BALTIMORE GAS AND ELECTRIC

1650 CALVERT CLIFFS PARKWAY • LUSBY, MARYLAND 20657-4702

GEORGE C. CREEL
VICE PRESIDENT
NUCLEAR ENERGY
(410) 260-4455

July 31, 1992

U. S. Nuclear Regulatory Commission
Washington, DC 20555

ATTENTION: Director, Nuclear Reactor Regulation

SUBJECT: Calvert Cliffs Nuclear Power Plant
Unit Nos. 1 & 2; Docket Nos. 50-317 & 50-318
Guarantee of Retrospective Premium

Gentlemen:

In accordance with the requirements of 10 CFR 140.21, we are submitting our guarantee of payment of deferred premiums for our Calvert Cliffs Nuclear Power Plant reactors. Accordingly, we are enclosing herewith:

Exhibit I - A copy of the 1991 Annual Report to Shareholders of Baltimore Gas and Electric Company containing certified financial statements.

Exhibit II - A copy of quarterly financial statements as of June 30, 1992.

Exhibit III - A copy of Projected Cash Flow for the twelve months ended July 31, 1993.

Exhibit IV - Narrative statement on curtailment/deferment of capital expenditures (if any) to ensure that retrospective premiums up to $10 million per reactor per year for each nuclear incident would be available for payment.

Should you have any further questions regarding this matter, we will be pleased to discuss them with you.

Very truly yours,

GC Creel

Cert NO P098603344

GCC/DWM/bjd

Enclosures

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EXHIBIT 1

Baltimore Gas and Electric Company

Building on the Past...

Building for the Future

Annual Report 1991

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Contents

How are we different?

We began 1991 by asking ourselves that question.

Our search for an answer became a formal program of corporate self-assessment. Through this program we began to explore our historical values. Two stood out: our dedication to provide outstanding customer service and our commitment to provide leadership in our industry and our community. For more than 175 years, those values have shaped our vision of the future.

Our foremost corporate goal is continuous improvement. In order to serve the best interests of our shareholders, customers, employees, and community, we want to perform and be recognized as a world-class energy company. The best way we can achieve that goal is to reaffirm our commitment to customer service and leadership. That reaffirmation is the foundation of our planning.

In the following pages we'll share with you our vision of the '90s—the strategies we believe will continue to set us apart. We're preparing for the decade to come by building on our proud past.

On the cover...

On the evening of June 11, 1816, Rembrandt Peale astonished a crowd gathered in his Baltimore museum by illuminating a room with burning gas described as a "ring beset with gems of light." Gas was proclaimed the fuel of the future. Less than a year later, Peale went on to use his stunning gas lamps to light the streets of Baltimore. He began with one lamp on a dark corner at Market and Lemmon Streets (now Baltimore and Holliday).

Today, Baltimore's gems of light are electric and spill into every corner of the city. But as we look forward to the 21st century, natural gas remains as much a fuel of the future as manufactured gas was in Peale's day. The gas and electric technology we develop today will make our lives more efficient, convenient, and environmentally sound in the future.

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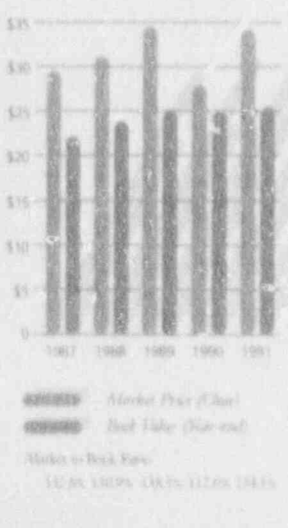
(In millions, except per share amounts)

	1991	1990	Percent Change
Common Stock Data			
Earnings per Share			
Utility Operations	$ 2.40	$ 1.92†	25.0 %
Diversified Activities	.11*	.18	(38.9)%
Total	$ 2.51	$ 2.10	19.5 %
Dividends Declared per Share	$ [illegible]10	$ 2.10	– %
Average Shares Outstanding	84.1	82.4	2.1 %
Return on Average Common Equity	9.9%	8.4%	–
Book Value per Share—Year End	$25.59	$24.87	2.5 %
Market Price per Share—Year End Close	34¼	28	22.3 %
Financial Data			
Revenues			
Electric	$1,994	$1,713	16.5 %
Gas	358	37[illegible]	(4.1)%
Diversified Activities	107	102	5.0 %
Total	$2,459	$2,188	12.4 %
Net Income	$ 253	$ 21[illegible]	18.9 %
Earnings Applicable to Common Stock	$ 211	$ 173	21.8 %
Assets			
Utility	$6,078	$5,669	7.2 %
Diversified	1,001	1,041	(3.8)%
Total	$7,079	$6,710	5.5 %
Utility Construction Expenditures	$ 456	$ 535	(14.8)%
BG&E Investment in Constellation Companies	$ 280	$ 253	10.9 %
Utility Sales Data			
Electric Sales—megawatthours	26.7	25.5	4.8 %
Gas Sales—dekatherms	101.5	101.1	0.4 %

