was our own.

With this annual report, we begin full-circle recycling, an innovative process that allows us to reuse much of the office trash we generate. Over 35,000 pounds of BGE's white waste paper went into producing the paper our annual report is printed on. In 1994 we plan to expand our full-circle recycling program using the 500 tons of waste paper we recycle each year.

Highlights

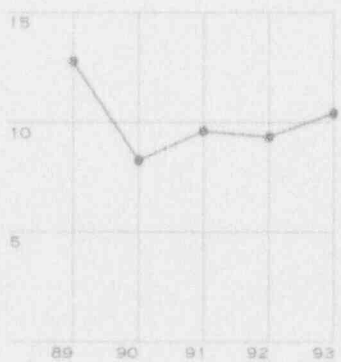
In millions, except per-share amounts	1993	1992	% Change
Common Stock Data			
Earnings per share			
Utility operations	$ 1.77	$ 1.52	16.4 %
Diversified activities	0.08	0.11	(27.3) %
Total	$ 1.85	$ 1.63	13.5 %
Dividends declared per share	$ 1.47	$ 1.43	2.8 %
Average shares outstanding	145.1	136.2	6.5 %
Return on average common equity	10.39%	9.40%	10.5 %
Book value per share—year end	$17.94	$17.63	1.8 %
Market price per share—year-end close	$25.38	$23.38	8.6 %
Financial Data			
Revenues			
Electric	$2,115	$1,968	7.5 %
Gas	436	403	8.2 %
Diversified activities	118	120	(1.7) %
Total	$2,669	$2,491	7.1 %
Net income	$ 310	$ 264	17.4 %
Earnings applicable to common stock	$ 268	$ 222	20.7 %
Assets			
Utility	$6,891	$6,351	8.5 %
Diversified	1,096	1,023	7.1 %
Total	$7,987	$7,374	8.3 %
Utility construction expenditures	$ 455	$ 367	24.0 %
BGE investment in Constellation Companies	$ 307	$ 295	4.1 %
Utility System Data			
Electric sales—megawatthours	26.8	25.3	5.9 %
Gas sales—dekatherms	108.0	108.6	(0.6) %

Earnings and Dividends Declared Per Share of Common Stock

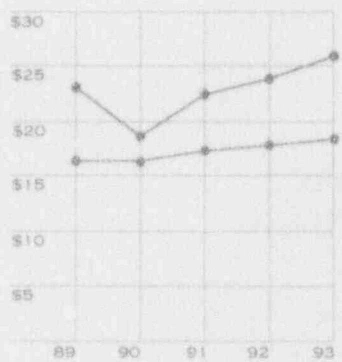


• *Earnings (Consolidated)*
• *Dividends Declared*

Return on Average Common Equity
Percent

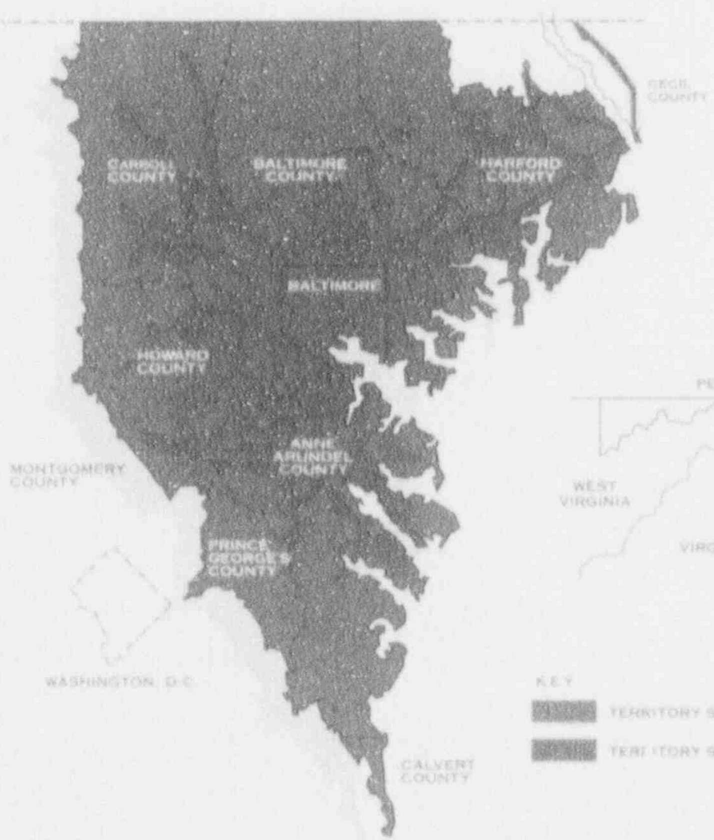


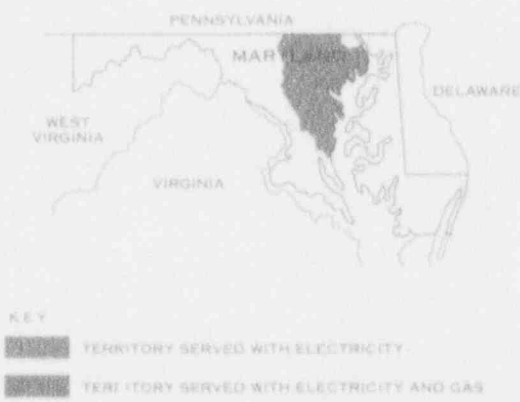
Common Stock Market Price and Book Value



• *Market Price (Year-end close)*
• *Book Value (Year end)*

Baltimore Gas and Electric Company, with assets of nearly $8 billion and approximately 8,000 employees, combines a core utility business with diversified, nonutility operations. As the nation's oldest gas utility and one of its earliest electric utilities, we have a tradition of superior, low-cost service and reliability. That tradition is the key to our corporate strategic vision: To perform as a world-class energy company.





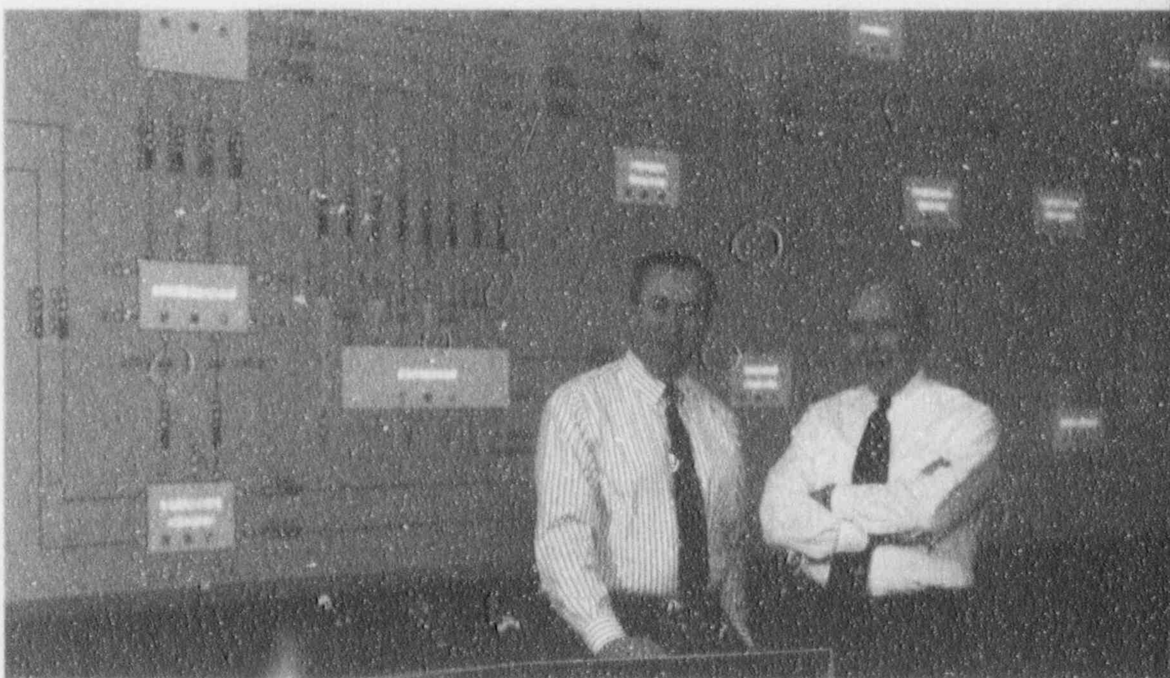
BGE's service area includes Baltimore City and all or part of nine Central Maryland counties. The area served with electricity approximates 2,300 square miles with 2.6 million residents, while the area served with gas includes 617 square miles with a population of nearly 2 million.

BGE serves an economically diverse territory with a broad business base: 2,300 square miles in Central Maryland. With our 10 local power plants, including the Calvert Cliffs Nuclear Power Plant, we supply electricity to more than one million customers. Augmenting these plants are three in Pennsylvania where we are part owners. We are also members of the Pennsylvania-New Jersey-Maryland Interconnection, a power pool affording us additional operating reliability at favorable terms.

Our territory includes more than one-half million natural-gas customers. We contract with interstate pipelines to transport natural gas purchased from suppliers. These purchases are supplemented by our own liquefied gas and propane facilities.

BGE's diversified businesses, grouped under Constellation Holdings, include power generation, real estate development, and financial investments.

Because our beginning dates back 178 years, BGE can compare the present against a generous past. The fact that we consider 1993 one of a handful of watershed years in our company's history speaks for the year's significance.



Chairman and Chief Executive Officer Christian H. Poindexter and President and Chief Operating Officer Edward A. Crooke at the company's Electric Operations Building. The advent of transmission open access is greatly changing the traditional focus and structure of the electric utility industry. The need to accommodate such changes and define our future spurred an unprecedented companywide improvement effort in 1993.

In our traditional understanding of the phrase, 1993 was a good year. Consolidated earnings were $268 million, or $1.85 per share, an increase of 13.5 percent over 1992. And the Board of Directors increased the dividend to $1.48 per share, a 2.8 percent gain compared to the previous year.

In April the Maryland Public Service Commission (PSC) granted us a base-rate increase of $86.5 million to cover the cost of system improvements and increased operating expenses. Those improvements contributed to the excellent performance of our distribution and generation systems during last summer's prolonged period of record high temperatures. Despite the increase in base rates, our customers' cost per kilowatthour was essentially unchanged from 1992 because of decreases in the fuel rate.

The decline in fuel rates was brought about primarily by excellent plant performance, both at the Calvert Cliffs Nuclear Power Plant and at our fossil plants. Since returning to operation in 1991, Calvert Cliffs has operated exceptionally well.

logging its second-highest annual electricity output in 1993. This performance, coupled with creative bulk-power arrangements, enabled the company to save about $25 million through sales and purchases in the wholesale power market, an increased savings of 35 percent over 1992.

Our aggressive marketing of natural gas continued to produce excellent results last year. We added 6,500 new gas customers. We received approval to establish a new natural-gas franchise, our first since 1[illegible], in the town of Mount Airy, which lies in both Carroll and Frederick counties. And in partnership with Crown Central Petroleum, we opened Maryland's first public natural-gas fueling station in Annapolis.

In actuality, however, last year was anything but traditional. As a consequence of the Energy Policy Act of 1992, regulatory agencies throughout the country began to make precedent-setting decisions that will reshape the energy industry in the years ahead. Clearly, the old industry standard of the electric utility supplying customers without competition cannot be sustained. In its place is a new market-driven standard that relies on innovative pricing, products, and services to satisfy the needs of present and future customers. The need to accommodate such changes and define our future spurred an unprecedented companywide improvement effort in 1993.

We asked our stakeholders to help us define "world class." In 1993 we identified our major stakeholders' expectations of a world-class energy company. We define our stakeholders as any group that significantly affects our future: customers, investors, employees, regulators, legislators, community leaders, and suppliers. Through extensive surveys and interviews, our stakeholders defined world-class performance from their perspective and compared BGE's performance with that ideal. Our purpose was to identify the gaps between the two. This information will guide our continuous improvement efforts in the years ahead.

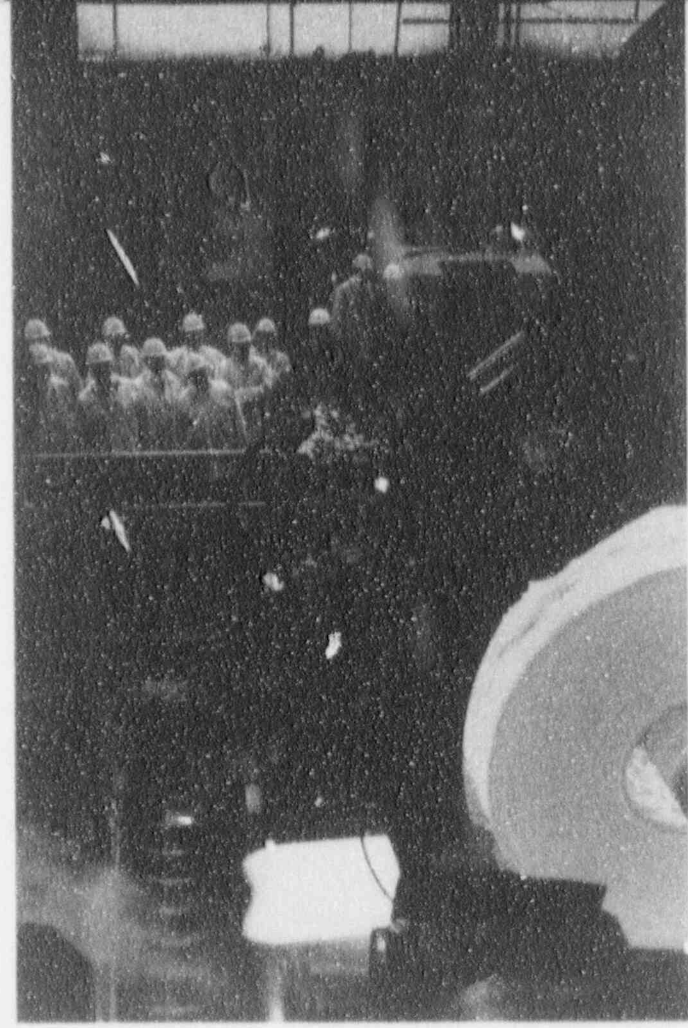
We learned that concern for the environment had become a critical issue for every group, ranking near the top of almost every BGE stakeholder survey. Now more than ever before, environmental responsibility goes right to the core of our company's identity. In 1993 we strengthened our programs for preserving the environment through a policy that encompasses all aspects of environmental responsibility.

We learned, too, that some of our stakeholders misunderstood the use of "world class" to define our vision. Some thought a world-class vision meant we wanted to expand into the international energy market. Others believed a world-class vision meant we intended to pursue large-scale growth strategies. Neither is the case. Still

To offer our customers superior value, we must move beyond providing just

to find creative, sometimes nontraditional solutions to our customers' energy others said they found "world class" overused and vague. Granted, we might have been more clever, but to us the meaning of "world class" was clear. At BGE it means we must always strive to realize our full potential.

gas and electricity needs.



BGE's Board of Directors toured Bethlehem Steel's Sparrows Point Plant, the company's largest customer. At every level of the organization, BGE is striving to better understand the needs and expectations of its customers.

building on our expertise in the energy market. We reach for excellence in everything we do. We aim to offer our customers superior value for their energy dollars.

Ambitious? Yes, but we believe a vision should be that and more.

Becoming world class requires innovative thinking.
To offer our customers superior value, we must move beyond providing just gas and electricity in order to find creative, sometimes nontraditional solutions to our customers' energy needs. Our Energy Solutions Program establishes long-term relationships with our largest customers by offering them innovative products, services, and pricing. Our Partners for Prosperity pilot program is testing new technologies for large industrial customers to enable them to control their energy use and costs through a two-way telecommunications network. And through our Constellation Energy subsidiary, an independent power producer, we can consider every utility in the United States a potential customer.

We also are offering customers added value by expanding our business in the appliance and home electronics sales and service area. Late last year we began offering service contracts on electric heating and cooling equipment. This program is a logical expansion of the maintenance programs already in place for home appliances, water heaters, and gas furnaces. To emphasize this business, we are planning to establish a separate subsidiary to manage all our appliance service and merchandise operations.

An organized group of heating and cooling service contractors has opposed the expansion of our existing service business. We consider this opposition both anti-consumer and anti-competitive. We expanded our service contract program at our customers' request. In July 1993 alone, we turned away more than 1,000 customers requesting air-conditioning service. We intend to vigorously protect our right to expand into this and other energy-related businesses.

We took decisive action to improve our competitive position and get ahead of industry changes.
In addition to seeking ways to increase our revenues, we also took decisive action to improve our competitive position by streamlining our costs. We evaluated every function in the company to see if it contributed to our mission—to achieve complete customer satisfaction by providing superior energy products and services. As a result, we reduced the 1994 divisional operations and maintenance budget well below 1993 levels. These savings are, in part, being realized by eliminating about 1,000 positions. To help reduce our work force, we offered a voluntary retirement program, an enhanced severance package, and a placement program that helps displaced employees find jobs inside and outside the company.

To respond to the uncertain energy market, we have strengthened our strategic planning and identified alternative strategies that could serve us well in the long run. We are passing each strategy through a screen of future uncertainties, such as competition for electric and gas sales, national and regional economic conditions, and technological advances. This ongoing process will drive our plans and allow us to prepare for a range of possibilities.

OPIP has fundamentally changed the way we operate.
We are well on our way to becoming a company adept at making changes. We began this process three years ago when we created OPIP, our Organizational Performance Improvement Process. Our logo change serves as an outward symbol of the progress we have made toward developing a resilient corporate culture that encourages excellence and rewards results. Although we still have ground to cover, OPIP has fundamentally changed the way we operate and positioned us to benefit from the changes ahead.

In the end, however, our ability to succeed rests squarely on the shoulders of the men and women who work for BGE. We regret that preparing for competition means saying goodbye to some of our long-time employees. In coming years, we dedicate ourselves to staying ahead of the changes in our industry so that we can continue to provide fulfilling careers and opportunities for our employees.

We also rededicate ourselves to preserving our investors' confidence in BGE as a stable, rewarding investment. That is the goal of our short- and long-term initiatives—to heighten financial performance. We are determined that BGE will remain among industry leaders in the future. We thank each of you for your support and look forward to sharing our success with you in the years ahead.

C H Poindexter

Christian H. Poindexter
Chairman of the Board and Chief Executive Officer

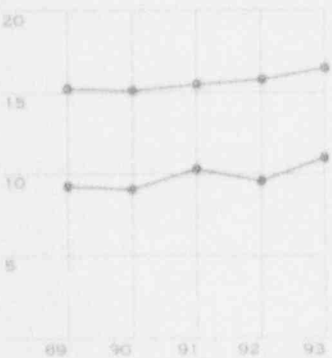
E A Crooke

Edward A. Crooke
President and Chief Operating Officer

February 14, 1994

Our Electric and Gas Businesses

Review: We took the third hottest July on record in stride and increased our annual utility revenues more than $180 million, or 7.6 percent, over 1992.



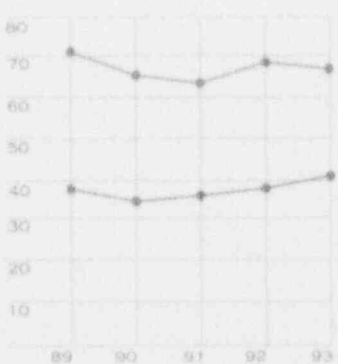
• Electric system sales rose by 5.8 percent. Because of extremely high summer heat and humidity compared with mild summer temperatures in 1992, residential customer sales increased 9 percent.

Sales to our industrial and commercial customers grew by 3.8 percent.

• Overall gas sales decreased less than 1 percent compared to the previous year. Residential gas sales, however, increased 2.5 percent because of colder winter weather and an increase in the number of gas customers. Industrial and commercial gas sales fell by 2.3 percent, primarily because of lower gas use by our largest customer, Bethlehem Steel.

• BGE was granted a base-rate increase totaling $86.5 million, or 3.8 percent, by the Maryland Public Service Commission (PSC) effective late April 1993.

• BGE added more than 6,500 new gas customers through aggressive marketing of natural gas.



• Calvert Cliffs Nuclear Power Plant recorded its second-highest yearly energy output; it received high marks for continued improvement from the Nuclear Regulatory Commission in its Systematic Assessment of Licensee Performance report. The PSC opened hearings on purchased fuel and energy costs incurred during the 1989-1991 outages, with a decision expected in late 1995 or early 1996.

• BGE broke ground to build a 140-megawatt natural-gas unit at its Perryman site in Harford County, expected to be in service June 1995.