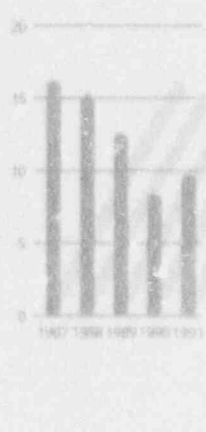
** Includes the effects of the accounting change for income taxes.*

† Includes a provision for possible fuel cost disallowance and the effects of the accounting change for unbilled revenues.

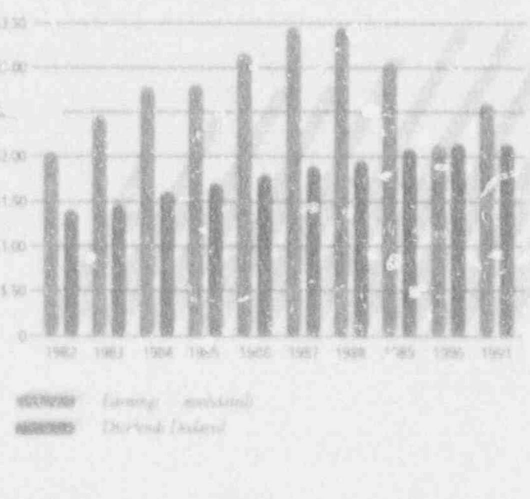
Common Stock Market Price and Book Value



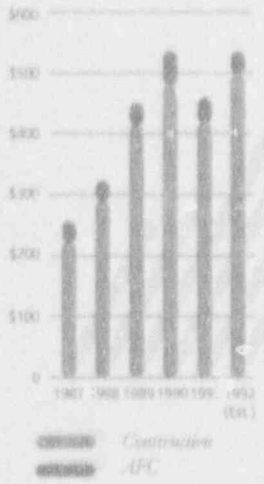
Return on Average Common Equity
Percent



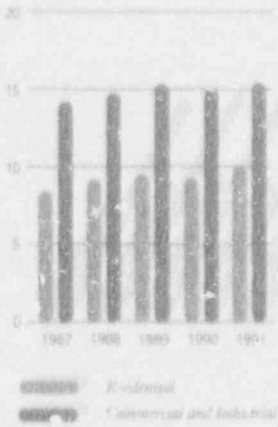
Earnings and Dividends Declared Per Share of Common Stock



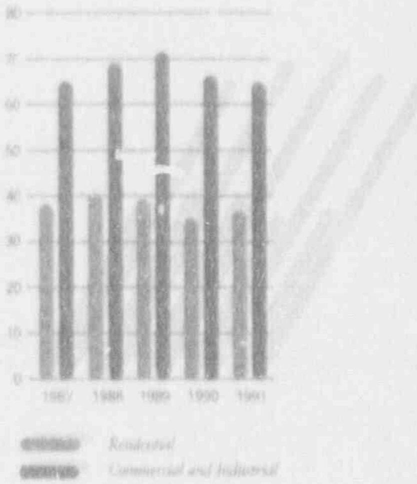
Utility Construction Expenditures



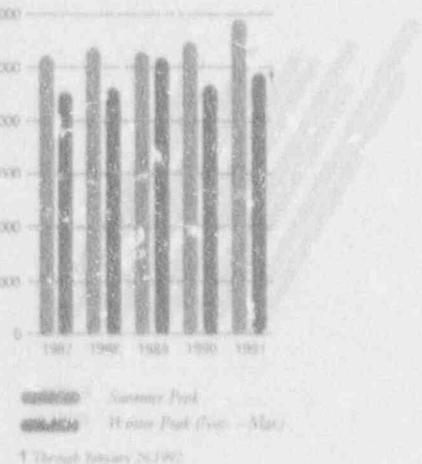
Sales of Electricity



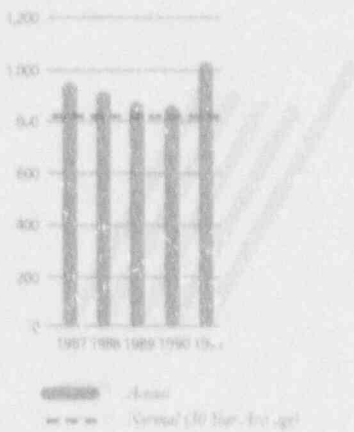
Sales of Gas



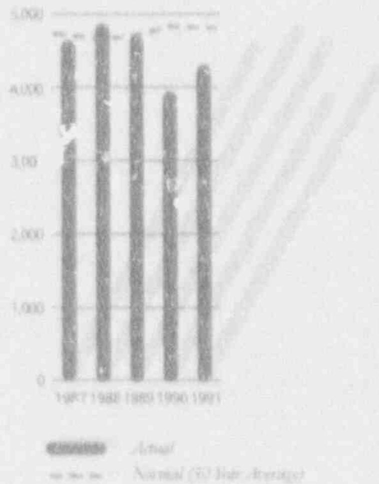
Electric Peak Load (One Hour)



Cooling Degree Days



Heating Degree Days



George V. McGowan
Chairman of the Board and Chief Executive Officer

Nineteen-ninety-one clearly represented a step in the right direction for our utility business. Despite the deep recession in our territory, our financial performance improved over 1990 with the help of higher service rates and record summer weather. Consolidated earnings were $2.51 per share, a $.41 increase from 1990. Utility operations contributed $2.40, a $.48 increase over 1990. Diversified business activities added $.11 a share, a $.07 decline from last year. The board of directors maintained the common stock dividends at the annual rate of $2.10 per share. This marks the 82nd consecutive year of uninterrupted cash dividends on our common shares.

As gratifying as the improvement in the bottom line is, the most important stories lie behind the figures. We achieved two major objectives in 1991: Calvert Cliffs Nuclear Power Plant resumed its role as the backbone of our generation system, producing 32% of our electricity; and we placed Brandon Shores Unit 2 into service in May. These two plants helped avoid reliability problems through a very hot summer. Looking to the future, I'm confident that we are in good shape to meet the capacity needs of our territory.

For the first time in several years, I can tell you that Calvert Cliffs is running well. We had several significant accomplishments at the plant: We received improved performance assessments from the Institute of Nuclear Power Operators and the Nuclear Regulatory Commission (NRC). We had two successfully planned and executed outages. We set plant records for radiation safety and hours worked without a lost-time accident. All of these achievements reflect the simple fact that Calvert Cliffs is doing its job.

In February of this year, we received some long-awaited recognition of the plant's improvement. The NRC removed Calvert Cliffs from its watch list. While this was an important event, it was not a signal to relax our efforts. Our work at Calvert Cliffs, as throughout BG&E, is geared to one goal: continuous improvement. We want to keep getting better, no matter how good we are at any given time.

The fact that Calvert Cliffs was operating for much of 1991 allowed us to reduce substantially our deferred-fuel balance. The fuel-rate case for the recovery of replacement energy costs as a result of the Calvert Cliffs outages of 1989-90 is still under way. Since there is no statutory limit on the time allowed

"Our strategy is to ensure steady long-term growth by providing consumers with new choices in energy products and services."

for that proceeding, we do not know when it will be resolved.

In terms of other rate issues, 1991 earnings reflect electric rate increases effective in December 1990, as well as the increase associated with Brandon Shores Unit 2 being placed in service in May 1991. It also reflects our purchase of power, beginning in October 1991, from Pennsylvania Power & Light Company's Susquehanna nuclear plant. On the gas side, the Public Service Commission of Maryland authorized a $4 million increase in our gas rates, beginning October 1991. This represents a 1% increase in annual gas revenues.