• To promote the use of alternative-fuel vehicles, Maryland's first public natural-gas fueling station opened in Annapolis, a joint effort between BGE and Crown Central Petroleum. And the Chesapeake Consortium delivered to its members 10 electric minivans. Consisting of BGE, Chrysler, Westinghouse, and the state of Maryland, the Consortium coordinates research and resources to develop electric-vehicle technology.

Preview: Our primary goal is to grow our revenues by offering customers the best of both gas and electric technologies at competitive prices.

• BGE will select from among 28 proposals to supply the next phase of capacity—140 megawatts of electricity for a term of 25 years beginning June 1997.

• BGE will expand natural gas service to Mount Airy in

Carroll and Frederick counties, the first new municipal gas franchise BGE has requested since 1965.

• BGE's newly created Bulk Power Arrangements Unit will focus on buying and selling electric capacity and energy in the emerging wholesale bulk-power market.

• The remote meter-reading pilot will be extended in 1994. Energy use is recorded using a radio-equipped meter, eliminating the need to enter customers' buildings. Eventually BGE hopes to service 500,000 customers through remote meter-reading systems.

The Constellation Companies

Review: Our Constellation subsidiaries, particularly Constellation Energy, provide diversification from growing competition in the utility industry.

• Earnings from Constellation Holdings were 15.8 percent above 1992 before the $5.8 million charge to reflect the higher corporate income tax rate enacted by Congress last year. Reported earnings were 8 cents per share.

• Constellation Energy now has ownership interest in 24 power projects. The 25-megawatt Puna geothermal plant began operating in Hawaii. The 83-megawatt Panther Creek plant in Pennsylvania is operating well after correcting fuel and turbine problems discovered during start-up. The ACE plant in California had a record year and was recognized for energy innovation by the Department of Energy in its national awards.

• In the initial public offering of Capital Guaranty Inc., Constellation Investments sold about 50 percent of its holdings in the AAA/aaa-rated financial guaranty company.

• Constellation Real Estate's developed properties are 91 percent occupied, surpassing the Baltimore area's average of 85 percent for retail and commercial occupancy. And Constellation Health Services sold at a profit its ownership in five nursing homes.

Bruce M. Ambler, President and Chief Executive Officer of Constellation Holdings, foresees excellent growth opportunities in the independent power market. "To meet customers' needs in the years ahead and remain competitive, energy companies must take the 'build some, buy some, save some' approach to generation planning," says Ambler. "That makes every utility a potential Constellation customer."

Preview: Constellation's mission is to emphasize energy and contribute significantly to BGE's profits and shareholder value.

• Constellation Holdings plans to reduce its investment in real estate over the next few years when it can recognize reasonable value for its investments.

• Constellation Energy will continue to develop and operate wholesale power-generation projects. The Constellation-developed 102-megawatt Colver Power Plant in Pennsylvania is scheduled to come on-line in 1995.

In Other News...

Review: Refinancings save more than $111 million, minority business grew by 150 percent, and our community and conservation efforts drew praise.

• BGE issued about $1,062 million of long-term debt and preference stock, $695 million of which was used to refinance existing issues and take advantage of lower interest rates. The refinancings will save about $111 million in interest and preference stock dividends over the remaining life of the redeemed securities.

• BGE increased by 150 percent its business with minority contractors, such as investment banker Nathan Chapman, Jr., President, The Chapman Company. In recognition of this accomplishment, the company earned six awards from industry groups. Most notable is the joint Corporate Award from the Minority Business Development Agency of the U.S. Department of Commerce and the U.S. Small Business Administration, which recognizes outstanding programs and performance in support of minority business.

• The Cambridge Group, a national consulting firm, reported that BGE's customer favorability rating is 87 percent, versus the national average for utilities of 76 percent.

• The Maryland Chapter of the Nature Conservancy awarded its first Corporate Conservation Award to BGE for outstanding achievement in conservation. Last spring, BGE and the Conservancy signed an agreement to manage the habitat of two species of globally rare tiger beetles at Calvert Cliffs.

• BGE's partnership with Baltimore City in operating the Mayor's Crisis Centers earned the company the Edison Electric Institute's Common Goals Award for community responsibility, as well as awards from the American Gas Association and the Greater Baltimore Committee, an association of Baltimore businesses. The Mayor's Crisis Centers assist low-income customers with energy-related problems, homelessness, and food and clothing shortages.

March of Dimes
BG&E TEAMWALK
Because I Care

• BGE continued to be the largest corporate benefactor in Central Maryland, recognizing the link between the community's economic health and the company's success. BGE employees continued to be models for the business community. For example, our volunteers collected almost $145,000 for the 1993 March of Dimes TeamWalk—a 70 percent increase over 1992. That raised the company's team ranking within the utility industry from sixth to second.

Preview: Two key goals will be to continue cost control and secure our right to expand into nonutility businesses.

• The PSC will hold hearings relating to BGE's participation in appliance sales and service businesses. In these proceedings initiated by our potential competitors, BGE will vigorously defend its right to increase revenues by expanding into new businesses.

• In 1994 BGE will continue to look for ways to improve efficiency and cost-effectiveness. Our efforts will include refining the design of a new compensation system that offers excellent earning opportunities to employees who achieve desired results.

"You cannot walk the middle of the road holding hands with tradition on one side and modernism on the other. You have to make a choice." This saying by political pundit Alvin Rolland describes the most important decision we made last year. In 1993 BGE chose to turn fully toward change, a choice that has proved both painful and liberating.

Painful because we left behind a 178-year tradition of unwavering job security for our employees. Liberating because with the probable loosening of regulations comes greater freedom to define our future success.

We choose to define success much like a contender in a decathlon. To come out ahead, we must perform well in all essential areas: expanding customer awareness, positioning to compete on price, balancing environmental concerns, and heightening our financial performance.

EXPAND OUR CUSTOMER AWARENESS

To remain our customers' energy provider of choice, we must first become acutely aware of their needs and expectations. In 1993 we launched an intensive effort to get to know our customers better. Going beyond conventional customer input, we first developed ongoing surveys to get ahead of changes in our customers' expectations. We then asked our customers to define the characteristics of a world-class energy company and to measure BGE's performance against that ideal. Next, to improve customer communications, we paired key customers with company representatives—from marketing specialists to the Chairman of the Board. And we empowered employees with front-line customer contact to solve customers' problems quickly, often on the first contact.

The feedback we received from these various customer contacts gave us a greater understanding of our customers' needs and expectations. For example, our customers need the right mix of cost and value to keep their businesses competitive. Last year we created an ambitious program called Energy Solutions, offering our largest customers professional consultation and innovative energy solutions at competitive prices under long-term contracts. These contracts are subject to approval by the Maryland Public Service Commission.

As a combination utility, we can offer new gas and electric technologies that play an increasingly important role in maximizing value and profitability for our customers. Last year the University of Maryland Medical System received $536,000 for installing an energy-efficient cooling

Longevity is a characteristic BGE shares with one of its key customers, McDonogh School, a venerable 120-year-old private school for kindergarten through senior-high students. BGE's account representative, Cherise Seals, above right, has worked closely with John White, McDonogh's Director of Facilities, to find energy solutions that offer the right blend of cost and value for the school, which covers 810 acres and includes 44 buildings. Solutions such as efficient lighting and air-conditioning energy-saver switches entitled McDonogh to conservation rebates and monthly savings on its energy bills.

Seals stayed particularly close to the customer during the replacement of an antiquated oil-fired boiler last year. The new clean-burning natural-gas boiler will save McDonogh roughly $20,000 annually in energy costs and will add about 30,000 cubic feet of load to BGE's gas system.

system—our largest conservation rebate to date. Building on our pilot efforts, we will expand our Partners for Prosperity Program, which uses a sophisticated telecommunications network to bring an array of energy-management technologies to several of our large customers. And our Constellation Energy subsidiary continues to develop projects using the latest generation technologies to produce energy for sale to the independent power market.

Although we set measurable yearly goals to enhance customer satisfaction, perhaps the best indication of our commitment to customer service is our corporate mission: to achieve complete customer satisfaction by providing superior energy products and services.

POSITION TO COMPETE ON PRICE

Because price will be increasingly important in a competitive marketplace, in 1993 we examined pricing in each area of our electric business—generation, transmission, and distribution. Our studies showed that our transmission and distribution costs are generally in line with those of neighboring utilities, but that there were areas where we could reduce expenditures.

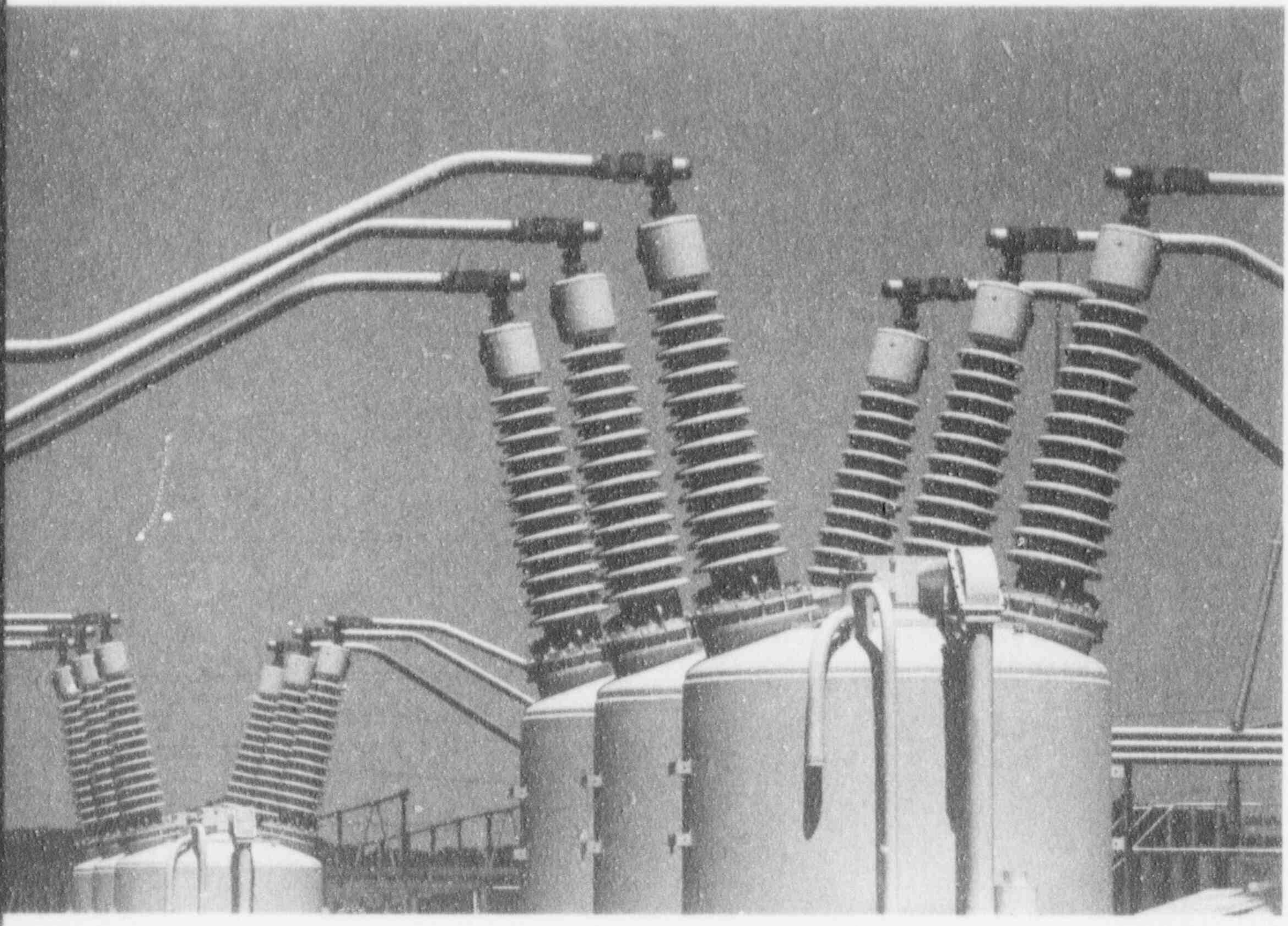
To improve our overall competitive price position, we took decisive action to reduce costs. We studied every function within our company, eliminating those that did not contribute to our mission. As a result, we reduced our 1994 divisional operations and

maintenance budget significantly below 1993 levels, in part because we eliminated about 1,000 positions.

In the years ahead, we will continue to control costs. We have increased efforts to keep our compensation levels competitive through a comprehensive study of our pay rates and job-evaluation system. And we have implemented pay-for-performance compensation that offers excellent earning opportunities to employees who achieve desired results, particularly results that add value for our customers and improve company earnings and efficiency.

Process improvement teams, or PITs, are an important continuous improvement tool we use to control costs. Through PITs, employees break down organizational barriers to identify work-process inefficiencies, recommend and implement improvements, and measure results.

Two years into the PIT process, we are beginning to see significant savings and improved efficiency. Our Nuclear Procurement PIT streamlined the procedure for receiving materials and supplies by reducing the number of hand-offs from worker to worker. As a result, the procurement area increased productivity by 71 percent while reducing costs by $200,000 the first year with additional



savings expected in the years ahead. Our Transportation Parts PIT improved the system of buying, storing, and distributing parts for our fleet, saving $650,000 annually. Our Substation Maintenance PIT trimmed maintenance costs while maintaining reliability and improving the timeliness of substation repairs. Savings totaled $412,000 in 1993 with equal savings expected in the future.

PITs give both management and employees a tangible way to measure the results of continuous improvement. And PIT participants report a benefit that extends beyond cost and efficiency improvements: an increased sense of self-worth and responsibility on the part of employees.

Substations step up electrical voltage when it exits the power plant and step down voltage when it reaches distribution lines. Altogether BGE operates 239 substations in its 2,300-square-mile service area.

A process improvement team, or PIT, was formed in April 1993 to trim substation maintenance costs and improve timeliness of repairs. PITs are teams of employees that cross organization lines to improve work processes. The Substation Maintenance PIT recommended a cross-training program that gives substation workers skills to do several tasks. This and other improvements saved $412,000 last year with equal savings expected for 1994.

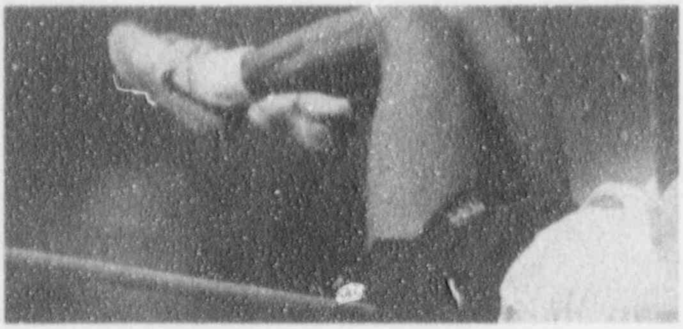
To BGE, being a well-regarded corporate neighbor includes balancing our role of energy provider with preserving the environment. Although environmental responsibility is now an essential utility attribute, it is not new to BGE. In 1970 we established an environmental group to monitor and help improve our performance.

Throughout the past 24 years, our sense of environmental responsibility has grown. We played an integral part in replenishing the Chesapeake Bay's dwindling rockfish population for seven years by operating an aquaculture facility that made marine biology history. For the first time ever, rockfish raised in captivity spawned naturally. Altogether, BGE reared 75,000 pounds of rockfish before the facility was donated to Maryland's Department of Agriculture.

We anticipated changing environmental expectations by addressing the issue of vapor recovery when building fuel storage tanks. Predicting that vapor recovery systems would eventually become federally mandated, BGE built six underground fuel storage tanks with piping for vapor recovery already in place, saving significant money in the long run.

We took strong pollution prevention measures when we became one of the first utilities in the country to

BGE's environmental scientist Tom Benassi lessens the effects of our construction crews on ecologically sensitive areas. First Benassi assesses the impact, then recommends ways to minimize the disturbance. He was conducting such a study in preparation for BGE's running a 500-kilovolt line through part of the Patuxent Wildlife Research Center when he discovered several plant species that are threatened in Maryland. As a result, BGE cordoned off the area to protect the plants from construction crews and equipment.



screen for hazardous chemicals. Requiring review and approval of any chemical prior to its use in the company, this policy minimizes hazardous waste and reduces the amount of toxic chemicals we use. And with the printing of this annual report, we begin full-circle recycling, an innovative concept whereby we produce our printed materials directly from the 500 tons of waste white paper we recycle each year.

Since the need for environmental responsibility is increasing dramatically, we recast our existing corporate philosophy as a commitment in 1993 and created an eight-point policy that includes all aspects of environmental excellence. We pledge to:

- *Continuously improve our environmental management systems.*
- *Make pollution prevention, environmental protection, and resource conservation important considerations in locating, designing, building, and operating our facilities.*
- *Respond quickly to our customers, neighbors, employees, regulators, and others when they have concerns about the environmental effects of our business.*
- *Support all employees in handling the environmental responsibilities of their work and encourage environmental awareness both on and off the job.*
- *Measure, audit, and take corrective action to improve our environmental performance.*
- *Promote efficient use of our energy products.*
- *Work with scientific, business, government, and public representatives to help ensure sound public environmental policy.*
- *Support community efforts that promote environmental awareness and improve the environment.*

Our goal is to instill in every employee an instinctive sense of environmental responsibility, since successful environmental management rests heavily on knowledgeable, empowered employees making responsible decisions.

HEIGHTEN OUR FINANCIAL PERFORMANCE

To remain successful, we must maintain investors' confidence despite industry change. As with customers, we began by asking our institutional and individual investors to define a world-class utility, then to compare BGE's performance.

Our individual investors listed the top five qualities of a world-class utility as healthy dividends, good dividend growth, quality management, market-value growth, and concern for the environ-

ment. In all five categories, our individual shareholders said BGE exceeds or comes close to meeting their definition of a world-class utility.

Our institutional investors cited several strengths. They view favorably both our current yield and potential for earnings and dividend growth. They credit sound financial management with keeping us competitively priced. And they believe we operate in a good service territory with a reasonable regulatory environment.

In the "needs improvement" category, institutional investors placed communications at the top of the list. They viewed us as reluctant to admit past mistakes and lacking a clearly articulated vision, and they felt a major business strategy should be cost containment. Our business-diversification strategy drew mixed reviews from both investor groups. Many consider Constellation Energy the wave of the future; others are uncomfortable when BGE ventures outside its core business area.

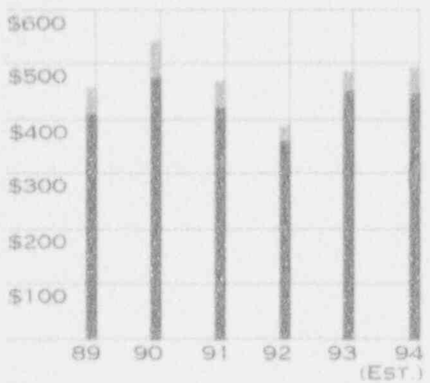
We are using this information to improve the quality of our investor communications and guide our goals for financial performance in the years ahead. We believe we are already in an enviable position. Our cash dividends have been uninterrupted for 83 years. Our stock price, earnings per share, equity ratio, and dividend growth have improved steadily over the past three years. Although many components will be used to measure our financial success, our primary goal is to produce an earnings stream that will allow us to increase our dividends.

In closing, 1993 was the year we let go of several closely held traditions to fully embrace change. In the year ahead we will continue our progress toward becoming a lean and agile competitor. And we will always remember that success is never final.

In 1993 we surveyed our investors to discover their perceptions of a world-class utility. We learned that healthy dividends top our individual investors' list of expectations, and that BGE's average investor depends on dividends to augment a retirement income. We are committed to producing earnings that will allow us to increase our dividends in the years ahead.

Utility Construction Expenditures

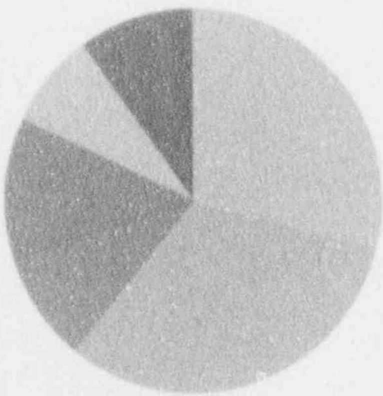
Millions of Dollars



Construction

Allowance for Funds Used During Construction

1993 Operating Expenses

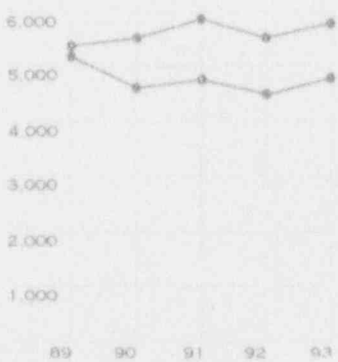


Purchased Fuel and Energy	$0.29
Operations	$0.23
Maintenance	$0.07
Depreciation	$0.09
Taxes	$0.12
Interest and Preferred and Preference Dividends	$0.08
Common Stock Dividends	$0.08
Retained in Business	$0.02

Financial Contents

Electric Peak Load

One Hour—Megawatts



Summer Peak

Winter Peak

BGE achieved an all-time peak load of 6,038 megawatts on January 19, 1994.