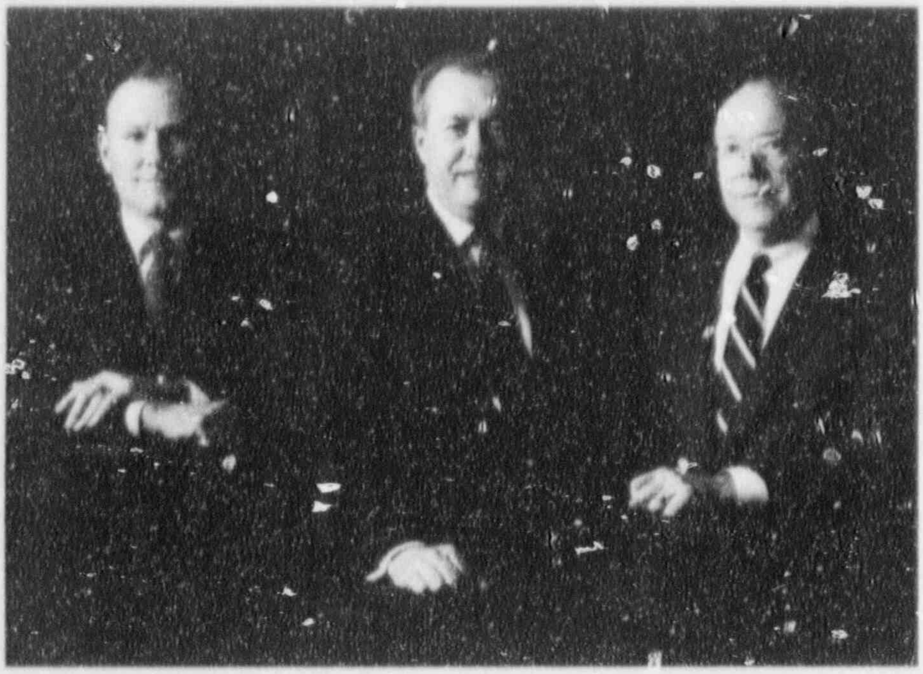
Toward the middle of this decade, Central Maryland will need additional generating capacity. The question of how to supply that generation has become a far more complex issue than it used to be, because we have more options to factor into our integrated resource plan. On the demand side, improvements in technology mean that conservation can play a growing role. We are committed to marketing conservation equipment aggressively and to working with the state and the community to develop a comprehensive conservation strategy. On the supply side, the opening of the power-production business to a greater number and variety of players means greater opportunities to purchase power. Over the long term, conservation and non-utility generation will be options that complement our construction of new generating plants.

I want to add a word of caution here, though, about the relationship of independent power projects and utilities. Through our Constellation Energy Group, we serve as an independent power producer on the national level. In fact, we see the energy field as the primary focus for Constellation's future growth. As pleased as I am to see the growth of the independent power market, I'm also very aware that the utility bears the responsibility to provide reliable service. That is why we proceed cautiously when talking to independent producers. Not every proposal presented by a non-utility generator is good for our customers. We look for projects that meet our needs in terms of timing, location, reliability, and cost. If a third-party producer can meet those needs, then we're interested. That was the case with the AES Corporation. We recently signed a contract with them to develop, construct, and operate a 300-megawatt coal-fired plant in the northern part of our territory.

It's still our job as a utility to select the most cost-effective option for our customers. We will build a plant ourselves, as we are doing with our Perryman project in Harford County, unless a third party better meets our customers' needs. These increased options give us greater choice; they don't shift the burden of responsibility.

Looking back on 1991 from a corporate perspective, it was, in most ways, the kind of year I enjoy reporting. We completed a number of important projects. We continued to streamline and improve our organization. We strengthened our earnings. Although the performance of our Constellation subsidiaries as a whole was disappointing, their results do correspond with the recessionary economy. This is particularly in line with a downturn in certain financial investments and the severely depressed real estate market in the Baltimore-Washington area. More important in terms of Constellation's ultimate direction, the Energy Group continued to expand. Although its 1991 results were lower than we had hoped, this was caused in part by a delay in the recognition of income on certain projects that will appear as 1992, rather than 1991, income. From our perspective as both a utility and an independent power producer, the energy business has a bright future.

The current economic slowdown, however, means that it will take longer for us to realize the growth we envision. Barring a repeat of last



from the left:
Bruce M. Ambler
President and Chief Executive Officer, Constellation Holdings, Inc.
Christian H. Poindexter,
Vice Chairman of the Board
Edward A. Crooke,
President–Utility Operations

summer's record-breaking heat, 1992 electric sales will be fairly flat. We are responding to the changing economy in two ways. On the cost-control side, early last year we began a corporate self-assessment. This process refocuses our corporate energies on continuous improvement in safety and quality of operations and service—in short, in everything we do. This includes holding the line against budget increases and streamlining our workforce through attrition and early retirements. In my mind, continuous improvement is the best way for us to contain costs.

The other side of cost control is a search for expanded revenues. We see a wide variety of opportunities ahead as customers demand increased quality of services and customized solutions to special needs. Our marketing division is already identifying new trends, and we are developing technologies to meet those needs. Our gas business will play a big part in our future. The Clean Air Act has sparked consumer interest in natural gas as an alternative to electricity and as a vehicular fuel. We are aggressively promoting our gas business and will introduce market-based pricing wherever appropriate. Our strategy is to ensure steady long-term growth by providing consumers with new choices in energy products and services.