Selected Financial Data

	1993	1992	1991	1990	1989
	(Dollar amounts in thousands, except per share amounts)				
Summary of Operations					
Total Revenues	$2,668,714	$2,491,343	$2,448,853	$2,178,112	$2,032,009
Expenses Other Than Interest and Income Taxes	2,047,714	1,955,998	1,959,665	1,854,183	1,555,424
Income From Operations	621,000	535,345	489,188	323,929	476,585
Other Income	15,702	22,096	26,628	36,674	30,928
Income Before Interest and Income Taxes	636,702	557,441	515,816	360,603	507,513
Interest Expense	188,764	189,747	196,588	165,205	149,593
Income Before Income Taxes	447,938	367,694	319,228	195,398	357,920
Income Taxes	138,072	103,347	85,547	19,952	81,629
Income Before Cumulative Effect of Changes in Accounting Methods	309,866	264,347	233,681	175,446	276,291
Cumulative Effect of Change in the Method of Accounting for Income Taxes	–	–	19,745	–	–
Cumulative Effect of Change in the Method of Accounting for Unbilled Revenues, Net of Taxes	–	–	–	37,754	–
Net Income	309,866	264,347	253,426	213,200	276,291
Preferred and Preference Stock Dividends	41,839	42,247	42,746	40,261	32,381
Earnings Applicable to Common Stock	$ 268,027	$ 222,100	$ 210,680	$ 172,939	$ 243,910
Earnings Per Share of Common Stock					
Before Cumulative Effect of Changes in Accounting Methods	$1.85	$1.63	$1.51	$1.09	$2.03
Cumulative Effect of Change in the Method of Accounting for Income Taxes	–	–	.16	–	–
Cumulative Effect of Change in the Method of Accounting for Unbilled Revenues	–	–	–	.31	–
Total Earnings Per Share of Common Stock	$1.85	$1.63	$1.67	$1.40	$2.03
Dividends Declared Per Share of Common Stock	$1.47	$1.43	$1.40	$1.40	$1.38
Ratio of Earnings to Fixed Charges	3.00	2.65	2.27	1.78	3.02
Ratio of Earnings to Fixed Charges and Preferred and Preference Stock Dividends Combined	2.34	2.08	1.82	1.47	2.44
Financial Statistics at Year End					
Total Assets	$7,987,039	$7,374,357	$7,137,989	$6,710,375	$5,985,679
Capitalization					
Long-term debt	$2,823,144	$2,376,950	$2,390,115	$2,193,844	$2,076,620
Preferred stock	59,185	59,185	59,185	59,185	59,185
Redeemable preference stock	342,500	395,500	398,500	365,000	322,800
Preference stock not subject to mandatory redemption	150,000	110,000	110,000	110,000	110,000
Common shareholders' equity	2,620,511	2,534,639	2,153,306	2,073,158	2,001,188
Total capitalization	$5,995,340	$5,476,274	$5,111,106	$4,801,187	$4,569,793
Book Value Per Share of Common Stock	$17.94	$17.63	$17.00	$16.58	$16.60
Number of Common Shareholders	82,287	80,371	71,131	73,049	75,762

This annual report presents the financial condition and results of operations of Baltimore Gas and Electric Company (BGE) and its subsidiaries (collectively, the Company). Among other information, it provides Consolidated Financial Statements, Notes to Consolidated Financial Statements (Notes), Utility Operating Statistics, and Selected Financial Data. The following discussion explains factors that significantly affect the Company's results of operations, liquidity, and capital resources.

RESULTS OF OPERATIONS

Earnings per Share of Common Stock

Consolidated earnings per share were $1.85 for 1993 and $1.63 for 1992, an increase of $.22 and a decrease of $.04 from prior-year amounts. The changes in earnings per share reflect a higher level of earnings applicable to common stock, offset partially in 1993 and completely in 1992 by the larger number of outstanding common shares. The summary below presents the earnings-per-share amounts.

	1993	1992	1991
Utility business	**$1.77**	$1.52	$1.60
Diversified businesses			
Current-year operations	**.08**	.11	(.09)
Cumulative effect of change in the method of accounting for income taxes (see Note 1)	—	—	.16
Total diversified businesses	**.08**	.11	.07
Total	**$1.85**	$1.63	$1.67

Earnings Applicable to Common Stock

Earnings applicable to common stock increased $45.9 million in 1993 and $11.4 million in 1992. The 1993 increase reflects higher utility earnings, slightly offset by lower earnings of diversified businesses. The 1992 increase reflects increases in both utility and diversified businesses earnings.

Utility earnings increased in 1993 because BGE sold more electricity than in the previous year and because of increased base rates. Three principal factors produced the increase in sales of electricity: the summer of 1993 was hotter than 1992; commercial customers used more electricity; and the number of residential customers increased. The effect of weather on utility sales is discussed below. The 1993 earnings increases were partially offset by higher operations and maintenance expenses, depreciation expense, and property taxes, and the effect of the Omnibus Budget Reconciliation Act of 1993 (1993 Tax Act), which increased the federal corporate income tax rate to 35% from 34%. Utility earnings increased in 1992 over 1991 because the colder winter in 1992 led to higher electric and gas sales. Operations expenses and interest charges were also lower in 1992, while other income was higher. However, the summer of 1992 was cooler than 1991, and as a result lower electric sales offset a substantial portion of the increase in 1992 utility earnings.

The following factors influence BGE's utility operations earnings: regulation by the Public Service Commission of Maryland (PSC), the effect of weather and economic conditions on sales, and competition in the generation and sale of electricity. The base rate increases authorized by the PSC in April 1993 will affect 1994 utility earnings favorably. Several electric fuel rate cases now pending before the PSC discussed in Notes 1 and 13 could also affect future years' earnings. During 1993 and 1992, unfavorable economic conditions diminished electric and gas sales growth in BGE's service territory. Electric utilities presently face competition in the construction of generating units to meet future load growth and in the sale of electricity in the bulk power markets. Electric utilities also face the future prospect of competition for electric sales to retail customers. It is not possible to predict currently the ultimate effect competition will have on BGE's earnings in future years.

Earnings from diversified businesses, which primarily represent the operations of Constellation Holdings, Inc. and its subsidiaries (collectively, the Constellation Companies), decreased during 1993 and increased during 1992. The reasons for these changes are discussed in the "Diversified Businesses Earnings" section on pages 23 and 24.

Effect of Weather on Utility Sales

Weather conditions affect BGE's utility sales. BGE measures weather conditions using degree days. A degree day is the difference between the average daily temperature and the baseline temperature of 65 degrees. Hotter weather during the summer, measured by more cooling degree days, results in greater demand for electricity to operate cooling systems. Conversely, cooler weather during the summer, measured by fewer cooling degree days, results in less demand for electricity to operate cooling systems. Colder weather during the winter, as measured by greater heating degree days, results in greater demand for electricity and gas to operate heating systems. Conversely, warmer weather during the winter, measured by fewer heating degree days, results in less demand for electricity and gas to operate heating systems. The degree-days chart below presents information regarding cooling and heating degree days.

	1993	1992	30-Year Average
Cooling degree days	**865**	707	804
Percentage change compared to prior year	**22.3%**	(31.1)%	
Heating degree days	**4,959**	4,975	4,901
Percentage change compared to prior year	**(0.3)%**	14.6%	

BGE Utility Revenues and Sales

Electric revenues changed during 1993 and 1992 because of the following factors:

	1993	1992
	(In millions)	
System sales volumes	**$112.4**	$ (32.0)
Base rates	**58.5**	84.9
Fuel rates	**(55.0)**	(113.8)
Revenues from system sales	**115.9**	(60.9)
Interchange sales	**27.2**	40.5
Other revenues	**4.1**	(6.2)
Total electric revenues	**$147.2**	$ (26.6)

Electric system sales represent volumes sold to customers within BGE's service territory at rates determined by the PSC. These amounts exclude interchange sales, discussed separately later. In 1993, BGE changed its classification of commercial and industrial customers to present this information on a basis which is more consistent with predominant industry practices. Prior-year amounts have been reclassified to conform to the current year's presentation. Below is a comparison of the changes in electric system sales volumes.

	1993	1992
Residential	**9.0%**	(3.6)%
Commercial	**4.1**	1.7
Industrial	**2.7**	(1.2)
Total	**5.8**	(0.8)

Hotter summer weather was the main reason for the increase in total sales for 1993. The sales increases to residential and commercial customers reflect significantly hotter summer weather, and to a lesser extent, increased usage and customer growth. Sales to industrial customers reflect increased sales of electricity to Bethlehem Steel to support its increased steel production during 1993. Sales to the residential customers decreased in 1992 because of cooler weather in the summer of 1992. This decrease was partially offset by higher sales because of colder winter weather in 1992 and growth in the total number of customers. Improved economic conditions among commercial customers in 1992 increased sales compared to 1991. Sales to industrial customers in 1992 reflect the negative effect of economic conditions on this segment despite higher sales of electricity to Bethlehem Steel after the start-up of its newly modernized hot strip mill.

Base rates increased in 1993 for two principal reasons: the PSC's April 1993 rate order and an increased recovery of eligible electric conservation program costs through the energy conservation surcharge. The April 1993 rate order for an annualized electric base rate increase of $84.9 million provided for a higher level of operating expenses and a return on BGE's higher level of electric rate base. The order also reduced the authorized rate of return to 9.40% from the previous rate of 9.94%. Base rates increased in 1992 for similar reasons: the PSC's December 1990 rate order and, to a lesser extent, the recovery of eligible electric conservation program costs through the energy conservation surcharge, which began in July 1992. The December 1990 rate order authorized a $124 million base rate increase to provide rate recognition for BGE's investment and operating expenses at Brandon Shores Unit 2, effective with that Unit's initial commercial operation in May 1991. The order further authorized a $53 million surcharge to base rates in October 1991 to recover certain purchased capacity charges. Although these base rate increases improved BGE's electric revenues during 1992, they had little effect on net income because they were essentially offset by two things: a decrease in the allowance for funds used during construction (AFC) and higher depreciation expense and other taxes because of the completion and commercial operation of Brandon Shores Unit 2; and increased purchased capacity charges.

The April 1993 rate order and a continued higher level of recovery of electric conservation program costs under the energy conservation surcharge will favorably affect base rate revenues in 1994. However, if the PSC determines that BGE is earning in excess of its authorized rate of return, BGE will have to refund a portion of energy conservation surcharge revenues to its customers. The portion subject to refund is compensation for foregone sales from conservation programs and incentives for achieving conservation goals. BGE has been earning in excess of its authorized rate of return on electric operations since September 30, 1993. As a result, BGE has deferred the portion of electric energy conservation revenues subject to refund beginning in December 1993. The deferral of these billings is expected to average approximately $1.7 million each month these deferrals continue in 1994. The deferral will continue as long as BGE exceeds its authorized rate of return on electric operations, as determined by the PSC.

Changes in fuel rate revenues result from the operation of the electric fuel rate formula. The fuel rate formula is designed to recover the actual cost of fuel, net of revenues from interchange sales (see Notes 1 and 13). Changes in fuel rate revenues and interchange sales normally do not affect earnings. However, if the PSC were to disallow recovery of any part of these costs, earnings would be reduced as discussed in Note 13.

Fuel rate revenues decreased during both 1993 and 1992 due to a lower fuel rate. The rate was lower in both years because of a less costly twenty-four month generation mix from greater generation at the Calvert Cliffs Nuclear Power Plant compared to the year before. The 1993 decrease was partially offset by increased electric system sales volumes. The 1992 decrease also reflects $58 million of annual fuel cost savings resulting from the commercial operation of Brandon Shores Unit 2 and the October 1991 expiration of a surcharge to the electric fuel rate. BGE expects electric fuel rate revenues to decrease again in 1994 because of a continued less-costly generation mix.

Interchange sales are sales of BGE's energy to the Pennsylvania-New Jersey-Maryland Interconnection (PJM), a regional power pool of eight member companies including BGE. Interchange sales occur after BGE has satisfied the demand for system sales of electricity, if BGE's available generation is the least costly available to PJM utilities. Interchange sales increased during 1993 and 1992 because BGE had a less costly generation mix than other PJM utilities. The less costly mix during 1993 reflects the higher generation levels at the Calvert Cliffs Nuclear Power Plant. The less costly mix during 1992 also reflects the operation of the Calvert Cliffs Nuclear Power Plant and a full year of operation of Brandon Shores Unit 2.

Gas revenues increased during 1993 and 1992 because of the following factors:

	1993	1992
	(In millions)	
Sales volumes	$ 0.6	$ 8.6
Base rates	2.6	3.3
Gas cost adjustment revenues	28.8	32.9
Other revenues	0.9	(0.1)
Total gas revenues	$32.9	$44.7

In 1993, BGE changed its classification of commercial and industrial customers to present this information on a basis which is more consistent with predominant industry practices. Prior-year amounts have been reclassified to conform to the current year's presentation. The changes in gas sales volumes compared to the year before were:

	1993	1992
Residential	2.5%	6.9%
Commercial	2.2	12.8
Industrial	(5.8)	2.9
Total	(0.6)	7.0

Total gas sales decreased during 1993 because of lower sales to industrial customers, partially offset by increased sales to the remainder of the gas-system customers. Sales to industrial customers decreased primarily because of lower use of delivery service gas by Bethlehem Steel and interruptible service customers, who increased their use of alternative fuels. Gas sales to Bethlehem Steel also decreased because of a maintenance outage at its L-Blast furnace. The increases in sales to residential and commercial customers reflect the colder winter weather during the first quarter of 1993 and an increase in the number of customers. Sales to residential and commercial customers during 1992 reflect the colder winter of 1992 and growth in the number of customers. Gas sales to industrial customers for 1992 reflect primarily increased sales volumes to Bethlehem Steel because of higher use of gas in its production and processing.

Base rates increased in 1993 for two principal reasons: the PSC's April 1993 rate order and an increased recovery of eligible gas conservation program costs through the energy conservation surcharge. The April 1993 rate order for an annualized gas base rate increase of $1.6 million provided for a higher level of operating expenses and a return on BGE's higher level of gas rate base. The increased base rates during 1992 represent the effects of the PSC's October 1991 rate order. That order authorized a $4 million annualized increase in gas base rate revenues. The April 1993 gas base rate order and continued recovery of gas conservation program costs under the energy conservation surcharge will favorably affect base rate revenues in 1994.

Changes in gas cost adjustment revenues result from the operation of the purchased gas adjustment (PGA) clause, which is designed to recover actual gas costs incurred (See Note 1). Changes in gas cost adjustment revenues normally do not affect earnings. Gas cost adjustment revenues increased during both years primarily because of increased prices to recover higher costs of purchased gas and higher sales volumes subject to the PGA clause. Delivery service sales volumes are not subject to the PGA clause because these customers purchase their gas directly from third parties.

BGE Utility Fuel and Energy Expenses

Electric fuel and purchased energy expenses were as follows:

	1993	1992	1991
		(In millions)	
Actual costs	$483.9	$445.2	$492.6
Net recovery of costs under electric fuel rate clause (see Note 1)	50.7	111.0	105.6
Total expense	$534.6	$556.2	$598.2

Actual electric fuel and purchased energy costs during 1993 increased for two principal reasons: a higher net output of electricity generated to meet the demand of BGE's system and the PJM system, and higher purchased capacity costs under the Pennsylvania Power & Light Company Energy and Capacity Purchase Agreement. Actual electric fuel and purchased energy costs decreased during 1992 because of a less costly generation mix. The cost of the generation mix decreased because of the Calvert Cliffs Nuclear Power Plant's return to operation following the completion of extended maintenance and repair outages and the May 1991 commercial operation of Brandon Shores Unit 2. This decrease was partially offset by purchased capacity charges beginning in October 1991 under the Pennsylvania Power & Light Company Energy and Capacity Purchase Agreement.

Purchased gas expenses were as follows:

	1993	1992	1991
		(In millions)	
Actual costs	$246.4	$213.6	$185.1
Net (deferral) recovery of costs under purchased gas adjustment clause (see Note 1)	(3.7)	0.5	(3.6)
Total expense	$242.7	$214.1	$181.5

Actual purchased gas costs went up in both 1993 and 1992 for three principal reasons: higher gas prices caused by market conditions; higher reservation charges; and higher output to meet greater demand for BGE gas. Purchased gas costs exclude gas purchased by delivery service customers, including Bethlehem Steel, who obtain gas directly from third parties. Future purchased gas costs are expected to increase due to transition costs incurred by BGE gas pipeline suppliers in implementing Federal Energy Regulatory Commission (FERC) Order No. 636. These transition costs, if approved by FERC, will be passed on to BGE customers through the purchased gas adjustment clause.

Other Operating Expenses

Operations expense increased during 1993 by $50.6 million. The combined effect of higher labor costs, employee reduction expenses (discussed below), amortization of energy conservation program costs, postretirement benefit expenses resulting from the implementation of Statement of Financial Accounting Standards No. 106 (see Note 6), and nuclear operating costs was in total $70.2 million higher compared to 1992. These increases were partially offset by the 1993 reversal of a $9.8 million charge originally recorded in 1992 for termination benefits associated with the Company's 1992 Voluntary Special Early Retirement Program (1992 VSERP) to reflect the ratemaking treatment adopted by the PSC in its April 1993 rate order. In accordance with that order, the Company has deferred this charge and is amortizing it over a five-year period, beginning in May 1993. Operations expense decreased in 1992 because of lower nuclear contractor costs and lower payroll costs attributable to labor savings from the Company's 1992 VSERP and other cost-control measures. These decreased costs were partially offset by the original charge to operations for the $9.8 million cost of termination benefits associated with the 1992 VSERP and by higher fringe-benefit costs.

The Company announced several employee reduction programs during the third quarter of 1993 in conjunction with its ongoing cost control efforts. The cost of these programs totaled $105.5 million (see Note 7). Consistent with previous rate actions of the PSC, BGE has deferred and will amortize the $88.3 million of 1993 Voluntary Special Early Retirement Program (1993 VSERP) costs related to regulated activities over a five-year period beginning in February 1994. The remaining $17.2 million of these program costs was charged to expense in 1993. Operations expense is expected to be reduced in 1994 by three factors: cost savings from the 1993 employee reduction programs are expected to be realized beginning in 1994; 1993 operations expense reflects the portion of the cost of employee reduction programs charged to expense; and the expected reduction in 1994 operations expense resulting from the sale of a significant portion of the Constellation Companies' investment in senior living facilities (see page 23 for a discussion of the sale of senior living facilities). These decreases will be partially offset by the amortization of the deferred VSERP costs and other increases in operations expenses.

Maintenance expense increased in 1993 because of higher labor costs and higher costs at the Calvert Cliffs Nuclear Power Plant. Maintenance expense was essentially unchanged in 1992 because lower costs at certain fossil-fuel electric generating plants were offset by higher costs at Calvert Cliffs.

Depreciation expense increased during 1993 and 1992 compared to the year before because of higher depreciable plant in service. The increase during 1993 resulted from the addition of electric transmission and distribution plant and certain capital additions at the Calvert Cliffs Nuclear Power Plant. The 1992 increase resulted from the addition of Brandon Shores Unit 2, which began commercial operation in May 1991.

Taxes other than income taxes increased during both years because of higher property taxes from the addition of Brandon Shores Unit 2 to the taxable base effective July 1, 1992. The increase during 1993 also reflects higher franchise taxes because of the increase in total electric and gas revenues and increased payroll taxes.

Inflation affects the Company through increased operating expenses and higher replacement costs for utility plant assets. Although timely rate increases can lessen the effects of inflation, the regulatory process imposes a time lag which can delay BGE's recovery of increased costs. There is a regulatory lag primarily because rate increases are based on historical costs rather than projected costs. The PSC has historically allowed recovery of the cost of replacing plant assets, together with the opportunity to earn a fair return on BGE's investment, beginning at the time of replacement.

Other Income and Expenses

AFC was essentially unchanged in 1993 because the accrual of AFC on a higher level of construction work in progress compared to 1992 was offset by the lower AFC rate approved in the April 1993 PSC rate order. AFC decreased during 1992 because of the completion and commercial operation of Brandon Shores Unit 2, partially offset by the effects of the expansion of the AFC policy as discussed in Note 1.

Interest charges increased slightly in 1993 as a higher level of outstanding debt was partially offset by a decline in the level of interest rates and the redemption of higher coupon debt of BGE. Interest charges decreased during 1992 primarily because of lower levels of debt outstanding and a decline in the level of interest rates. The decreased debt levels in 1992 are attributable to the additional shares of common stock issued and the recovery of previously deferred electric fuel costs.

Capitalized interest increased during 1993 because BGE began accruing carrying charges on electric deferred fuel costs excluded from rate base (see Note 5). 1992 capitalized interest decreased because the Constellation Companies discontinued interest capitalization at certain real estate projects.

Income tax expense increased during both years because of higher pre-tax earnings. The 1993 increase also reflects the effect of the 1993 Tax Act, which increased the federal corporate income tax rate to 35% from 34%, retroactive to January 1, 1993. As a result, income tax expense related to 1993 operations increased by $4.6 million, and the Company's deferred income tax liability increased by $20.1 million. The Company deferred $12.8 million of the increase in the deferred income tax liability applicable to utility operations for recovery through future rates and charged the remaining $7.3 million to income tax expense. Of this $7.3 million charged to expense, $5.8 million pertains to the Constellation Companies as discussed on page 24.

Diversified Businesses Earnings

Earnings per share from diversified businesses were:

	1993	1992	1991
Power generation systems	**$ .07**	$ .08	$ .03
Financial investments	**.10**	.09	.01
Real estate development and senior living facilities	**(.04)**	(.05)	(.11)
Effect of 1993 Tax Act	**(.04)**	–	–
Other	**(.01)**	(.01)	(.02)
Current-year operations	**.08**	.11	(.09)
Cumulative effect of change in the method of accounting for income taxes (see Note 1)	**–**	–	.16
Total diversified businesses	**$ .08**	$ .11	$ .07

The Constellation Companies' power generation systems business includes the development, ownership, management, and operation of wholesale power generating projects in which the Constellation Companies hold ownership interests, as well as the provision of services to power generation projects under operation and maintenance contracts. Power generation systems earnings during 1993 were flat compared to 1992. The recognition of $8 million of energy tax credits on the commercial operation of the Puna geothermal plant was offset by costs incurred at the Panther Creek waste-coal project in order to resolve fuel quality and other start-up problems. Additionally, 1992 earnings reflect the gain on the partial sale of an ownership interest in a power generation project, representing most of the increase in power generation systems earnings compared to 1991.

The Constellation Companies' investment in wholesale power generating projects includes $153 million representing ownership interests in 16 projects which sell electricity in California under Interim Standard Offer No. 4 power purchase agreements. Under these agreements, the projects supply electricity to purchasing utilities at a fixed rate for the first ten years of the agreements and at variable rates based on the utilities' avoided cost for the remaining term of the agreements. Avoided cost generally represents a utility's next lowest cost generation to service the demands on its system. These power generation projects are scheduled to convert to supplying electricity at avoided cost rates in various years beginning in late 1996 through the end of 2000. As a result of declines in purchasing utilities' avoided costs subsequent to the inception of these agreements, revenues at these projects based on current avoided cost levels would be substantially lower than revenues presently being realized under the fixed price terms of the agreements. If current avoided cost levels were to continue into 1996 and beyond, the Constellation Companies could experience reduced earnings or incur losses associated with these projects, which could be significant. The Constellation Companies are investigating alternatives for certain of these power generation projects including, but not limited to, repowering the projects to reduce operating costs, renegotiating the power purchase agreements, and selling its ownership interests in the projects. The Company cannot predict the impact these matters may have on the Constellation Companies or the Company, but the impact could be material.

Earnings from the Constellation Companies' portfolio of financial investments include capital gains and losses, dividends, income from financial limited partnerships, and income from financial guaranty insurance companies. 1993 financial investment earnings increased slightly over 1992. $6.1 million in income from an investment in a financial guaranty insurance company was substantially offset by lower investment income compared to 1992, resulting from the decline in the size of the investment portfolio due to the sale of selected assets to provide liquidity for ongoing businesses of the Constellation Companies. Financial investment earnings increased in 1992 primarily because of write-downs taken on certain investments in 1991 and because of an improvement in the performance of certain financial limited partnerships.

The Constellation Companies' real estate development business includes land under development, office buildings, retail projects, commercial projects, an entertainment, dining and retail complex in Orlando, Florida, a mixed-use planned-unit-development, and senior living facilities. The majority of these projects are in the Baltimore-Washington corridor. They have been affected adversely by the depressed real estate market and economic conditions, resulting in reduced demand for the purchase or lease of available land, office, and retail space.

Earnings from real estate development and senior living facilities were essentially unchanged in 1993 compared to 1992 because a $2.1 million gain on the sale of the nursing home portion of the Constellation Companies' investment in senior living facilities was offset by greater operating losses at other real estate projects. The senior living facilities which were sold contributed real estate revenues and operating expenses of approximately $17 million and $16 million, respectively, in 1993. The increase in earnings in 1992 reflects the 1991 write-downs recorded by the Constellation Companies aggregating $10 million on certain real estate projects and a $3.6 million reserve for loans where the value of the collateral was less than the outstanding loan balances. Additionally, the Constellation

Companies' real estate portfolio has experienced continuing carrying costs and depreciation and, during 1991, the Constellation Companies began expensing rather than capitalizing interest on certain undeveloped land where development activities were at minimal levels. These factors have affected earnings negatively during 1993 and 1992 and are expected to continue to do so until current market conditions improve. Cash flow from real estate operations has been insufficient to cover the debt service requirements of certain of these projects. Resulting cash shortfalls have been satisfied through cash infusions from Constellation Holdings, Inc., which obtained the funds through a combination of cash flow generated by other Constellation Companies and its corporate borrowings. Until the real estate market shows sustained improvement, earnings from real estate activities are expected to remain depressed.

The Constellation Companies continued investment in real estate projects is a function of market demand, interest rates, credit availability, and the strength of the economy in general. The Constellation Companies' Management believes that although the real estate market is beginning to show signs of improvement, until the economy reflects sustained growth and the excess inventory in the market in the Baltimore-Washington corridor goes down, real estate values will not improve significantly. If the Constellation Companies were to sell their real estate projects in the current depressed market, losses would occur in amounts difficult to determine. Depending upon market conditions, future sales could also result in losses. In addition, were the Constellation Companies to change their intent about any project from an intent to hold until market conditions improve to an intent to sell, applicable accounting rules would require a write-down of the project to market value at the time of such change in intent if market value is below book value.

The Effect of the 1993 Tax Act represents a $5.8 million charge to income tax expense to reflect the increase in the Constellation Companies' deferred income tax liability because of the increase in the federal corporate tax rate.

Environmental Matters

The Company is subject to increasingly stringent federal, state, and local laws and regulations relating to improving or maintaining the quality of the environment. These laws and regulations require the Company to remove or remedy the effect on the environment of the disposal or release of specified substances at ongoing and former operating sites, including Environmental Protection Agency Superfund sites. Details regarding these matters, including financial information, are presented in Note 13 and in the Company's Annual Report on Form 10-K under Item 1. Business-Environmental Matters.

LIQUIDITY AND CAPITAL RESOURCES

Capital Requirements

The Company's capital requirements reflect the capital-intensive nature of the utility business. Actual capital requirements for the years 1991 through 1993, along with estimated amounts for the years 1994 through 1996, are reflected below.

	1991	1992	1993	1994	1995	1996
			(In millions)			
Utility Business:						
Construction expenditures (excluding AFC)						
Electric	$ 328	$ 292	$ 360	$345	$319	$300
Gas	43	36	51	54	60	56
Common	48	39	44	51	46	44
Total construction expenditures	419	367	455	450	425	400
AFC	37	22	23	34	35	25
Deferred nuclear expenditures	23	16	14	12	–	–
Deferred energy conservation expenditures	3	20	33	48	45	40
Nuclear fuel (uranium purchases and processing charges)	2	40	47	42	46	51
Retirement of long-term debt and redemption of preference stock	339	486	907	36	281	98
Total utility business	823	951	1,479	622	832	614
Diversified Businesses:						
Retirement of long-term debt	167	118	222	9	81	77
Investment requirements	109	80	78	63	60	20
Total diversified businesses	276	198	300	72	141	97
Total	$1,099	$1,149	$1,779	$694	$973	$711

BGE Utility Capital Requirements

BGE's construction program is subject to continuous review and modification, and actual expenditures may vary from the estimates on page 24. Electric construction expenditures include the installation of two 5,000 kilowatt diesel generators at the Calvert Cliffs Nuclear Power Plant, scheduled to be placed in service in 1995; the construction of a 140-megawatt combustion turbine at Perryman, scheduled to be placed in service in 1995, which the PSC authorized in an order dated March 25, 1993; and improvements in BGE's existing generating plants and its transmission and distribution facilities. Future electric construction expenditures do not include additional generating units in light of the competitive bidding process established by the PSC. The Company estimates currently that expenditures for compliance with the sulfur dioxide provisions of the Clean Air Act of 1990 will total approximately $55 million through 1995.

During 1993, 1992, and 1991, the internal generation of cash from utility operations provided 71%, 81%, and 74% respectively, of the funds required for BGE's capital requirements exclusive of retirements and redemptions of debt and preference stock. During the three-year period 1994 through 1996, BGE expects to provide through utility operations approximately 70% of the funds required for BGE's capital requirements, exclusive of retirements and redemptions.

Utility capital requirements not met through the internal generation of cash are met through the issuance of debt and equity securities. During the three-year period ended December 31, 1993, BGE's issuances of long-term debt, preference stock, and common stock were $1,733 million, $165 million, and $446 million, respectively. During the same period, retirements and redemptions of BGE's long-term debt and preference stock totaled $1,546 million and $167 million, respectively, exclusive of any redemption premiums. The increase in issuances and retirements of long-term debt during 1993 reflects the refinancing of a significant portion of BGE's debt in order to take advantage of the favorable interest rate market. The amount and timing of future issuances and redemptions will depend upon market conditions and BGE's actual capital requirements.

The Constellation Companies' capital requirements are discussed below in the section titled "Diversified Businesses Capital Requirements—Debt and Liquidity." The Constellation Companies plan to meet their capital requirements with a combination of debt and internal generation of cash from their operations. Additionally, from time to time, BGE may make loans to Constellation Holdings, Inc., or contribute equity to Constellation Holdings, Inc.

Diversified Businesses Capital Requirements

Debt and Liquidity

During 1993, Constellation Holdings, Inc. (CHI) closed two private placements totaling $225 million of unsecured serial notes with several institutional investors. CHI used proceeds of the private placements to pay off its bank debt facility, which CHI elected to terminate, as well as for other general corporate uses. In addition, CHI entered into a $20 million unsecured revolving credit facility with a bank on September 30, 1993. This facility matures September 29, 1994 and will be used to provide liquidity for general corporate purposes. As of December 31, 1993, CHI had no borrowings under this facility.

The Constellation Companies intend to meet capital requirements by refinancing debt as it comes due and through internally generated cash. These sources include cash that may be generated from operations, the sale of assets, and cash generated by tax benefits earned by the Constellation Companies. In the event the Constellation Companies can obtain reasonable value for real estate properties, additional cash may become available through the sale of projects (for additional information see the discussion of the real estate business and market on page 23 under the heading "Diversified Businesses Earnings"). The ability of the Constellation Companies to sell or liquidate assets described above will depend on market conditions, and no assurances can be given that such sales or liquidations can be made. Also, to provide additional liquidity to meet interim financial needs, CHI may enter into additional credit facilities.

Investment Requirements

The investment requirements of the Constellation Companies include its portion of equity funding to committed projects under development, as well as net loans made to project partnerships. Investment requirements for the years 1994 through 1996 reflect the Constellation Companies' estimate of funding for ongoing and anticipated projects and are subject to continuous review and modification. Actual investment requirements may vary significantly from the estimates on page 24 because of the type and number of projects selected for development, the impact of market conditions on those projects, the ability to obtain financing, and the availability of internally generated cash. The Constellation Companies have met their investment requirements in the past through the internal generation of cash and through borrowings from banks and institutional lenders.

Report of Management

The management of the Company is responsible for the information and representations in the Company's financial statements. The Company prepares the financial statements in accordance with generally accepted accounting principles based upon available facts and circumstances and management's best estimates and judgments of known conditions.

The Company maintains an accounting system and related system of internal controls designed to provide reasonable assurance that the financial records are accurate and that the Company's assets are protected. The Company's staff of internal auditors, which reports directly to the Chairman of the Board, conducts periodic reviews to maintain the effectiveness of internal control procedures.

Coopers & Lybrand, independent auditors, audit the financial statements and express their opinion about them. They audit in accordance with generally accepted auditing standards.

The Audit Committee of the Board of Directors, which consists of four outside Directors, meets periodically with Management, internal auditors, and Coopers & Lybrand to review the activities of each in discharging their responsibilities. The internal audit staff and Coopers & Lybrand have free access to the Audit Committee.

Report of Independent Auditors

To the Shareholders of
Baltimore Gas and Electric Company

We have audited the accompanying consolidated balance sheets and statements of capitalization of Baltimore Gas and Electric Company and Subsidiaries at December 31, 1993 and 1992, and the related consolidated statements of income, cash flows, common shareholders' equity, and income taxes for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Baltimore Gas and Electric Company and Subsidiaries at December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993 in conformity with generally accepted accounting principles.

As discussed in Note 13 to the consolidated financial statements, the Public Service Commission of Maryland is currently reviewing the replacement energy costs resulting from the 1989-1991 outages at the Company's nuclear power plant, and the Company established in 1990 a reserve of $35 million for the possible disallowance of replacement energy costs. The ultimate outcome of the fuel rate proceedings, however, cannot be determined but may result in a disallowance in excess of the reserve provided.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for income taxes in 1991.

Coopers & Lybrand

Coopers & Lybrand
Baltimore, Maryland
January 21, 1994

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31	1993	1992	1991
	(In thousands, except per share amounts)		
Revenues			
Electric	$2,115,155	$1,967,923	$1,994,525
Gas	435,849	402,937	358,195
Diversified businesses	117,710	120,483	96,133
Total revenues	2,668,714	2,491,343	2,448,853
Expenses Other Than Interest and Income Taxes			
Electric fuel and purchased energy	534,628	556,184	598,208
Gas purchased for resale	242,685	214,103	181,455
Operations	657,110	606,498	634,309
Maintenance	181,685	172,726	173,648
Depreciation	236,774	223,483	201,264
Taxes other than income taxes	194,832	183,004	170,781
Total expenses other than interest and income taxes	2,047,714	1,955,998	1,959,665
Income from Operations	621,000	535,345	489,188
Other Income			
Allowance for equity funds used during construction	14,492	13,892	23,596
Equity in earnings of Safe Harbor Water Power Corporation	4,243	4,267	4,388
Net other income and deductions	(3,033)	3,937	(1,356)
Total other income	15,702	22,096	26,628
Income Before Interest and Income Taxes	636,702	557,441	515,816
Interest Expense			
Interest charges	212,971	211,712	231,411
Capitalized interest	(16,167)	(13,800)	(20,953)
Allowance for borrowed funds used during construction	(8,040)	(8,165)	(13,870)
Net interest expense	188,764	189,747	196,588
Income Before Income Taxes	447,938	367,694	319,228
Income Taxes	138,072	103,347	85,547
Income Before Cumulative Effect of Change in Accounting Method	309,866	264,347	233,681
Cumulative Effect of Change in the Method of Accounting for Income Taxes (See Note 1)	—	—	19,745
Net Income	309,866	264,347	253,426
Preferred and Preference Stock Dividends	41,839	42,247	42,746
Earnings Applicable to Common Stock	$ 268,027	$ 222,100	$ 210,680
Average Shares of Common Stock Outstanding	145,072	136,248	126,093
Earnings Per Share of Common Stock			
Before cumulative effect of change in accounting method	$1.85	$1.63	$1.51
Cumulative effect of change in the method of accounting for income taxes	—	—	.16
Total earnings per share of common stock	$1.85	$1.63	$1.67

See Notes to Consolidated Financial Statements

Certain prior-year amounts have been restated to conform to the current year's presentation

CONSOLIDATED BALANCE SHEETS

At December 31,	1993	1992
	(In thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 84,236	$ 27,122
Accounts receivable (net of allowance for uncollectibles)	401,853	369,144
Fuel stocks	70,233	85,063
Materials and supplies	145,130	141,611
Prepaid taxes other than income taxes	54,237	54,510
Other	38,971	29,604
Total current assets	794,660	707,054
Investments and Other Assets		
Real estate projects	487,397	462,042
Power generation systems	298,514	259,996
Financial investments	213,315	207,011
Nuclear decommissioning trust fund	56,207	43,118
Safe Harbor Water Power Corporation	34,138	34,176
Senior living facilities	2,005	24,538
Other	65,355	64,986
Total investments and other assets	1,156,931	1,095,867
Utility Plant		
Plant in service		
Electric	5,713,259	5,474,590
Gas	557,942	526,058
Common	487,740	468,264
Total plant in service	6,758,941	6,468,912
Accumulated depreciation	(2,161,984)	(1,980,361)
Net plant in service	4,596,957	4,488,551
Construction work in progress	436,440	308,908
Nuclear fuel (net of amortization)	139,424	147,374
Plant held for future use	24,066	21,486
Net utility plant	5,196,887	4,966,319
Deferred Charges		
Regulatory assets	768,125	568,563
Other	70,436	36,554
Total deferred charges	838,561	605,117
Total Assets	$7,987,039	$ 7,374,357

See Notes to Consolidated Financial Statements.
Certain prior-year amounts have been restated to conform to the current year's presentation.

CONSOLIDATED BALANCE SHEETS

At December 31,	1993	1992
	(In thousands)	
LIABILITIES AND CAPITALIZATION		
Current Liabilities		
Short-term borrowings	$ -	$ 11,900
Current portions of long-term debt and preference stock	44,516	291,270
Accounts payable	195,534	175,495
Customer deposits	22,345	20,027
Accrued taxes	20,623	20,925
Accrued interest	58,541	55,537
Dividends declared	63,966	62,282
Accrued vacation costs	35,546	28,908
Other	38,716	2,567
Total current liabilities	479,787	668,911
Deferred Credits and Other Liabilities		
Deferred income taxes	1,067,611	983,534
Deferred investment tax credits	157,426	165,697
Pension and postemployment benefits	183,043	5,352
Decommissioning of federal uranium enrichment facilities	46,858	55,000
Other	56,974	19,589
Total deferred credits and other liabilities	1,511,912	1,229,172
Capitalization		
Long-term debt	2,823,144	2,376,950
Preferred stock	59,185	59,185
Redeemable preference stock	342,500	395,500
Preference stock not subject to mandatory redemption	150,000	110,000
Common shareholders' equity	2,620,511	2,534,639
Total capitalization	5,995,340	5,476,274
Commitments, Guarantees, and Contingencies – See Note 13		
Total Liabilities and Capitalization	$7,987,039	$7,374,357

See Notes to Consolidated Financial Statements.