BG&E is a strong, sound company. The communities we serve, the country we live in, and, in fact, much of the world around us face severe economic problems. In good times, I've stressed that we are an important part of our community, and that is doubly so in hard times. As a home-grown company, we feel a responsibility, not only to provide service, but to continue the leadership and support Maryland has come to expect from us.

For the near term, our primary challenge is managing this business through a troubled economy. For our managers, that requires making hard choices and learning to do better with less. For all our people, it requires an extra measure of dedication, flexibility, and commitment to customer service. I know I have the support of everyone at BG&E as we work through these difficult economic times to the growth we foresee.

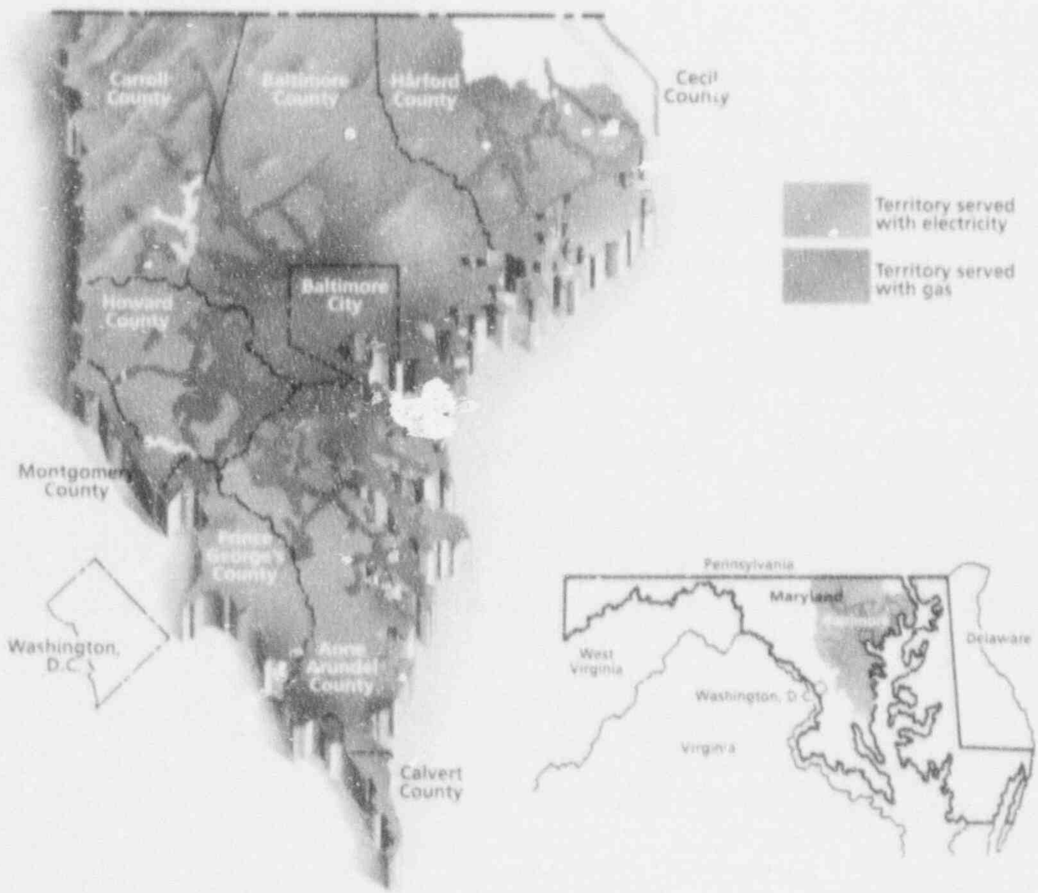
George V. McGowan
Chairman of the Board and Chief Executive Officer
February 18, 1992

Baltimore Gas and Electric Company is an investor-owned company that combines its core utility business with diversified non-utility operations. As the first gas utility and one of the first electric utilities in the United States, we have a long tradition of superior service and reliability. Our utility strategy for the future focuses on maintaining both that tradition and our position as one of the lowest-cost producers in the mid-Atlantic region. Our diversified activities, under the direction of Constellation Holdings, are designed to provide meaningful earnings support to the Company while allowing us to take advantage of new business opportunities that use our expertise and experience. Constellation Holdings holds the stock of three companies that are involved in four lines of business: power generation projects, real estate development, senior living and health care, and investments and financial services.

BNG, Inc., another wholly owned subsidiary of the Company, invests in natural gas reserves and obtains gas from nontraditional sources.

The Company and its wholly owned subsidiaries have more than 9,000 employees.

The BG&E utility 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 2,528,000 residents, while the area served with gas includes 616 square miles with a population of 1,910,000.



Utility Operations

Baltimore Gas and Electric Company

Central Maryland enjoys a diverse economy that provides a broad base for our business. To serve its electric needs, BG&E operates 10 electric generating plants in Central Maryland, including the Calvert Cliffs Nuclear Power Plant, which produces the lowest-cost electricity generated by BG&E. We also maintain shared ownership of three generating facilities in Pennsylvania: two minemouth plants and Safe Harbor Water Power Corporation, a producer of hydroelectric power. In addition, we belong to the Pennsylvania-New Jersey-Maryland Interconnection that affords us access to pooled capacity on favorable terms.


Gas


Electric

We meet virtually all our customers' gas requirements through purchases from pipeline suppliers and natural gas producers. As a supplement to this supply of natural gas, we maintain facilities at three plants in Central Maryland for the production and storage of liquified natural gas and propane.

Other business includes the sale of gas and electric appliances.

Diversified Activities

Constellation Holdings

The operating companies in the Constellation group focus on four major business lines. Through our ownership position in 23 power generation projects and involvement in 20 contracts for operations and maintenance services, this segment of our business is not only producing current income; we are also gaining valuable experience in the wholesale power generation market.


Energy and Environmental


Real Estate


Investments

Our 34 real estate projects are heavily concentrated within the mid-Atlantic region. This diversified portfolio ranging from completed office buildings and shopping centers to land assemblages will provide a blend of ongoing rental income as well as potential gains on future sales. Our Real Estate Group is also involved in projects associated specifically with the rapidly growing over-65 segment of our population. Through joint ventures, we have brought our financial strength and stability to the senior-living and health-care market. Teamed with a nationally known provider of health-care services, we own five nursing homes and two retirement communities.

Our positions in investments and financial services let us blend current income with the long-term, capital-appreciation-type projects in our other business lines to produce the desired total corporate result. The broadly diversified investment portfolio is designed to provide year-to-year core income for all Constellation activities.

• Earnings

The Company's earnings per share for 1991 were $2.51, a $.41 increase over the 1990 level of $2.10. Earnings are summarized as follows:

	1991	1990
Utility Operations....	$2.40	$1.92
Diversified Business Activities...	.11	.18
	$2.51	$2.10

Utility

Utility earnings increased during 1991 as a result of increased sales during the 1991 summer, due to warmer weather as compared to 1990, and higher revenues from the electric base-rate increases authorized by the Public Service Commission of Maryland (Maryland Commission) in December 1990. Warmer weather during the summer results in more demand for electricity to power cooling systems. These factors were partially offset by higher operations and maintenance expenses, higher financing costs, and warmer weather during the heating season.

Diversified Business Activities

Earnings from diversified business activities, which primarily represent the operations of Constellation Holdings, Inc. and its subsidiaries (collectively, the Constellation Companies), decreased during 1991. This was due to lower earnings from the financial investment portfolio and the continued softness in the real estate market. In 1991, the Constellation Companies recorded a write-down of certain financial investments and real estate properties, which resulted in a net loss from current-year operations. This loss was offset by the effect of the change in the method of accounting for income taxes described on page 9. (See page 27 for more details concerning Constellation Companies earnings.)

• Common Stock Dividends

During 1991, common stock dividends were declared at the quarterly rate of $.525 per share, equivalent to the annual rate of $2.10 per share. BG&E has paid a cash dividend in each year since 1910.

On January 17, 1992, the Company's Board of Directors authorized a three-for-two common stock split subject to shareholder approval of an increase in the authorized number of common shares from 100 million shares to 175 million shares. If approved at the annual meeting of shareholders on April 15, 1992, shareholders of record on April 23, 1992, will receive one additional share of common stock for each two shares owned. The stock split is designed to adjust the price of a share of BG&E common stock to a level that makes it more attractive to a broad base of investors.

• Rate Matters

In addition to an immediate electric base-rate increase of $77 million in annual electric revenues, the Maryland Commission, in its order dated December 17, 1990, also authorized a base-rate increase when the 640-megawatt Brandon Shores Unit 2 was placed into commercial service. On May 28, the Company implemented a $124 million annual electric base-rate increase that provided for a cash return on the investment in the plant and the recovery of current annual operating expenses. At the same time, a $58 million decrease in annual electric fuel rate revenues became effective, reflecting estimated fuel savings from the plant's operation.