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

Consolidated Statements of Cash Flows

Year Ended December 31	1993	1992	1991
		(In thousands)	
Cash Flows From Operating Activities			
Net income	$ 309,866	$ 264,347	$ 253,426
Adjustments to reconcile to net cash provided by operating activities			
Cumulative effect of change in the method of accounting for income taxes	–	–	(19,745)
Depreciation and amortization	314,027	273,549	244,017
Deferred income taxes	53,057	26,914	30,725
Investment tax credit adjustments	(8,444)	(8,854)	(6,225)
Deferred fuel costs	51,445	105,430	102,754
Write-down of financial investments and real estate projects	–	–	23,563
Allowance for equity funds used during construction	(14,492)	(13,892)	(23,596)
Equity in earnings of affiliates and joint ventures (net)	(4,655)	(11,525)	8,707
Changes in current assets	(37,252)	(26,206)	(6,563)
Changes in current liabilities, other than short-term borrowings	71,153	(9,614)	(6,027)
Other	(31,919)	(31,005)	(5,373)
Net cash provided by operating activities	702,786	569,144	595,663
Cash Flows From Financing Activities			
Proceeds from issuance of			
Short-term borrowings (net)	(11,900)	(139,600)	(15,530)
Long-term debt	1,206,350	603,400	1,015,950
Preference stock	128,776	–	34,801
Common stock	57,379	355,759	32,263
Reacquisition of long-term debt	(1,012,514)	(687,052)	(959,379)
Redemption of preference stock	(144,310)	(2,924)	(22,800)
Common stock dividends paid	(211,137)	(189,180)	(176,007)
Preferred and preference stock dividends paid	(42,425)	(42,300)	(42,743)
Other	(7,094)	(399)	(442)
Net cash used in financing activities	(36,875)	(102,296)	(133,887)
Cash Flows From Investing Activities			
Utility construction expenditures	(477,878)	(389,416)	(456,244)
Allowance for equity funds used during construction	14,492	13,892	23,596
Nuclear fuel expenditures	(47,329)	(39,486)	(1,854)
Deferred nuclear expenditures	(13,791)	(15,809)	(22,681)
Deferred energy conservation expenditures	(32,909)	(19,918)	(3,489)
Nuclear decommissioning trust fund	(9,699)	(8,900)	(8,900)
Financial investments	6,523	52,616	67,282
Real estate projects	(30,330)	(23,385)	(45,322)
Power generation systems	(26,841)	(31,483)	(33,204)
Other	8,965	4,746	(3,422)
Net cash used in investing activities	(608,797)	(457,143)	(484,238)
Net Increase (Decrease) in Cash and Cash Equivalents	57,114	9,705	(22,462)
Cash and Cash Equivalents at Beginning of Year	27,122	17,417	39,879
Cash and Cash Equivalents at End of Year	$ 84,236	$ 27,122	$ 17,417
Other Cash Flow Information			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 183,266	$ 183,209	$ 189,271
Income taxes	$ 126,034	$ 87,693	$ 16,078

See Notes to Consolidated Financial Statements.

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

Consolidated Statements of Common Shareholders' Equity

Years Ended December 31, 1993, 1992, and 1991	Common Stock Shares	Common Stock Amount	Retained Earnings	Pension Liability Adjustment	Net Unrealized Loss on Marketable Securities	Total Amount
			(In thousands)			
Balance at December 31, 1990	125,039	$ 947,147	$1,139,999	$ -	$(13,988)	$2,073,158
Deferred taxes on net unrealized loss					4,756	4,756
Net income			253,426			253,426
Dividends declared						
Preferred and preference stock			(42,746)			(42,746)
Common stock ($1.40 per share)			(176,584)			(176,584)
Common stock issued	1,651	32,263				32,263
Other		(199)				(199)
Change in net unrealized loss on marketable securities					13,988	13,988
Change in deferred taxes on net unrealized loss					(4,756)	(4,756)
Balance at December 31, 1991	126,690	979,211	1,174,095	-	-	2,153,306
Net income			264,347			264,347
Dividends declared						
Preferred and preference stock			(42,247)			(42,247)
Common stock ($1.43 per share)			(196,601)			(196,601)
Common stock issued	17,098	356,230				356,230
Other	(4)	(439)	43			(396)
Balance at December 31, 1992	143,784	1,335,002	1,199,637	-	-	2,534,639
Net income			309,866			309,866
Dividends declared						
Preferred and preference stock			(41,839)			(41,839)
Common stock ($1.47 per share)			(213,407)			(213,407)
Common stock issued	2,250	57,379				57,379
Other		(917)	(3,117)			(4,034)
Pension liability adjustment				(33,990)		(33,990)
Deferred taxes on pension liability adjustment				11,897		11,897
Balance at December 31, 1993	146,034	$1,391,464	$1,251,140	$ (22,093)	$ -	$2,620,511

See Notes to Consolidated Financial Statements.

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

At December 31,	1993	1992
	(In thousands)	
Long-Term Debt		
First Refunding Mortgage Bonds of BGE		
4% Series, due March 1, 1993	$ –	$ 24,061
4⅞% Series, due July 15, 1994	–	29,921
9⅛% Series, due October 15, 1995	**200,000**	200,000
5⅜% Series, due April 15, 1996	**26,585**	26,585
6⅝% Series, due August 1, 1997	**24,957**	24,957
5⅜% Installment Series, due August 15, 1998	–	50,000
7% Series, due December 15, 1998	**28,638**	28,638
8.40% Series, due October 15, 1999	**100,000**	100,000
5½% Series, due July 15, 2000	**125,000**	–
7⅜% Series, due April 15, 2001	**59,911**	59,914
8⅜% Series, due August 15, 2001	**124,980**	125,000
7⅞% Series, due September 1, 2001	–	59,975
7¼% Series, due January 1, 2002	**49,999**	49,999
7¼% Series, due July 1, 2002	**125,000**	125,000
7⅞% Series, due July 1, 2002	–	49,985
5⅜% Installment Series, due July 15, 2002	**12,080**	12,500
7⅞% Series, due September 15, 2002	–	49,990
6½% Series, due February 15, 2003	**125,000**	–
6⅛% Series, due July 1, 2003	**125,000**	–
8⅜% Series, due February 1, 2004	–	74,983
5½% Series, due April 15, 2004	**125,000**	–
6.80% Series, due September 15, 2004	**20,000**	20,000
8⅜% Series, due September 15, 2006	–	74,960
7½% Series, due January 15, 2007	**125,000**	125,000
8⅜% Series, due September 15, 2007	–	75,000
6⅝% Series, due March 15, 2008	**125,000**	–
9⅜% Series, due July 1, 2008	–	12,718
6.90% Installment Series, due September 15, 2009	**55,000**	55,000
9⅜% Series, due March 1, 2016	–	98,000
7½% Series, due March 1, 2023	**124,998**	–
7½% Series, due April 15, 2023	**100,000**	–
Total First Refunding Mortgage Bonds	**1,802,148**	1,552,186
Other long-term debt of BGE		
Medium-term notes, Series A	**23,500**	69,500
Medium-term notes, Series B	**100,000**	100,000
Medium-term notes, Series C	**173,050**	138,050
9⅜% Notes, due May 1, 1993	–	100,000
Pollution control loan, due July 1, 2011	**36,000**	36,000
Port facilities loan, due June 1, 2013	**48,000**	48,000
Adjustable rate pollution control loan, due July 1, 2014	**20,000**	20,000
5.55% Pollution control revenue refunding loan, due July 15, 2014	**47,000**	–
Economic development loan, due December 1, 2018	**35,000**	35,000
Total other long-term debt	**482,550**	546,550
Long-term debt of Constellation Companies		
Mortgage and construction loans and other collateralized notes		
7.75%, due December 16, 1995	–	5,575
Variable rates, due through 2009	**151,251**	160,572
8.5%, due May 1, 2001	–	3,300
7.73%, due March 15, 2009	**6,465**	–
Loans under revolving credit agreements	–	152,000

continued on page 33

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CAPITALIZATION

At December 31,	1993	1992
	(In thousands)	
Unsecured notes	$ 440,000	$ 255,000
Total long-term debt of Constellation Companies	597,716	576,447
Unamortized discount and premium	(17,754)	(8,463)
Current portion of long-term debt	(41,516)	(289,770)
Total long-term debt	2,823,144	2,376,950
Preferred Stock		
Cumulative, $100 par value, 1,000,000 shares authorized		
Series B, 4½%, 222,921 shares outstanding, callable at $110 per share	22,292	22,292
Series C, 4%, 68,928 shares outstanding, callable at $105 per share	6,893	6,893
Series D, 5.40%, 300,000 shares outstanding, callable at $101 per share	30,000	30,000
Total preferred stock	59,185	59,185
Preference Stock		
Cumulative, $100 par value, 6,500,000 shares authorized		
Redeemable preference stock		
7.50%, 1986 Series, 470,000 and 485,000 shares outstanding, respectively. Callable at $105 per share prior to October 1, 1996 and at lesser amounts thereafter	47,000	48,500
6.75%, 1987 Series, 485,000 shares outstanding. Callable at $104.50 per share prior to April 1, 1997 and at lesser amounts thereafter	48,500	48,500
6.95%, 1987 Series, 500,000 shares outstanding	50,000	50,000
7.64%, 1988 Series, 500,000 shares outstanding, called at $103.82 per share on July 1, 1993	–	50,000
7.80%, 1989 Series, 500,000 shares outstanding	50,000	50,000
8.25%, 1989 Series, 500,000 shares outstanding	50,000	50,000
8.625%, 1990 Series, 650,000 shares outstanding	65,000	65,000
7.85%, 1991 Series, 350,000 shares outstanding	35,000	35,000
Current portion of redeemable preference stock	(3,000)	(1,500)
Total redeemable preference stock	342,500	395,500
Preference stock not subject to mandatory redemption		
7.88%, 1971 Series, 500,000 shares outstanding, called at $101 per share on September 1, 1993	–	50,000
7.75%, 1972 Series, 400,000 shares outstanding, called at $101 per share on November 8, 1993	–	40,000
7.78%, 1973 Series, 200,000 shares outstanding, callable at $101 per share	20,000	20,000
7.125%, 1993 Series, 400,000 shares outstanding, not callable prior to July 1, 2003	40,000	–
6.97%, 1993 Series, 500,000 shares outstanding, not callable prior to October 1, 2003	50,000	–
6.70%, 1993 Series, 400,000 shares outstanding, not callable prior to January 1, 2004	40,000	–
Total preference stock not subject to mandatory redemption	150,000	110,000
Common Shareholders' Equity		
Common stock without par value, 175,000,000 shares authorized; 146,034,014 and 143,783,581 shares issued and outstanding at December 31, 1993 and 1992, respectively. (At December 31, 1993, 166,893 shares were reserved for the Employee Savings Plan and 4,770,773 shares were reserved for the Dividend Reinvestment and Stock Purchase Plan.)	1,391,464	1,335,002
Retained earnings	1,251,140	1,199,637
Pension liability adjustment	(22,093)	–
Total common shareholders' equity	2,620,511	2,534,639
Total Capitalization	$5,995,340	$5,476,274

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME TAXES

Year Ended December 31,	1993	1992	1991
		(Dollar amounts in thousands)	
Income Taxes			
Current	**$ 93,459**	$ 85,287	$ 61,047
Deferred			
Change in tax effect of temporary differences	**63,972**	44,975	28,361
Change in income taxes recoverable through future rates	**(30,086)**	(18,061)	(12,625)
Deferred taxes credited (charged) to shareholders' equity	**11,897**	–	(4,756)
Deferred taxes charged to expense	**45,783**	26,914	10,980
Effect on deferred taxes of enacted change in federal corporate income tax rate			
Increase in deferred tax liability	**20,105**	–	–
Income taxes recoverable through future rates	**(12,831)**	–	–
Deferred taxes charged to expense	**7,274**	–	–
Investment tax credit adjustments	**(8,444)**	(8,854)	(6,225)
Total income taxes	**138,072**	103,347	65,802
Cumulative effect of change in the method of accounting for income taxes			
Increase in deferred tax liability	–	–	286,787
Income taxes recoverable through future rates	–	–	(267,042)
Amount recognized in income	–	–	19,745
Income taxes per Consolidated Statements of Income	**$138,072**	$103,347	$ 85,547
Reconciliation of Income Taxes Computed at Statutory Federal Rate to Total Income Taxes			
Income before income taxes (including cumulative effect of accounting change)	**$447,938**	$367,694	$319,228
Statutory federal income tax rate	**35%**	34%	34%
Income taxes computed at statutory federal rate	**156,778**	125,016	108,538
Increases (decreases) in income taxes due to			
Depreciation differences not normalized on regulated activities	**9,253**	8,955	7,008
Allowance for equity funds used during construction	**(5,072)**	(4,723)	(8,023)
Amortization of deferred investment tax credits	**(8,444)**	(8,854)	(9,344)
Tax credits flowed through to income	**(9,736)**	(804)	(1,335)
Change in federal corporate income tax rate charged to expense	**7,274**	–	–
Reversal of deferred taxes on nonregulated activities	–	–	(19,745)
Amortization of deferred tax rate differential on regulated activities	**(5,789)**	(7,365)	(5,024)
Other	**(6,192)**	(8,878)	(6,273)
Total income taxes	**$138,072**	$103,347	$ 65,802
Effective federal income tax rate	**30.8%**	28.1%	20.6%

At December 31,	1993	1992
	(Dollar amounts in thousands)	
Deferred Income Taxes		
Deferred tax liabilities		
Accelerated depreciation	**$ 789,165**	$714,019
Allowance for funds used during construction	**202,490**	199,577
Income taxes recoverable through future rates	**90,950**	73,759
Deferred termination and postemployment costs	**55,890**	–
Deferred fuel costs	**45,518**	61,709
Leveraged leases	**32,613**	33,867
Percentage repair allowance	**35,431**	33,367
Other	**129,130**	95,995
Total deferred tax liabilities	**1,381,187**	1,212,293
Deferred tax assets		
Alternative minimum tax	**72,187**	72,189
Accrued pension and postemployment benefit costs	**67,016**	1,595
Deferred investment tax credits	**55,099**	56,337
Other	**119,274**	98,638
Total deferred tax assets	**313,576**	228,759
Deferred income taxes per Consolidated Balance Sheets	**$1,067,611**	$983,534

See Notes to Consolidated Financial Statements.

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

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Nature of the Business
Baltimore Gas and Electric Company (BGE) and Subsidiaries (collectively, the Company) is primarily an electric and gas utility serving a territory which encompasses Baltimore City and all or part of nine Central Maryland counties. The Company is also engaged in diversified businesses as described further in Note 3.

Principles of Consolidation
The consolidated financial statements include the accounts of BGE and all subsidiaries in which BGE owns directly or indirectly a majority of the voting stock. Intercompany balances and transactions have been eliminated in consolidation. Under this policy, the accounts of Constellation Holdings, Inc. and its subsidiaries (collectively, the Constellation Companies) and BNG, Inc. are consolidated in the financial statements. Safe Harbor Water Power Corporation is reported under the equity method. Corporate joint ventures, partnerships, and affiliated companies in which a 20% to 50% voting interest is held are accounted for under the equity method, unless control is evident, in which case the entity is consolidated. Investments in power generation systems and certain financial investments in which less than a 20% voting interest is held are accounted for under the cost method, unless significant influence is exercised over the entity, in which case the investment is accounted for under the equity method.

Regulation of Utility Operations
BGE's utility operations are subject to regulation by the Public Service Commission of Maryland (PSC). The accounting policies and practices used in the determination of service rates are also generally used for financial reporting purposes in accordance with generally accepted accounting principles for regulated industries. See Note 5.

Utility Revenues
BGE recognizes utility revenues as service is rendered to customers.

Fuel and Purchased Energy Costs
Subject to the approval of the PSC, the cost of fuel used in generating electricity, net of revenues from interchange sales, and the cost of gas sold may be recovered through zero-based electric fuel rate (see Note 13) and purchased gas adjustment clauses. The difference between actual fuel costs and fuel revenues is deferred on the balance sheet to be recovered from or refunded to customers in future periods.

The electric fuel rate formula is based upon the latest twenty-four-month generation mix, subject to a minimum level of nuclear generation, and the latest three-month average fuel cost for each generating unit. The fuel rate does not change unless the calculated rate is more than 5% above or below the rate then in effect.

The purchased gas adjustment is based on recent annual volumes of gas and the related current prices charged by BGE's gas suppliers. Any deferred underrecoveries or overrecoveries of purchased gas costs for the twelve months ended November 30 each year are charged or credited to customers over the ensuing calendar year.

Income Taxes
The Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," effective January 1, 1991. Statement No. 109 requires the use of the liability method of accounting for income taxes. Under the liability method, the deferred tax liability represents the tax effect of temporary differences between the financial statement and tax bases of assets and liabilities. It is measured using presently enacted tax rates. The portion of BGE's deferred tax liability applicable to utility operations which has not been reflected in current service rates represents income taxes recoverable through future rates. It has been recorded as a regulatory asset on the balance sheet. Deferred income tax expense represents the net change in the deferred tax liability and regulatory asset during the year, exclusive of amounts charged or credited to common shareholders' equity.

The 1993 and 1992 current tax expense consists solely of regular tax. The 1991 current tax expense consists of a regular tax of \$46.8 million and an alternative minimum tax (AMT) of \$14.2 million. The AMT liabilities generated in 1991 and prior years can be carried forward indefinitely as tax credits to future years in which the regular tax liability exceeds the AMT liability. As of December 31, 1993, this carryforward totaled \$73.2 million.

As a result of its effect on nonregulated activities, the cumulative effect of the change in the method of accounting for income taxes resulted in an increase in 1991 net income of \$19.7 million, or 16¢ per common share, because of the reversal of deferred income taxes on nonregulated activities accrued in prior years at tax rates in excess of the 34% tax rate in effect at that time.

The investment tax credit (ITC) associated with BGE's regulated utility operations has been deferred and is amortized to income ratably over the lives of the subject property. ITC and other tax credits associated with nonregulated diversified business activities other than leveraged leases are flowed through to income. As of December 31, 1993, the Company had energy and other tax credit carryforwards of \$4.8 million which expire in the years 2005 through 2008.

BGE's utility revenue from system sales is subject to the Maryland public service company franchise tax in lieu of a state income tax. The franchise tax is included in taxes other than income taxes in the Consolidated Statements of Income.

Inventory Valuation
Fuel stocks and materials and supplies are generally stated at average cost.

Real Estate Projects

Real estate projects consist of the Constellation Companies' investment in rental and operating properties and properties under development. Rental and operating properties are held for investment. Properties under development are held for future development and sale. Costs incurred in the acquisition and active development of such properties are capitalized. Rental and operating properties and properties under development are stated at cost unless the amount invested exceeds the amounts expected to be recovered through operations and sales. In these cases, the projects are written down to the amount estimated to be recoverable.

Investments

Marketable equity securities are stated at the lower of cost or market value, and other securities are stated at cost. Where appropriate, cost reflects amortization of premium and discount computed on a straight-line basis. Gains and losses on the sale of the Constellation Companies' investment securities are included in revenues from diversified activities on the income statement and are recognized upon realization on a specific identification basis. Gains and losses on the sale of BGE's nuclear decommissioning trust fund securities are included in net other income and deductions on the income statement and are recognized upon realization on a specific identification basis.

Statement of Financial Accounting Standards No. 115, which must be adopted in 1994, requires that investments in equity securities having readily determinable fair values and debt securities other than those which the Company has the positive intent and ability to hold to maturity be recorded at fair value rather than at amortized cost. Changes in the fair value of these securities will be recorded in shareholders' equity except for trading securities, for which such changes will be recorded in income. Adoption of this statement is not expected to have a material impact on the Company's financial statements.

Utility Plant, Depreciation and Amortization, and Decommissioning

Utility plant is stated at original cost, which includes material, labor, and, where applicable, construction overhead costs and an allowance for funds used during construction. Additions to utility plant and replacements of units of property are capitalized to utility plant accounts. Maintenance and repairs of property and replacements of items of property determined to be less than a unit of property are charged to maintenance expense.

Depreciation is generally computed using composite straight-line rates applied to the average investment in classes of depreciable property. The composite depreciation rates by class of depreciable property are 2.80% for the Calvert Cliffs Nuclear Power Plant, 2.75% for the Brandon Shores Power Plant, 3.26% for other electric plant, 3.12% for gas plant, and 4.02% for common plant other than vehicles. Vehicles are depreciated based on their estimated useful lives.

BGE owns an undivided interest in the Keystone and Conemaugh electric generating plants located in western Pennsylvania, as well as in the transmission line which transports the plants' output to the joint owners' service territories. BGE's ownership interest in these plants is 20.99% and 10.56%, respectively, and represents a net investment of $128 million as of December 31, 1993. Financing and accounting for these properties are the same as for wholly owned utility plant.

Nuclear fuel expenditures are amortized as a component of actual fuel costs based on the energy produced over the life of the fuel. Fees for the future disposal of spent fuel are paid quarterly to the Department of Energy and are accrued based on the kilowatt-hours of electricity generated. Nuclear fuel expenses are subject to recovery through the electric fuel rate.

Nuclear decommissioning costs are accrued by and recovered through a sinking fund methodology. In its April 1993 rate order, the PSC granted BGE revenue to accumulate a decommissioning reserve of $336 million in 1992 dollars by the end of Calvert Cliffs' service life in 2016, adjusted to reflect expected inflation, to decommission the radioactive portion of the plant. The total decommissioning reserve of $93.4 million and $77.8 million at December 31, 1993 and 1992, respectively, is included in accumulated depreciation in the Consolidated Balance Sheets. In accordance with Nuclear Regulatory Commission (NRC) regulations, BGE has established an external decommissioning trust to which a portion of accrued decommissioning costs have been contributed.

The NRC requires utilities to provide financial assurance that they will accumulate sufficient funds to pay for the cost of nuclear decommissioning based upon either a generic NRC formula or a facility-specific decommissioning cost estimate, provided that the facility-specific estimate is equal to or greater than that of the NRC formula. Subsequent to the PSC's April 1993 rate order, the NRC updated its generic formula to reflect substantially higher waste burial charges. The revised NRC formula generates a decommissioning cost estimate of $703 million in 1992 dollars. Additionally, the Company initiated a facility-specific study which, when completed, is expected to generate an estimate of the cost to decommission the radioactive portion of the plant which is less than the NRC formula estimate. The Company is currently completing the facility-specific study and plans to request the NRC to permit the use of the facility-specific decommissioning cost estimate as a basis of funding these costs and providing the requisite financial assurance.

Allowance for Funds Used During Construction and Capitalized Interest

The allowance for funds used during construction (AFC) is an accounting procedure which capitalizes the cost of funds used to finance utility construction projects as part of utility plant on the balance sheet, crediting the cost as a noncash item on the income statement. The cost of borrowed and equity funds is segregated between interest expense and other income, respectively. BGE recovers the capitalized AFC and a return thereon after the related utility plant is placed in service and included in depreciable assets and rate base.

During the period January 1, 1991 through April 23, 1993, the Company accrued AFC at a pre-tax rate of 9.94%, compounded annually. Effective April 24, 1993, a rate order of the PSC reduced the pre-tax AFC rate to 9.40%, compounded annually.

Effective January 1, 1992, the PSC authorized the accrual of AFC on all electric, gas, and common utility construction projects with a construction period of more than one month. Prior to 1992, AFC was accrued on major electric projects only.

The Constellation Companies capitalize interest on qualifying real estate and power generation development projects. BGE capitalizes interest on certain deferred fuel costs as discussed in Note 5.

Long-Term Debt
The discount or premium and expense of issuance associated with long-term debt are deferred and amortized over the original lives of the respective debt issues. Gains and losses on the reacquisition of debt are amortized over the remaining original lives of the issuances.

Cash Flows
For the purpose of reporting cash flows, highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

NOTE 2. SEGMENT INFORMATION

Year Ended December 31	1993	1992	1991
		(In thousands)	
Electric			
Revenues	$2,115,155	$1,967,923	$1,994,525
Income from operations	538,340	441,784	444,530
Income from operations net of income taxes	402,893	350,429	352,385
Depreciation	203,476	191,970	173,349
Construction expenditures (including AFC)	419,519	346,728	406,008
Identifiable assets at December 31	6,025,798	5,508,008	5,374,940
Gas			
Revenues	$ 435,849	$ 402,937	$ 358,195
Income from operations	39,426	45,552	35,607
Income from operations net of income taxes	33,188	37,514	30,945
Depreciation	22,995	21,364	18,896
Construction expenditures (including AFC)	58,359	42,688	50,236
Identifiable assets at December 31	694,977	579,386	555,609
Diversified Businesses			
Revenues	$ 117,710	$ 120,483	$ 96,133
Income from operations	43,234	48,009	9,051
Income from operations net of income taxes	46,847	44,055	20,313
Depreciation	10,303	10,149	9,019
Cumulative effect of change in the method of accounting for income taxes	–	–	19,745
Identifiable assets at December 31	1,096,220	1,023,315	1,001,313
Total			
Revenues	$2,668,714	$2,491,343	$2,448,853
Income from operations	621,000	535,345	489,188
Income from operations net of income taxes	482,928	431,998	403,641
Depreciation	236,774	223,483	201,264
Cumulative effect of change in the method of accounting for income taxes	–	–	19,745
Construction expenditures (including AFC)	477,878	389,416	456,244
Identifiable assets at December 31	7,816,995	7,110,709	6,931,862
Other assets at December 31	170,044	263,648	206,127
Total assets at December 31	7,987,039	7,374,357	7,137,989

NOTE 3. SUBSIDIARY INFORMATION

Diversified businesses consist of the operations of Constellation Holdings, Inc. and its subsidiaries and BNG, Inc.

Constellation Holdings, Inc., a wholly owned subsidiary, holds all of the stock of three other subsidiaries, Constellation Real Estate Group, Inc., Constellation Energy, Inc., and Constellation Investments, Inc. These companies are engaged in real estate development and ownership of senior living facilities; development, ownership, and operation of power generation systems; and financial investments, respectively.

BNG, Inc. is a wholly owned subsidiary which invests in natural gas reserves.

BGE's investment in Safe Harbor Water Power Corporation, a producer of hydroelectric power, represents two-thirds of Safe Harbor's total capital stock, including one-half of the voting stock, and a two-thirds interest in its retained earnings.

The following is condensed financial information for Constellation Holdings, Inc. and its subsidiaries. Similar information is not presented for Safe Harbor Water Power Corporation and BNG, Inc. as the financial position and results of operations of these entities are immaterial. The condensed financial information for the Constellation Companies does not reflect the elimination of intercompany balances or transactions which are eliminated in the Company's consolidated financial statements.

	1993	1992	1991
	(In thousands, except per share amounts)		
Income Statements			
Revenues			
Real estate projects	$ 77,598	$ 76,582	$ 75,205
Power generation systems	24,971	28,084	17,732
Financial investments	21,195	21,485	8,059
Total revenues	123,764	126,151	100,996
Expenses other than interest and income taxes	80,427	77,872	91,848
Income from operations	43,337	48,279	9,148
Minority interest	(280)	718	3,550
Interest expense	(33,143)	(30,103)	(32,938)
Income tax benefit (expense)	1,984	(3,637)	9,005
Cumulative effect of change in the method of accounting for income taxes	—	—	19,745
Net income	$ 11,898	$ 15,257	$ 8,510
Contribution to the Company's earnings per share of common stock	$ .08	$ .11	$ .07
Balance Sheets			
Current assets	$ 54,039	$ 29,899	$ 20,463
Noncurrent assets	1,036,507	990,273	976,179
Total assets	$1,090,546	$1,020,172	$996,642
Current liabilities	$ 24,201	$ 113,404	$285,130
Noncurrent liabilities	759,048	611,370	431,370
Shareholder's equity	307,297	295,398	280,142
Total liabilities and shareholder's equity	$1,090,546	$1,020,172	$996,642

NOTE 4. REAL ESTATE PROJECTS AND FINANCIAL INVESTMENTS

Real estate projects consist of the following investments held by the Constellation Companies:

At December 31,	1993	1992
	(In thousands)	
Properties under development	**$249,473**	$231,856
Rental and operating properties (net of accumulated depreciation)	**237,194**	227,412
Other real estate ventures	**730**	2,774
Total	**$487,397**	$462,042

In 1991, a subsidiary of Constellation Holdings, Inc. recognized a loss of $10 million to write down the carrying value of certain operating properties and properties under development to reflect the depressed real estate and economic markets.

Financial investments consist of the following investments held by the Constellation Companies:

At December 31,	1993	1992
	(In thousands)	
Insurance companies	**$ 83,275**	$ 93,048
Financial limited partnerships	**44,903**	41,076
Leveraged leases	**38,669**	39,441
Marketable equity securities	**42,681**	25,304
Other securities	**3,787**	8,142
Total	**$213,315**	$207,011

In 1991, a subsidiary of Constellation Holdings, Inc. recognized a loss of $10.5 million to write-down the carrying value of financial investments to reflect previously unrealized losses on certain marketable equity securities. The securities written down were subsequently sold. A subsidiary of Constellation Holdings, Inc. also recognized a loss of $3.1 million on two financial limited partnerships that were adjusted to reflect market value when the partnerships were reclassified as short-term investments.

As of December 31, 1993, gross unrealized gains and losses applicable to marketable equity securities totaled $1.8 and $0.5 million, respectively. Net realized gains (losses) from financial investments included in net income totaled $6.5 million in 1993, $9.8 million in 1992, and $(11.6) million in 1991. 39

NOTE 5. REGULATORY ASSETS

Certain utility expenses and credits normally reflected in income are deferred on the balance sheet as regulatory assets and liabilities and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers in utility revenues. The following table sets forth BGE's regulatory assets.

At December 31,	1993	1992
	(In thousands)	
Income taxes recoverable through future rates	**$259,856**	$216,939
Deferred fuel costs	**130,052**	181,497
Deferred termination benefit costs	**96,793**	–
Deferred nuclear expenditures	**86,726**	76,549
Deferred postemployment benefit costs	**62,892**	–
Deferred cost of decommissioning federal uranium enrichment facilities	**49,562**	55,000
Deferred energy conservation expenditures	**38,655**	20,519
Deferred environmental costs	**32,966**	–
Other	**10,623**	18,059
Total	**$768,125**	$568,563

Income taxes recoverable through future rates represent principally the tax effect of depreciation differences not normalized and the allowance for equity funds used during construction, offset by unamortized deferred tax rate differentials and deferred taxes on deferred ITC. These amounts are amortized as the related temporary differences reverse. See Note 1 for a further discussion of income taxes.

Deferred fuel costs represent the difference between actual fuel costs and the fuel rate revenues under BGE's fuel clauses (see Note 1). Deferred fuel costs are amortized as they are collected from customers.

The underrecovered costs deferred under the fuel clauses were as follows:

At December 31,	1993	1992
	(In thousands)	
Electric		
Costs deferred	**$155,901**	$210,483
Reserve for possible disallowance of replacement energy costs (see Note 13)	**(35,000)**	(35,000)
Net electric	**120,901**	175,483
Gas	**9,151**	6,014
Total	**$130,052**	$181,497

Deferred termination benefit costs represent the net unamortized balance of the cost of certain termination benefits (see Note 7) applicable to BGE's regulated operations. These costs are being amortized over a five-year period in accordance with rate actions of the PSC.

Deferred nuclear expenditures represent the net unamortized balance of certain operations and maintenance costs which are being amortized over the remaining life of the Calvert Cliffs Nuclear Power Plant in accordance with orders of the PSC. These expenditures consist of costs incurred from 1979 through 1982 for inspecting and repairing seismic pipe supports, expenditures incurred from 1989 through 1993 associated with nonrecurring phases of certain nuclear operations projects, and expenditures incurred during 1990 for investigating leaks in the pressurizer heater sleeves.

Deferred postemployment benefit costs represent the excess of such costs recognized in accordance with Statements of Financial Accounting Standards No. 106 and No. 112 over the amounts reflected in utility rates. These costs will be amortized over a 15-year period beginning no later than 1998 (see Note 6).

Deferred cost of decommissioning federal uranium enrichment facilities represents the unamortized portion of BGE's required contributions to a fund for decommissioning and decontaminating the Department of Energy's (DOE) uranium enrichment facilities. The Energy Policy Act of 1992 requires domestic utilities to make such contributions, which are generally payable over a fifteen-year period with escalation for inflation and are based upon the amount of uranium enriched by DOE for each utility. These costs are being amortized over the contribution period as a cost of fuel.

Deferred energy conservation expenditures represent the net unamortized balance of certain operations costs which are being amortized over five years in accordance with orders of the PSC. These expenditures consist of labor, materials, and indirect costs associated with the conservation programs approved by the PSC.

Deferred environmental costs represent the estimated costs of investigating contamination and performing certain remediation activities at contaminated Company-owned sites (see Note 13). These costs are generally amortized over the estimated term of the remediation process.

Electric deferred fuel costs in excess of $72.8 million are excluded from rate base by the PSC for ratemaking purposes. Effective April 24, 1993, BGE has been authorized by the PSC to accrue carrying charges on electric deferred fuel costs excluded from rate base. These carrying charges are accrued prospectively at the 9.40% authorized rate of return. The income effect of the equity funds portion of the carrying charges is being deferred until such amounts are recovered in utility service rates subsequent to the completion of the fuel rate proceeding examining the 1989-1991 outages at Calvert Cliffs Nuclear Power Plant as discussed in Note 13.

NOTE 6 PENSION AND POSTEMPLOYMENT BENEFITS

Pension Benefits

The Company sponsors several noncontributory defined benefit pension plans, the largest of which (the Pension Plan) covers substantially all BGE employees and certain employees of the Constellation Companies. The other plans, which are not material in amount, provide supplemental benefits to certain non-employee directors and key employees. Benefits under the plans are generally based on age, years of service, and compensation levels.

Prior service cost associated with retroactive plan amendments is amortized on a straightline basis over the average remaining service period of active employees.

The Company's funding policy is to contribute annually the cost of the Pension Plan as determined under the projected unit credit cost method. Pension Plan assets at December 31, 1993 consisted primarily of marketable fixed income and equity securities, group annuity contracts, and short-term investments.

The following tables set forth the combined funded status of the plans and the composition of total net pension cost. Due to declining interest rates, the Company reduced the discount rate used to measure its liability for pension, postretirement, and postemployment benefits to 7.5% as of December 31, 1993. This decrease in the discount rate, coupled with the increased pension liability resulting from the 1993 Voluntary Special Early Retirement Program, produced an accumulated pension obligation greater than the fair value of the Pension Plan's assets. As a result, the Company recorded a pension liability adjustment, a portion of which was charged to shareholders' equity.

At December 31,	1993	1992
	(In thousands)	
Vested benefit obligation	$677,069	$485,098
Nonvested benefit obligation	11,359	9,814
Accumulated benefit obligation	688,428	494,912
Projected benefits related to increase in future compensation levels	109,161	86,882
Projected benefit obligation	797,589	581,794
Plan assets at fair value	(605,629)	(542,190)
Projected benefit obligation less plan assets	191,960	39,604
Unrecognized prior service cost	(21,252)	(17,671)
Unrecognized net loss	(148,450)	(28,017)
Pension liability adjustment	58,553	—
Unamortized net asset from adoption of FASB Statement No. 87	1,812	2,039
Accrued pension liability (asset)	$ 82,623	$ (4,045)

Year Ended December 31,	1993	1992	1991
		(In thousands)	
Components of net pension cost			
Service cost-benefits earned during the period	$11,645	$11,771	$11,729
Interest cost on projected benefit obligation	51,183	47,355	43,143
Actual return on plan assets	(56,225)	(33,685)	(56,737)
Net amortization and deferral	6,591	(12,257)	12,810
Total net pension cost	13,194	13,184	10,945
Amount capitalized as construction cost	(1,800)	(1,839)	(1,500)
Amount charged to expense	$11,394	$11,345	$ 9,445

Net pension cost shown above does not include the cost of termination benefits described in Note 7.

The Company also sponsors a defined contribution savings plan covering all eligible BGE employees and certain employees of the Constellation Companies. Under this plan, the Company makes contributions on behalf of participants. Company contributions to this plan totaled $9 million, $14.8 million, and $10.6 million in 1993, 1992, and 1991, respectively.

Postretirement Benefits

The Company sponsors defined benefit postretirement health care and life insurance plans which cover substantially all BGE employees and certain employees of the Constellation Companies. Benefits under the plans are generally based on age, years of service, and pension benefit levels. The postretirement benefit (PRB) plans are unfunded. Substantially all of the health care plans are contributory, and participant contributions for employees who retire after June 30, 1992 are based on age and years of service. Retiree contributions increase commensurate with the expected increase in medical costs. The postretirement life insurance plan is noncontributory.

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, which requires a change in the method of accounting for postretirement benefits other than pensions from the pay-as-you-go method used prior to 1993 to the accrual method. The transition obligation existing at the beginning of 1993 is being amortized over a twenty-year period.

In April 1993, the PSC issued a rate order authorizing BGE to recognize in operating expense one-half of the annual increase in PRB costs applicable to regulated operations as a result of the adoption of Statement No. 106 and to defer the remainder of the annual increase in these costs for inclusion in BGE's next base rate proceeding. In accordance with the PSC's Order, the increase in annual PRB costs applicable to regulated operations for the period January through April 1993, net of amounts capitalized as construction cost, has been deferred. This amount, which totaled $5.7 million, as well as all amounts to be deferred prior to completion of BGE's next base rate proceeding, will be amortized over a 15-year period beginning no later than 1998 in accordance with the PSC's Order. This phase-in approach meets the guidelines established by the Emerging Issues Task Force of the Financial Accounting Standards Board for deferring postretirement benefit costs as a regulatory asset. Accrual-basis PRB costs applicable to nonregulated operations are charged to expense.

The following table sets forth the components of the accumulated postretirement benefit obligation and a reconciliation of these amounts to the accrued postretirement benefit liability.

At December 31,	1993		1992	
	Health Care	Life Insurance	Health Care	Life Insurance
		(In thousands)		
Accumulated postretirement benefit obligation:				
Retirees	$182,638	$45,461	$116,935	$34,600
Fully eligible active employees	19,177	839	18,082	143
Other active employees	58,832	15,377	54,208	16,458
Total accumulated postretirement benefit obligation	260,647	61,677	189,225	51,201
Unrecognized transition obligation	(179,764)	(48,641)	(189,225)	(51,201)
Unrecognized net loss	(36,675)	(9,072)	—	—
Accrued postretirement benefit liability	$ 44,208	$ 3,964	$ —	$ —

The following table sets forth the composition of net postretirement benefit cost.

Year ended December 31,	1993
	(In thousands)
Components of net postretirement benefit cost:	
Service cost—benefits earned during the period	$ 4,373
Interest cost on accumulated postretirement benefit obligation	20,451
Amortization of transition obligation	12,021
Total net postretirement benefit cost	36,845
Amount capitalized as construction cost	(5,898)
Amount deferred	(11,965)
Amount charged to expense	$18,982

Net postretirement benefit costs shown above do not include the cost of termination benefits described in Note 7.

Postretirement benefit costs recognized under the pay-as-you-go method were as follows:

Year ended December 31,	1992	1991
	(In thousands)	
Total postretirement benefit cost	$11,676	$9,741
Amount capitalized as construction cost	(1,911)	(1,573)
Amount charged to expense	$ 9,765	$8,168

Other Postemployment Benefits

The Company provides certain pay continuation payments and health and life insurance benefits to employees of BGE and certain of the Constellation Companies who are determined to be disabled under BGE's Long-Term Disability Plan. The Company adopted Statement of Financial Accounting Standards No. 112, which requires a change in the method of accounting for these benefits from the pay-as-you-go method to an accrual method, as of December 31, 1993. The liability for these benefits totaled $52.1 million as of December 31, 1993, and the portion of this liability attributable to regulated activities was deferred. The amounts deferred will be amortized over a 15-year period beginning no later than 1998. The adoption of Statement No. 112 did not have a material impact on net income. The increase in the annual cost of these benefits subsequent to the adoption of accrual accounting is not expected to have a material impact on the Company's financial statements.

Assumptions

The pension and postemployment benefit liabilities were determined using the following assumptions.

At December 31,	1993	1992
Assumptions:		
Discount rate	7.5%	8.75%
Average increase in future compensation levels	4.5%	4.5%
Expected long-term rate of return on assets	9.5%	9.5%

The health care inflation rates for 1993 are assumed to be 9.5% for Medicare-eligible retirees and 12% for retirees not covered by Medicare. Both rates are assumed to decrease by 0.5% annually to an ultimate rate of 5.5% in the years 2001 and 2006, respectively. A one percentage point increase in the health care inflation rate from the assumed rates would increase the accumulated postretirement benefit obligation by approximately $37.8 million as of December 31, 1993 and would increase the aggregate of the service cost and interest cost components of postretirement benefit cost by approximately $3.8 million annually.

NOTE 7. TERMINATION BENEFITS

The Company offered a Voluntary Special Early Retirement Program (the 1992 VSERP) to eligible employees who retired during the period February 1, 1992 through April 1, 1992. In accordance with Statement of Financial Accounting Standards No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," the cost of termination benefits associated with the 1992 VSERP, which consisted principally of an enhanced pension benefit, was recognized in 1992 and reduced net income by $6.6 million, or 5¢ per common share. In April 1993, the PSC authorized BGE to amortize this charge over a five-year period for ratemaking purposes. Accordingly, BGE established a regulatory asset and recorded a corresponding credit to operating expense for this amount. The reversal of the 1992 VSERP in April 1993 increased net income by $6.6 million, or 5¢ per common share.

The Company offered a second Voluntary Special Early Retirement Program (the 1993 VSERP) to eligible employees who retired as of February 1, 1994. The one-time cost of the 1993 VSERP consisted of enhanced pension and postretirement benefits. In addition to the 1993 VSERP, further employee reductions have been accomplished through the elimination of certain positions, and various programs have been offered to employees impacted by the eliminations. In accordance with Statement No. 88, the cost of termination benefits associated with the 1993 VSERP and various programs, which totaled $105.5 million, was recognized in 1993. The $88.3 million portion of 1993 VSERP attributable to regulated activities was deferred and will be amortized over a five-year period for ratemaking purposes, beginning in February 1994, consistent with previous rate actions of the PSC. The $17.2 million remaining portion of the cost of termination benefits was charged to expense in 1993.