The Maryland Commission also authorized a surcharge to electric base rates beginning on October 1, 1991, to provide for the recovery of $55 million of purchased capacity costs that began at that time.

On September 18, the Maryland Commission issued an order adopting a settlement agreement that had been formulated between BG&E and intervening parties. This concluded BG&E's gas base-rate case filed on April 2, 1991. Under this agreement, BG&E was allowed to increase gas base rates to produce an additional $4 million in annual gas revenues, effective with service rendered beginning October 1, 1991. This represented a 1% increase in annual gas revenues.

• Change in Accounting

During 1991, the Company adopted Statement of Financial Accounting Standards No. 96 (FASB 96), "Accounting for Income Taxes." This requires a change in the method of accounting for income taxes. As a result of adopting FASB 96, net income of the Constellation Companies increased by $20 million, or $.23 per common share. This increase reflects the reversal of that part of the liability for future income taxes that had been recorded in prior years at higher tax rates. Changes in the utility's liability for future income taxes, as a result of this change in accounting, did not affect utility earnings. For a more detailed discussion of FASB 96, see Note 1 in the notes to consolidated financial statements on page 40.

• Utility Construction Expenditures

During 1991, the utility's construction expenditures amounted to $456 million, including $37 million in Allowance for Funds Used During Construction (AFC). Construction expenditures for electric facilities were $406 million, and $50 million was spent on gas facilities.

The utility's 1992 construction expenditures are currently estimated at $525 million, including $25 million in AFC.

The most significant project in the construction program is the planned capacity additions at the Perryman site. Other electric construction projects include improvements to BG&E's existing generating plants and to its transmission and distribution facilities.

• Financing Matters

Utility financing activities during 1991 consisted of issuing $241 million of long-term debt, $35 million of redeemable preference stock, and $32 million of common stock. During the year, retirements of long-term debt totalled $316 million, and $23 million of preference stock was redeemed.

During 1991, Constellation Holdings, Inc. privately placed $95 million of debt with maturities of four to six years, and $167 million of long-term debt was repaid. Financing matters are discussed in more detail on page 29.

Utility

Electric Sales

Although electric sales to customers in 1991 rose by 4.7%, this increase represents a surge in usage during last summer's record-breaking heat. Residential sales rose 8.8%, and commercial and industrial sales rose 2.1%. On July 23, we set six new hourly peaks for electricity consumption, finally reaching 5,910 megawatts at 6:00 p.m. This figure surpassed not only our July 1990 peak, but also the peak set four days earlier.

Adjusted for the weather, 1991 electric sales reveal the effect of the recession on our business. Overall sales grew by less than 1%. Residential sales grew by only 2.2%. Commercial and industrial sales increased marginally by 0.2%. Barring another summer of record-breaking weather, we expect only a small increase in 1992 sales. We are responding to the economic downturn by concentrating on improving productivity, quality, and cost control.

Generation

Our generating and transmission systems allowed us to meet last summer's demand comfortably, without using our Energy Manager Program. The two key factors behind that comfort margin were the Calvert Cliffs Nuclear Plant, which operated at full power most of the summer, and the new Brandon Shores Unit 2. This 640-megawatt coal-fired unit entered service in May on schedule and within budget. Calvert Cliffs performed reliably and safely. Our people there exceeded 5 million work-hours without a lost-time accident and set a plant record for radiation safety.

During the period in 1989-90 when Calvert Cliffs was out of service, we relied heavily on fossil units built in the early 1940s and '50s. We are now in the process of retiring the oldest of these units, because it is not cost effective to continue their long-term operation. We retired Riverside Unit 1, approximately 60 megawatts, in October 1991. Riverside Units 2, 3, and 5 (about 200 megawatts total) will be retired by the end of 1993 as will Units 3 and 4 at Westport.

Conservation

In April 1991, BG&E signed an agreement with the Public Service Commission of Maryland, Office of the People's Counsel, and customer and environmental groups, establishing a collaborative process to promote energy conservation. The collaborative is addressing a range of issues, including cost recovery and incentives in demand-side management programs, regulatory policy, and program design, monitoring, and evaluation. We have developed conservation programs for all customer classes and filed them with the Commission in December for implementation in 1992. These and future programs will blend with our menu of demand-side options offered under Conserve 2000. By the end of the year 2000, we expect conservation to reduce our summer peak load by more than 750 megawatts.