NOTE 8. SHORT-TERM BORROWINGS

Information concerning commercial paper notes and lines of credit is set forth below. In support of the lines of credit, the Company pays commitment fees and, in some cases, maintains compensating balances which have no withdrawal restrictions. Borrowings under the lines are at the banks' prime rates, base interest rates, or at various money market rates.

	1993	1992	1991
	(Dollar amounts in thousands)		
BGE's Commercial Paper Notes			
Borrowings outstanding at December 31	**$ –**	$ 11,900	$159,500
Weighted average interest rate of notes outstanding at December 31	**– %**	3.62%	4.75%
Unused lines of credit supporting commercial paper notes at December 31 (a)	**$208,000**	$203,000	$303,000
Maximum borrowings during the year	**96,900**	393,650	336,200
Average daily borrowings during the year (b)	**10,322**	98,892	210,883
Weighted average interest rate for the year (c)	**3.28%**	4.79%	6.08%
Constellation Companies' Lines of Credit			
Borrowings outstanding at December 31	**$ –**	$ –	$ 52,670
Weighted average interest rate of borrowings outstanding at December 31	**– %**	– %	5.94%
Unused lines of credit at December 31	**$ 20,000**	$ –	$ 8,000
Maximum borrowings during the year	**–**	60,670	75,000
Average daily borrowings during the year (b)	**–**	31,773	61,860
Weighted average interest rate for the year (c)	**– %**	6.01%	7.19%

(a) BGE decreased its lines of credit supporting commercial paper notes to $143 million effective January 1, 1994.
(b) The sum of dollar days of outstanding borrowings divided by the number of days in the period.
(c) Total interest accrued during the period divided by average daily borrowings.

NOTE 9. LONG-TERM DEBT

First Refunding Mortgage Bonds of BGE
Substantially all of the principal properties and franchises owned by BGE, as well as the capital stock of Constellation Holdings, Inc., Safe Harbor Water Power Corporation, and BNG, Inc., are subject to the lien of the mortgage under which BGE's outstanding First Refunding Mortgage Bonds have been issued.

On August 1 of each year, BGE is required to pay to the mortgage trustee an annual sinking fund payment equal to 1% of the largest principal amount of Mortgage Bonds outstanding under the mortgage during the preceding twelve months. Such funds are to be used, as provided in the mortgage, for the purchase and retirement by the trustee of Mortgage Bonds of any series other than the Installment Series of 2002 and 2009, the 9⅛% Series of 1995, the 8.40% Series of 1999, the 5½% Series of 2000, the 8⅜% Series of 2001, the 7¼% Series of 2002, the 6⅛% Series of 2003, the 6⅝% Series of 2003, the 5½% Series of 2004, the 6.80% Series of 2004, the 7½% Series of 2007, and the 6⅞% Series of 2008.

Other Long-Term Debt of BGE
BGE maintains revolving credit agreements that expire at various times during 1995 and 1996. Under the terms of the agreements, BGE may, at its option, obtain loans at various interest rates. A commitment fee is paid on the daily average of the unborrowed portion of the commitment. At December 31, 1993, BGE had no borrowings under these revolving credit agreements and had available $165 million of unused capacity under these agreements. Effective January 1, 1994, BGE decreased its revolving credit agreements to $125 million.

The Medium-term Notes Series A mature at various dates from February 1994 through February 1996. The weighted average interest rate for notes outstanding at December 31, 1993 is 7.93%.

The Medium-term Notes Series B mature at various dates from July 1998 through September 2006. The weighted average interest rate for notes outstanding at December 31, 1993 is 8.43%.

The Medium-term Notes Series C mature at various dates from June 1996 through June 2003. The weighted average interest rate for notes outstanding at December 31, 1993 is 7.16%.

The principal amounts of Installment Series Mortgage Bonds payable each year are as follows:

Year	Bonds Due 2002	Bonds Due 2009
	(In thousands)	
1994	$ 430	
1995 through 1997	605	
1998 and 1999	690	
2000 and 2001	865	
2002	6,725	
2005 through 2008		$ 3,250
2009		42,000

Long-Term Debt of Constellation Companies
The mortgage and construction loans and other collateralized notes have varying terms. Of the $151.2 million of variable rate notes, $51.1 million requires periodic interest only payments with various maturities from September 1995 through March 1996, and $100.1 million requires periodic payment of principal and interest with various maturities from January 1995 through January 2009. The $6.5 million, 7.73% mortgage note requires quarterly principal and interest payments through March 15, 2009.

The unsecured notes outstanding as of December 31, 1993 mature in accordance with the following schedule:

	(In thousands)
8.35%, due August 28, 1995	$ 20,000
8.71%, due August 28, 1996	23,000
6.19%, due September 9, 1996	10,000
8.93%, due August 28, 1997	52,000
6.65%, due September 9, 1997	15,000
8.23%, due October 15, 1997	30,000
7.05%, due April 22, 1998	25,000
7.06%, due September 9, 1998	20,000
8.48%, due October 15, 1998	75,000
7.30%, due April 22, 1999	90,000
8.73%, due October 15, 1999	15,000
7.55%, due April 22, 2000	35,000
7.43%, due September 9, 2000	30,000
Total	$440,000

Weighted Average Interest Rates for Variable Rate Debt
The weighted average interest rates for variable rate debt during 1993 and 1992 were as follows:

	1993	1992
BGE		
Loans under revolving credit agreements	– %	4.23%
Floating rate notes Series II	–	7.90
Pollution control loan	**2.39**	2.90
Port facilities loan	**2.53**	3.04
Adjustable rate pollution control loan	**3.00**	4.13
Economic development loan	**2.49**	3.11
Constellation Companies		
Mortgage and construction loans and other collateralized notes	**6.26**	6.74
Loans under credit agreements	**5.94**	6.15

Aggregate Maturities

The combined aggregate maturities and sinking fund requirements for all of the Company's long-term borrowings for each of the next five years are as follows:

Year	BGE	Constellation Companies
	(In thousands)	
1994	$ 32,728	$ 8,788
1995	218,429	81,260
1996	72,330	77,213
1997	80,754	112,359
1998	84,112	128,355

NOTE 10. REDEEMABLE PREFERENCE STOCK

The 6.95%, 1987 Series and the 7.80%, 1989 Series are subject to mandatory redemption in their entirety at par on October 1, 1995 and July 1, 1997, respectively.

The following series are subject to an annual mandatory redemption of the number of shares shown below at par beginning in the year shown below. At BGE's option, an additional number of shares, not to exceed the same number as are mandatory, may be redeemed at par in any year, commencing in the same year in which the mandatory redemption begins. The 8.25%, 1989 Series, the 8.625%, 1990 Series, and the 7.85%, 1991 Series listed below are not redeemable except through operation of a sinking fund.

Series	Shares	Beginning Year
7.50%, 1986 Series	15,000	1992
6.75%, 1987 Series	15,000	1993
8.25%, 1989 Series	100,000	1995
8.625%, 1990 Series	130,000	1996
7.85%, 1991 Series	70,000	1997

The combined aggregate redemption requirements for all series of redeemable preference stock for each of the next five years are as follows:

Year	*(In thousands)*
1994	$ 3,000
1995	63,000
1996	26,000
1997	83,000
1998	33,000

With regard to payment of dividends or assets available in the event of liquidation, preferred stock ranks prior to preference and common stock; all issues of preference stock, whether subject to mandatory redemption or not, rank equally; and all preference stock ranks prior to common stock.

NOTE 11. LEASES

The Company, as lessee, contracts for certain facilities and equipment under lease agreements with various expiration dates and renewal options. Consistent with the regulatory treatment, BGE lease payments are charged to expense. Lease expense, which is comprised primarily of operating leases, totaled $13.8 million, $14 million, and $12.6 million for the years ended 1993, 1992, and 1991, respectively.

The future minimum lease payments at December 31, 1993 for long-term noncancelable operating leases are as follows:

Year	*(In thousands)*
1994	$ 4,439
1995	4,185
1996	3,627
1997	2,755
1998	1,751
Thereafter	2,770
Total minimum lease payments	$19,527

Certain of the Constellation Companies, as lessor, have entered into operating leases for office and retail space. These leases expire over periods ranging from 1 to 23 years, with options to renew. The net book value of property under operating leases was $187 million at December 31, 1993. The future minimum rentals to be received under operating leases in effect at December 31, 1993 are as follows:

Year	*(In thousands)*
1994	$ 16,685
1995	15,222
1996	13,826
1997	12,398
1998	10,744
Thereafter	62,888
Total minimum rentals	$131,763

NOTE 12. TAXES OTHER THAN INCOME TAXES

Taxes other than income taxes were as follows:

Year Ended December 31,	**1993**	1992	1991
	(Dollar amounts in thousands)		
Real and personal property	**$107,958**	$100,419	$ 89,379
Public service company franchise	**48,693**	45,654	46,041
Social security	**35,724**	34,911	33,121
Other	**9,836**	9,355	9,026
Total taxes other than income taxes	**202,211**	190,339	177,567
Amounts included above charged to accounts other than taxes	**(7,379)**	(7,335)	(6,786)
Taxes other than income taxes per Consolidated Statements of Income	**$194,832**	$183,004	$170,781

NOTE 13. COMMITMENTS, GUARANTEES, AND CONTINGENCIES

Commitments

BGE has made substantial commitments in connection with its construction program for 1994 and subsequent years. In addition, BGE has entered into two long-term contracts for the purchase of electric generating capacity and energy. The contracts expire in 2001 and 2013. Total payments under these contracts were $68.7 million, $60.6 million, and $30 million during 1993, 1992, and 1991, respectively. At December 31, 1993, the estimated future payments for capacity and energy that BGE is obligated to buy under these contracts are as follows:

Year	*(In thousands)*
1994	$ 63,675
1995	71,884
1996	[illegible]
1997	[illegible]
1998	67,556
Thereafter	415,736
Total payments	$757,398

Certain of the Constellation Companies have committed to contribute additional capital and to make additional loans to certain affiliates, joint ventures, and partnerships in which they have an interest. As of December 31, 1993, the total amount of investment requirements committed to by the Constellation Companies is $44 million.

Guarantees
BGE has agreed to guarantee two-thirds of certain indebtedness incurred by Safe Harbor Water Power Corporation. The amount of such indebtedness totals $40 million, of which $26.7 million represents BGE's share of the guarantee. BGE believes that the risk of material loss on the loans guaranteed is minimal.

As of December 31, 1993, the total outstanding loans and letters of credit of certain power generation and real estate projects guaranteed by the Constellation Companies were $50 million. Also, the Constellation Companies have agreed to guarantee certain other borrowings of various power generation and real estate projects. The Company believes that the risk of material loss on the loans guaranteed and performance guarantees is minimal.

Environmental Matters
The Clean Air Act of 1990 (the Act) contains provisions designed to reduce sulfur dioxide and nitrogen oxide emissions from electric generating stations in two separate phases. Under Phase I of the Act, which must be implemented by 1995, BGE expects to incur expenditures of approximately $55 million, most of which is attributable to its portion of the cost of installing a flue gas desulfurization system at the Conemaugh generating station, in which BGE owns a 10.56% interest. BGE is currently examining what actions will be required in order to comply with Phase II of the Act, which must be implemented by 2000. However, BGE anticipates that compliance will be attained by some combination of fuel switching, flue gas desulfurization, unit retirements, or allowance trading.

At this time, plans for complying with nitrogen oxide (NO_x) control requirements under the Act are less certain because all implementation regulations have not yet been finalized by the government. It is expected that by the year 2000 these regulations will require additional NO_x controls for ozone attainment at BGE's generating plants and at other BGE facilities. The controls will result in additional expenditures that are difficult to predict prior to the issuance of such regulations. Based on existing and proposed ozone nonattainment regulations, BGE currently estimates that the NO_x controls at BGE's generating plants will cost approximately $70 million. BGE is currently unable to predict the cost of compliance with the additional requirements at other BGE facilities.

BGE has been notified by the Environmental Protection Agency (EPA) and several state agencies that it is being considered a potentially responsible party with respect to the cleanup of certain environmentally contaminated sites owned and operated by third parties. Although the cleanup costs for certain environmentally contaminated sites could be significant, BGE believes that the resolution of these matters will not have a material effect on BGE's financial position or results of operations.

Also, BGE is coordinating investigation of several former gas manufacturing plant sites, including exploration of corrective action options to remove coal tar. However, no formal legal proceedings have been instituted. In 1993, BGE accrued a liability of approximately $25.4 million for estimated future environmental costs at these sites. Based on previous actions of the PSC, BGE has deferred these estimated future costs, as well as actual costs which have been incurred to date, as a regulatory asset (see Note 5). The technology for cleaning up such sites is still developing, and potential remedies for these sites have not been identified. Cleanup costs in excess of the amounts recognized, which could be significant in total, cannot presently be estimated.

Nuclear Insurance
An accident or an extended outage at either unit of the Calvert Cliffs Nuclear Power Plant could have a substantial adverse effect on BGE. The primary contingencies resulting from an incident at the Calvert Cliffs plant would involve the physical damage to the plant, the recoverability of replacement power costs and BGE's liability to third parties for property damage and bodily injury. Although BGE maintains the various insurance policies currently available to provide coverage for portions of these contingencies, BGE does not consider the available insurance to be adequate to cover the costs that could result from a major accident or an extended outage at either of the Calvert Cliffs units.

In addition, in the event of an incident at any commercial nuclear power plant in the country, BGE could be assessed for a portion of any third party claims associated with the incident. Under the provisions of the Price Anderson Act, the limit for third party claims from a nuclear incident is $9.4 billion. If third party claims relating to such an incident exceed $200 million (the amount of primary insurance), BGE's share of the total liability for third party claims could be up to $159 million per incident, that would be payable at a rate of $20 million per year.

BGE and other operators of commercial nuclear power plants in the United States are required to purchase insurance to cover claims of certain nuclear workers. Other non-governmental commercial nuclear facilities may also purchase such insurance. Coverage of up to $400 million is provided for claims against BGE or others insured by these policies for radiation injuries. If certain claims were made under these policies, BGE and all policyholders could be assessed, with BGE's share being up to $6.2 million in any one year.

For physical damage to Calvert Cliffs, BGE has $2.7 billion of property insurance, including $1.4 billion from an industry mutual insurance company. If accidents at any insured plants cause a shortfall of funds at the industry mutual, BGE and all policyholders could be assessed, with BGE's share being up to $14.6 million.

If an outage at Calvert Cliffs is caused by an insured physical damage loss and lasts more than 21 weeks, BGE has up to $426 million per unit of insurance, provided by a different industry mutual insurance company for replacement power costs. This amount can be reduced by up to $85 million per unit if an outage to both units at Calvert Cliffs is caused by a singular insured physical damage loss. If an outage at any insured plant causes a short-fall of funds at the industry mutual, BGE and all policyholders could be assessed, with BGE's share being up to $9.4 million.

Recoverability of Electric Fuel Costs

By statute, actual electric fuel costs are recoverable so long as the PSC finds that BGE demonstrates that, among other things, it has maintained the productive capacity of its generating plants at a reasonable level. The PSC and Maryland's highest appellate court have interpreted this as permitting a subjective evaluation of each unplanned outage at BGE's generating plants to determine whether or not BGE had implemented all reasonable and cost effective maintenance and operating control procedures appropriate for preventing the outage. Effective January 1, 1987, the PSC authorized the establishment of the Generating Unit Performance Program (GUPP) to measure, annually, utility compliance with maintaining the productive capacity of generating plants at reasonable levels by establishing a system-wide generating performance target and individual performance targets for each base load generating unit. In future fuel rate hearings, actual generating performance after adjustment for planned outages will be compared to the system-wide target and, if met, should signify that BGE has complied with the requirements of Maryland law. Failure to meet the system-wide target will result in review of each unit's adjusted actual generating performance versus its performance target in determining compliance with the law and the basis for possibly imposing a penalty on BGE. Parties to fuel rate hearings may still question the prudence of BGE's actions or inactions with respect to any given generating plant outage, which could result in the disallowance of replacement energy costs by the PSC.

Since the two units at BGE's Calvert Cliffs Nuclear Power Plant utilize the lowest cost fuel, replacement energy costs associated with outages at these units can be significant. BGE cannot estimate the amount of replacement energy costs that could be challenged or disallowed in future fuel rate proceedings, but such amounts could be material.

In October 1988, BGE filed its first fuel rate application for a change in its electric fuel rate under the GUPP program. The resultant case before the PSC covers BGE's operating performance in calendar year 1987, and BGE's filing demonstrated that it met the system-wide and individual nuclear plant performance targets for 1987. In November 1989, testimony was filed on behalf of Maryland People's Counsel alleging that seven outages at the Calvert Cliffs plant in 1987 were due to management imprudence and that the replacement energy costs associated with those outages should be disallowed by the Commission. Total replacement energy costs associated with the 1987 outages were approximately $33 million.

In May 1989, BGE filed its fuel rate case in which 1988 performance was to be examined. BGE met the system-wide and nuclear plant performance targets in 1988. People's Counsel alleges that BGE imprudently managed several outages at Calvert Cliffs, and BGE estimates that the total replacement energy costs associated with these 1988 outages were approximately $2 million.

On November 14, 1991, a Hearing Examiner at the PSC issued a proposed Order, which became final on December 17, 1991 and concluded that no disallowance was warranted. The Hearing Examiner found that BGE maintained the productive capacity of the Plant at a reasonable level, noting that it produced a near record amount of power and exceeded the GUPP standard. Based on this record, the Order concluded there was sufficient cause to excuse any avoidable failures to maintain productive capacity at higher levels.

During 1989, 1990, and 1991, BGE experienced extended outages at Calvert Cliffs. In the Spring of 1989, a leak was discovered around the Unit 2 pressurizer heater sleeves during a refueling outage. BGE shut down Unit 1 as a precautionary measure on May 6, 1989 to inspect for similar leaks and none were found. However, Unit 1 was out of service for the remainder of 1989 and 285 days of 1990 to undergo maintenance and modification work to enhance the reliability of various safety systems, to repair equipment, and to perform required periodic surveillance tests. Unit 2, which returned to service on May 4, 1991, remained out of service for the remainder of 1989, 1990, and the first part of 1991 to repair the pressurizer, perform maintenance and modification work, and complete the refueling. The replacement energy costs associated with these extended outages for both units at Calvert Cliffs, concluding with the return to service of Unit 2, are estimated to be $458 million.

In a December 1990 order issued by the PSC in a BGE base rate proceeding, the PSC found that certain operations and maintenance expenses incurred at Calvert Cliffs during the test year should not be recovered from ratepayers. The PSC found that this work, which was performed during the 1989–1990 Unit 1 outage and fell within the test year, was avoidable and caused by BGE actions which were deficient.

The Commission noted in the order that its review and findings on these issues pertain to the reasonableness of BGE's test-year operations and maintenance expenses for purposes of setting base rates and not to the responsibility for replacement power costs associated with the outages at Calvert Cliffs. The PSC stated that its decision in the base rate case will have no *res judicata* (binding) effect in the fuel rate proceeding examining the 1989-1991 outages. The work characterized as avoidable significantly increased the duration of the Unit 1 outage. Despite the PSC's statement regarding no binding effect, BGE recognizes that the views expressed by the PSC make the full recovery of all of the replacement energy costs associated with the Unit 1 outage doubtful. Therefore, in December 1990, BGE recorded a provision of $35 million against the possible disallowance of such costs. BGE cannot determine whether replacement energy costs may be disallowed in the present fuel rate proceedings in excess of the provision, but such amounts could be material.

NOTE 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amount and fair value of financial instruments included in the Consolidated Balance Sheets.

At December 31,	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands)			
Current assets	$ 496,919	$ 496,919	$ 408,790	$ 408,790
Investments and other assets	125,046	129,752	93,834	97,135
Current liabilities	443,968	443,968	649,650	649,650
Capitalization	3,165,644	3,303,615	2,772,450	2,871,291

The carrying amount of current assets and current liabilities approximates fair value because of the short maturity of these instruments.

The fair value of investments and other assets is based on quoted market prices where available. Certain investments with a carrying amount of $70 million at December 31, 1993 and $71 million at December 31, 1992 are excluded from the amounts shown in investments and other assets because it was not practicable to determine their fair values. These investments include partnership investments in public and private equity and debt securities, partnership investments in solar powered energy production facilities, and investments in stock trusts.

Financial instruments included in capitalization are long-term debt and redeemable preference stock. The fair value of fixed-rate long-term debt and redeemable preference stock is estimated using quoted market prices where available, or by discounting remaining cash flows at the current market rate. The carrying amount of variable-rate long-term debt approximates fair value.

BGE and the Constellation Companies have loan guarantees totalling $26.7 million and $36 million, respectively, at December 31, 1993 and $30 and $38 million, respectively, at December 31, 1992 for which it is not practicable to determine fair value. It is not anticipated that these loan guarantees will need to be funded.

NOTE 15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following data are unaudited but, in the opinion of Management, include all adjustments necessary for a fair presentation. BGE's utility business is seasonal in nature with the peak sales periods generally occurring during the summer and winter months. Accordingly, comparisons among quarters of a year may not be indicative of overall trends and changes in operations.

	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(In thousands, except per-share amounts)				
1993					
Revenues	$683,825	$564,721	$774,064	$646,104	$2,668,714
Income from operations	136,094	107,387	287,461	90,058	621,000
Net income	65,796	55,876	157,058	31,136	309,866
Earnings applicable to common stock	55,276	45,300	146,511	20,940	268,027
Earnings per share of common stock	0.38	0.31	1.01	0.14	1.85
1992					
Revenues	$669,253	$540,895	$677,059	$604,136	$2,491,343
Income from operations	127,121	91,309	222,627	94,288	535,345
Net income	59,254	38,049	124,620	42,424	264,347
Earnings applicable to common stock	48,680	27,475	114,047	31,898	222,100
Earnings per share of common stock	0.37	0.20	0.84	0.22	1.63

Results for the second quarter of 1993 reflect the reversal of the cost of the termination benefits associated with the 1992 Voluntary Special Early Retirement Program (See Note 7).

Results for the third quarter of 1993 reflect the effects of the Omnibus Budget Reconciliation Act of 1993.

Results for the fourth quarter of 1993 reflect the cost of certain termination benefits (See Note 7).

Results for the first and third quarters of 1992 reflect the cost of termination benefits associated with the 1992 Voluntary Special Early Retirement Program (See Note 7).

The sum of the quarterly earnings per share amounts may not equal the total for the year due to changes in the average number of shares outstanding throughout the year.

Utility Operating Statistics

	1993	1992	1991	1990	1989
Electric Operating Statistics					
Revenues (In Thousands)					
Residential	**$ 931,643**	$ 839,954	$ 88[illegible],591	$ 718,032	$ 648,883
Commercial	**869,829**	842,694	850,038	758,573	668,819
Industrial	**199,042**	201,950	212,864	194,951	191,795
System Sales	**2,000,514**	1,884,598	1,945,4[illegible]3	1,671,556	1,509,498
Interchange Sales	**91,543**	64,323	23,8[illegible]5	26,629	17,802
Other	**23,098**	19,002	25,187	14,268	19,867
Total	**$2,115,155**	$1,967,923	$1,994,525	$1,712,453	$1,547,167
Sales (In Thousands)–MWH					
Residential	**10,614**	9,735	10,097	9,283	9,451
Commercial	**12,395**	11,90[illegible]	11,707	11,352	11,079
Industrial	**3,763**	3,663	3,708	3,743	4,261
System Sales	**26,772**	25,307	25,512	24,378	24,791
Interchange Sales	**4,149**	3,180	1,166	1,088	595
Total	**30,921**	28,487	26,678	25,466	25,386
Customers					
Residential	**968,212**	956,570	939,734	930,880	913,910
Commercial	**100,820**	99,673	98,254	96,567	95,102
Industrial	**3,800**	3,761	3,584	3,526	3,132
Total	**1,072,832**	1,060,004	1,041,572	1,030,973	1,012,144
Average Use per Residential Customer–KWH	**10,963**	10,177	10,744	9,973	10,341
Average Rate per KWH (System Sales)–¢					
Residential	**8.78**	8.63	8.74	7.73	6.87
Commercial	**7.02**	7.08	7.26	6.68	6.04
Industrial	**5.29**	5.51	5.74	5.21	4.50
Peak Load (One-hour)–MW	**5,876**	5,558	5,910	5,477	5,304
Capability at Summer Peak–MW	**6,701**	6,687	6,608	6,159	6,164
System Load Factor	**55.2%**	54.8%	52.4%	54.1%	57.4%
Gas Operating Statistics					
Revenues (In Thousands)					
Residential	**$ 265,601**	$ 242,737	$ 220,653	$ 218,967	$ 242,389
Commercial					
Excluding Delivery Service	**121,832**	112,147	96,189	89,573	112,630
Delivery Service	**3,287**	3,591	3,031	3,304	4,409
Industrial					
Excluding Delivery Service	**22,250**	21,123	14,855	32,439	18,363
Delivery Service	**12,920**	14,290	14,288	17,851	22,661
Other	**9,959**	9,049	9,179	11,285	11,349
Total	**$ 435,849**	$ 402,937	$ 358,195	$ 373,419	$ 411,801
Sales (In Thousands)–DTH					
Residential	**40,029**	39,042	36,519	35,026	39,806
Commercial					
Excluding Delivery Service	**23,830**	23,478	20,687	18,164	21,964
Delivery Service	**7,428**	7,102	6,433	5,872	5,778
Industrial					
Excluding Delivery Service	**5,298**	5,314	3,605	7,305	3,697
Delivery Service	**31,390**	33,638	34,240	34,720	39,452
Total	**107,975**	108,574	101,484	101,087	110,697
Customers					
Residential	**491,165**	486,863	482,085	482,680	482,538
Commercial	**37,518**	37,000	36,561	35,953	35,790
Industrial	**1,353**	1,412	1,385	1,401	1,398
Total	**530,036**	525,275	520,031	520,0[illegible]	519,726
Average Use per Residential Customer–Therms	**815**	802	758	[illegible]	825
Average Rate per Therm–$					
Residential	**.66**	.62	.60	[illegible]	.61
Commercial (Excluding Delivery Service)	**.51**	.48	.46	[illegible]	.51
Industrial (Excluding Delivery Service)	**.42**	.40	.41	.44	.50
Peak Day Sendout–DTH	**657,700**	609,200	610,200	653,900	663,200
Peak Day Capability–DTH	**847,000**	847,000	817,000	853,000	761,000

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

Corporate and Utility Officers

Christian H. Poindexter
Chairman of the Board and Chief Executive Officer
Age: 55 Years of service: 26

Edward A. Crooke
President and Chief Operating Officer
Age: 55 Years of service: 25

George C. Creel
Senior Vice President, Generation
Age: 59 Years of service: 38

Thomas F. Brady
Vice President, Customer Service & Distribution
Age: 44 Years of service: 24

Herbert D. Coss, Jr.
Vice President, Marketing & Gas Operations
Age: 59 Years of service: 37

Robert E. Denton
Vice President, Nuclear Energy
Age: 50 Years of service: 23

Carserlo Doyle
Vice President, Electric Interconnection & Transmission
Age: 49 Years of service: 22

Jon M. Files
Vice President, Management Services
Age: 58 Years of service: 36

Ronald W. Lowman
Vice President, Fossil Energy
Age: 49 Years of service: 25

G. Dowell Schwartz, Jr.
Vice President, General Services
Age: 57 Years of service: 35

Charles W. Shivery
Vice President, Finance & Accounting
Chief Financial Officer and Secretary
Age: 48 Years of service: 21

Joseph A. Tiernan
Vice President, Corporate Affairs
Age: 55 Years of service: 25

Richard M. Bange, Jr.
Controller and Assistant Secretary
Age: 49 Years of service: 22

Lynne H. Church
Treasurer and Assistant Secretary
Age: 50 Years of service: 9

Thomas E. Ruszin, Jr.
Assistant Treasurer
Age: 39 Years of service: 17

Changes in Officers and Directors

Effective January 1, 1994, the Board of Directors elected Carserlo Doyle, former Manager of Telecommunications, to the position of Vice President, Electric Interconnection & Transmission. He replaced Herbert D. Coss, Jr., who was named Vice President, Marketing & Gas Operations. Mr. Coss replaced Michael J. Chesser, who left the company in January 1994.

Also during 1993, Charles W. Shivery became Vice President of Finance & Accounting and Chief Financial Officer. Lynne H. Church was elected Treasurer and Assistant Secretary, and Richard M. Bange, Jr., was elected Controller and Assistant Secretary.

Effective July 1, 1993, George D. England retired from the company with more than 38 years of service.

Effective January 1, 1994, the following members of the Board were elected: James R. Curtiss, Dr. Freeman A. Hrabowski III, and Nancy Lampton.

The following members retired from the Board of Directors effective December 31, 1993: Leslie B. Disharoon, George G. Radcliffe, and Harry K. Wells.

Board of Directors


Mr. Poindexter


Mr. Baldwin


Mrs. Byron


Mr. Cole


Mr. Colussy


Mr. Crooke


Mr. Curtiss


Mr. Geckle


Dr. Hrabowski


Ms. Lampton


Mr. McGowan


Mr. Miller


Mr. Russell


Mr. Sullivan

Christian H. Poindexter
Chairman of the Board and Chief Executive Officer of the company; member since 1988; serves on executive committee.

H. Furlong Baldwin
Chairman of the Board and Chief Executive Officer, Mercantile Bankshares Corporation (bank holding company), Baltimore; member since 1988; serves on executive and long-range strategy committees.

Beverly B. Byron
Former Congresswoman, United States House of Representatives (government), Frederick, Maryland; member since 1993; serves on audit committee and committee on nuclear power.

J. Owen Cole
Chairman of the Executive Committee, First Maryland Bancorp (bank holding company), Baltimore; member since 1977; chairman of audit committee and serves on committee on management.

Dan A. Colussy
Chairman of the Board, President, and Chief Executive Officer, UNC Incorporated (aviation services), Annapolis, Maryland; member since 1992; chairman of committee on nuclear power and serves on committee on management.

Edward A. Crooke
President and Chief Operating Officer of the company; member since 1988; serves on executive committee.

James R. Curtiss, Esq.
Partner, Winston & Strawn (law firm), Washington, D.C.; former Commissioner, Nuclear Regulatory Commission, 1988–1993; member since 1994; serves on committee on nuclear power.

Jerome W. Geckle
Retired Chairman of the Board, PHH Corporation (vehicle, relocation, and management services), Baltimore; member since 1980; chairman of committee on management and serves on long-range strategy committee.

Dr. Freeman A. Hrabowski III
President, University of Maryland Baltimore County (education), Baltimore; member since 1994; serves on audit and executive committees.

Nancy Lampton
Chairman and Chief Executive Officer, American Life and Accident Insurance Company of Kentucky (insurance), Louisville, Kentucky; member since 1994; serves on long-range strategy committee.

George V. McGowan
Retired Chairman of the Board of the company; member since 1980; chairman of the executive committee and serves on committee on nuclear power.

Paul G. Miller
Chairman of the Board, Supercomputer Systems, Inc. (design, manufacture, and sale of supercomputers) and Chairman of the Board and Treasurer, LSC, Inc. (computer data storage systems), Baltimore; member since 1981; chairman of long-range strategy committee and serves on committee on nuclear power.

George L. Russell, Jr., Esq.
Partner, Piper & Marbury (law firm), Baltimore; member since 1988; serves on audit and executive committees.

Michael D. Sullivan
President, Merry Go Round Enterprises, Inc. (specialty retailing), Joppa, Maryland; member since 1992; serves on committee on management and long-range strategy committee.

OFFICERS

Christian H. Poindexter
Chairman of the Board, Constellation Holdings, Inc.
Age: 55

Bruce M. Ambler
President and Chief Executive Officer, Constellation Holdings, Inc.
Acting President, Constellation Energy, Inc.
Age: 54

Douglas S. Perry
Vice President and General Counsel, Constellation Holdings, Inc.
Age: 44

Steven D. Kesler
President, Constellation Investments, Inc.
Age: 42

Randall M. Griffin
President, Constellation Real Estate Group, Inc.
Age: 49

James W. Jeffcoat
President, Constellation Health Services, Inc.
Age: 40

Robert E. Windham
President, Church Street Station, Inc.
Age: 51

CONSTELLATION HOLDINGS

Constellation Holdings provides direction to all of its operating subsidiaries and furnishes them with legal, financial, tax, accounting, and personnel services. In addition, decisions on new investments are controlled from Constellation Holdings.

CONSTELLATION ENERGY

This is the senior member of our Energy Group. Under the auspices of Constellation Energy, the company participates in a number of alternative energy and co-generation projects producing electricity for sale to other utilities. The energy group develops, arranges financing for, builds, and operates a number of wholesale power projects throughout the country.

CONSTELLATION REAL ESTATE GROUP

This is the parent company of several businesses, including Church Street Station in Orlando, Florida, that operate projects in several real estate categories. Constellation Real Estate performs development, construction, and operational activities. Constellation Health Services, through joint ventures, owns senior-living and retirement communities, as well as assisted-living facilities for the elderly.

CONSTELLATION INVESTMENTS

Constellation Investments serves as a significant provider of current income from its investments in securities, investment partnerships, and financial-service companies.

CHANGES IN OFFICERS

Bruce M. Ambler became Acting President of Constellation Energy when Terry L. Ogletree resigned from the company effective March 31, 1993.

Randall M. Griffin became President of Constellation Real Estate Group on May 24, 1993. J. Richard O'Connell, who was President of Constellation Real Estate, Inc., resigned from the company on July 1, 1993.


Mr. Poindexter


Mr. Ambler


Mr. Baldwin


Mr. Crooke


Mr. Geckle


Mr. Kay


Mr. McGowan


Mr. Miller


Mr. Shattuck


Mr. Trueschler

CHANGES IN DIRECTORS

Effective June 18, 1993, Edward A. Crooke was elected to the Board of Constellation Holdings.

On December 31, 1993, Leslie B. Disharoon retired from the Board of Constellation Holdings.

Effective February 1, 1994, Mayo A. Shattuck III was elected to the Board of Constellation Holdings.

BOARD OF DIRECTORS

Christian H. Poindexter
Chairman of the Board, Constellation Holdings; Chairman of the Board and Chief Executive Officer, Baltimore Gas and Electric Company; member since 1985.

Bruce M. Ambler
President and Chief Executive Officer, Constellation Holdings; member since 1989.

H. Furlong Baldwin
Chairman of the Board and Chief Executive Officer, Mercantile Bankshares Corporation (bank holding company), Baltimore; member since 1987; serves on audit committee.

Edward A. Crooke
President and Chief Operating Officer, Baltimore Gas and Electric Company; member since 1993.

Jerome W. Geckle
Retired Chairman of the Board, PHH Corporation (vehicle, relocation, and management services), Baltimore; member since 1985; chairman of committee on management.

Edward W. Kay
Retired Co-Chairman and Chief Operating Officer, Ernst & Young (certified public accountants), Washington, D.C.; member since 1988; chairman of audit committee.

George V. McGowan
Former Chairman of the Board and Chief Executive Officer, Baltimore Gas and Electric Company; member since 1983.

Paul G. Miller
Chairman of the Board, Supercomputer Systems, Inc. (design, manufacture, and sale of supercomputers), and Chairman of the Board and Treasurer, LSC, Inc. (computer data storage systems), Baltimore; member since 1984; serves on audit committee.

Mayo A. Shattuck III
President and Chief Operating Officer, Alex. Brown Inc. (investment banking and securities brokerage), Baltimore; member since 1994.

Bernard C. Trueschler
Former Chairman of the Board and Chief Executive Officer, Baltimore Gas and Electric Company; member since 1983.

Five-Year Statistical Summary

	1993	1992	1991	1990	1989
Common Stock Data					
Quarterly Earnings Per Share					
First Quarter	**$ .38**	$ .37	$ .40	$ .54	$ .53
Second Quarter	**.31**	.20	.38	.23	.30
Third Quarter	**1.01**	.84	.84	.72	.91
Fourth Quarter	**.14**	.22	.05	(.09)	.29
Total	**$1.85**	$1.63	$1.67	$1.40	$2.03
Dividends					
Dividends declared per share	**$1.47**	$1.43	$1.40	$1.40	$1.38
Dividends paid per share	**1.46**	1.42	1.40	1.40	1.37
Dividend payout ratio	**79.5%**	87.7%	83.8%	100.0%	68.0%
Market Prices					
High	**$27½**	$24⅛	$22⅞	$23⅛	$23¼
Low	**22⅜**	19⅝	17⅛	16¼	19
Close	**25⅜**	23⅜	22⅞	18⅝	23
Capital Structure					
Consolidated					
Long-term debt	**47.4%**	46.1%	47.8%	47.9%	44.9%
Short-term debt	**–**	0.2	3.8	4.1	2.6
Preferred and preference stock	**9.2**	9.8	10.1	10.2	10.5
Common shareholders' equity	**43.4**	43.9	38.3	37.8	42.0
Utility Only					
Long-term debt	**44.5%**	42.9%	45.6%	45.0%	42.4%
Short-term debt	**–**	0.3	3.4	3.6	2.9
Preferred and preference stock	**10.9**	11.6	12.1	12.3	12.4
Common shareholders' equity	**44.6**	45.2	38.9	39.1	42.3

The sum of the quarterly earnings per share amounts may not equal the total for the year due to changes in the average number of shares outstanding throughout the year.

Shareholder Information

Common Stock Dividends and Price Ranges

	1993			1992		
	Dividend Declared	Price		Dividend Declared	Price	
		High	Low		High	Low
First Quarter	$ .36	$ 26⅛	$ 22⅜	$ .35	$ 23⅛	$ 19¾
Second Quarter	.37	26⅝	23⅞	.36	22⅝	19⅞
Third Quarter	.37	27½	25⅛	.36	24⅜	21½
Fourth Quarter	.37	26⅞	23½	.36	24⅛	21¾
Total	$ 1.47			$ 1.43		

Dividend Policy
The common stock is entitled to dividends when and as declared by the Board of Directors. There are no limitations in any indenture or other agreements on payment of dividends. Holders of preferred stock (first) and holders of preference stock (next), however, are entitled to receive, when and as declared from the surplus or net profits, cumulative yearly dividends at the fixed preferential rate specified for each series and no more, payable quarterly, and to receive when due the applicable preference stock redemption payments, before any dividend on the common stock shall be paid or set apart. Dividends have been paid on the common stock continuously since 1910. Future dividends depend upon future earnings, the financial condition of the company, and other factors. Quarterly dividends were declared on the common stock during 1993 and 1992 in the amounts set forth above.

Common Stock Dividend Dates
Record dates are normally on the 10th of March, June, September, and December. Quarterly dividends are customarily mailed to each shareholder on or about the 1st of April, July, October, and January.

Dividend Reinvestment and Stock Purchase Plan
The company's Dividend Reinvestment and Stock Purchase Plan provides an opportunity for holders of the company's common stock to acquire additional shares of such stock in a convenient and economical manner. Participants in the plan may reinvest cash dividends on all or a portion of their shares of common stock and/or make optional cash payments.

Stock Trading
The company's common stock, which is traded under the ticker symbol BGE, is listed on the New York, Chicago, and Pacific stock exchanges, and has unlisted trading privileges on the Boston, Cincinnati, and Philadelphia exchanges. As of December 31, 1993, there were 82,287 common shareholders of record.

Transfer Agent and Registrar
Harris Trust and Savings Bank
Chicago, Illinois

Annual Meeting
The annual meeting of shareholders will be held at 10:00 a.m. on Wednesday, April 20, 1994, at the Sheraton Inner Harbor Hotel, 300 South Charles Street, Baltimore, Maryland.

Form 10-K
Upon written request, the company will furnish, without charge, a copy of its Form 10-K annual report, including financial statements, after it is filed with the Securities and Exchange Commission in March 1994. Requests should be addressed to Charles W. Shivery, Chief Financial Officer and Secretary, Vice President–Finance & Accounting, P.O. Box 1475, Baltimore, Maryland 21203-1475.

Auditors
Coopers & Lybrand

Executive Offices
Gas and Electric Building
Charles Center
Baltimore, Maryland 21201
Mail: P.O. Box 1475
Baltimore, Maryland 21203-1475

Shareholders' Inquiries and Assistance
Shareholders desiring assistance with lost or stolen stock certificates or dividend checks, name changes, address changes, stock transfers, or other matters should call the shareholder services representatives on our toll-free telephone numbers.

The following toll-free telephone numbers are available during our business hours, 8:00 a.m. to 4:45 p.m.:

Baltimore Metropolitan Area	(410) 783-5920
Within Maryland	1-800-492-2861
Outside of Maryland	1-800-258-0499
TTY/TTD Hearing Impaired	1-800-492-5539

Letters should be addressed to:
Baltimore Gas and Electric Company
Shareholder Services
P.O. Box 1642
Baltimore, Maryland 21203-1642

BGE

P.O. Box 1475
Baltimore, Maryland 21203-1475