Gas

Total gas sales increased less than 1% from 1990, reflecting both the prevailing economy and mild winter weather early in 1991. Residential sales increased 4.3%, while commercial and industrial sales decreased 1.7%. Over the short term, gas sales will mirror economic conditions, but as the decade progresses and we pursue new markets for gas, we expect revenues will increase.

On the national level, the natural gas industry is in a period of transition. The Federal Energy Regulatory Commission (FERC) has issued a notice of proposed rulemaking on gas-industry service obligations that we see as adversely affecting the dependability of gas

Constellation's 96-megawatt ACE co-generation project in California has completed its first year of commercial operation. Using a circulating fluidized-bed boiler to burn coal, the plant met all of its reliability and environmental targets for the year and proved to be a successful investment for Constellation as well as an efficient generator of electricity. As a general partner in the ACE project, Constellation is a partial owner of the plant and also operates ACE through a joint venture with Pyropower.

service and, therefore, the development of the industry. We are concerned that FERC has not sufficiently considered whether its proposal promotes adequate and reliable gas service while maintaining just and reasonable rates to customers. As a state-regulated distribution company, we oppose any regulations that impede our obligation to serve our customers.

• Constellation Companies

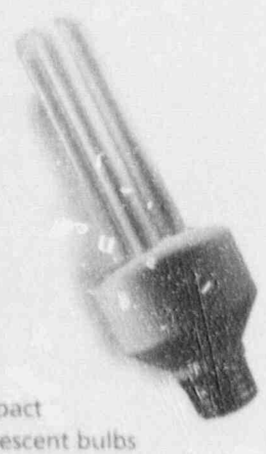
From a financial perspective, 1991 was a difficult and disappointing year for Constellation. The prevailing economy has stalled segments of our real estate business, causing us to write down certain real estate projects. We have also written down certain financial investments to their current market value. Delays in the recognition of income on certain energy projects resulted in a shift of income from 1991 to 1992. Taken together, these factors were the principal reason for the drop in earnings. Offsetting these reductions, however, the Company has adopted the Financial Accounting Standards Board's Statement of Financial Accounting No. 96, Accounting for Income Taxes. This rule requires the reflection of deferred taxes at current tax rates.

Although 1991 results are disappointing, they do not affect Constellation's staying power or long-term potential. Operationally, our businesses performed well, controlling costs and focusing on growth opportunities. We've clearly identified power production as Constellation's primary business. The Energy Group is establishing itself as a national leader in that field. It is continuing a strategy of moving away from passive investment to the development, management, and operation of independent power-producing facilities.

In real estate, we intend to hold on to our properties until we can obtain values that make overall economic sense. Ultimately, we plan to reduce the percentage of our assets in the real estate business. Without question, results reflect the downturn in the real estate market. Constellation was designed as a long-term business, however, and it is prepared to withstand these difficult times.

The utility industry traces its origins to the 19th-century desire to improve the quality and productivity of life. Fulfillment of that desire is still the role of energy today and for the future. Our business plan for the '90s is to give our customers choices to help improve the quality of life and work.

BG&E is truly an energy company. As a combination electric and gas utility with broad technological expertise, we can reach a broad market with a variety of alternatives. Today, commercial energy technology revolves around electricity generated in large power plants and natural gas. Tomorrow, it may include dispersed generation, solar, fuel cells, photovoltaics, and energy management services. Our strategy is fundamental: We are staying ahead of the technological curve and keeping a careful eye on the marketplace so we can continue to offer our customers the choices they want among the products and services they need.



Compact fluorescent bulbs like the one above emit the equivalent light of standard incandescent bulbs but use 75% less energy. They also last an average of 10 times longer than incandescent bulbs. Over its lifetime, one of these new bulbs will save its user about $48 and eliminate the need to burn approximately 500 pounds of coal.

• The Electric Business

A Changing Industry

The electric power generation business is in transition. Two closely related questions highlight the ongoing changes: *Who will build power plants in the future?* and *Who can use utility transmission facilities?* Underlying both these questions is a deeper issue: *Who will bear the responsibility for ensuring a reliable power supply, a responsibility traditionally belonging to utilities?* The answers to all three questions will determine the form and function of our industry in the years to come.

We Are a Generator

Utilities were once the unquestioned builders of power plants. Today, independent power producers and co-generators are seeking to supplant our role. BG&E's position is clear: We are responsible for planning Central Maryland's future power supply. Within that context, we see non-utility generation as a positive trend. We stand ready to build or buy power, based on the best interests of our customers and our Company. Our generation planning has always been customer oriented: If a decision makes economic sense for our customers, it will make sense for the Company and its shareholders as well.

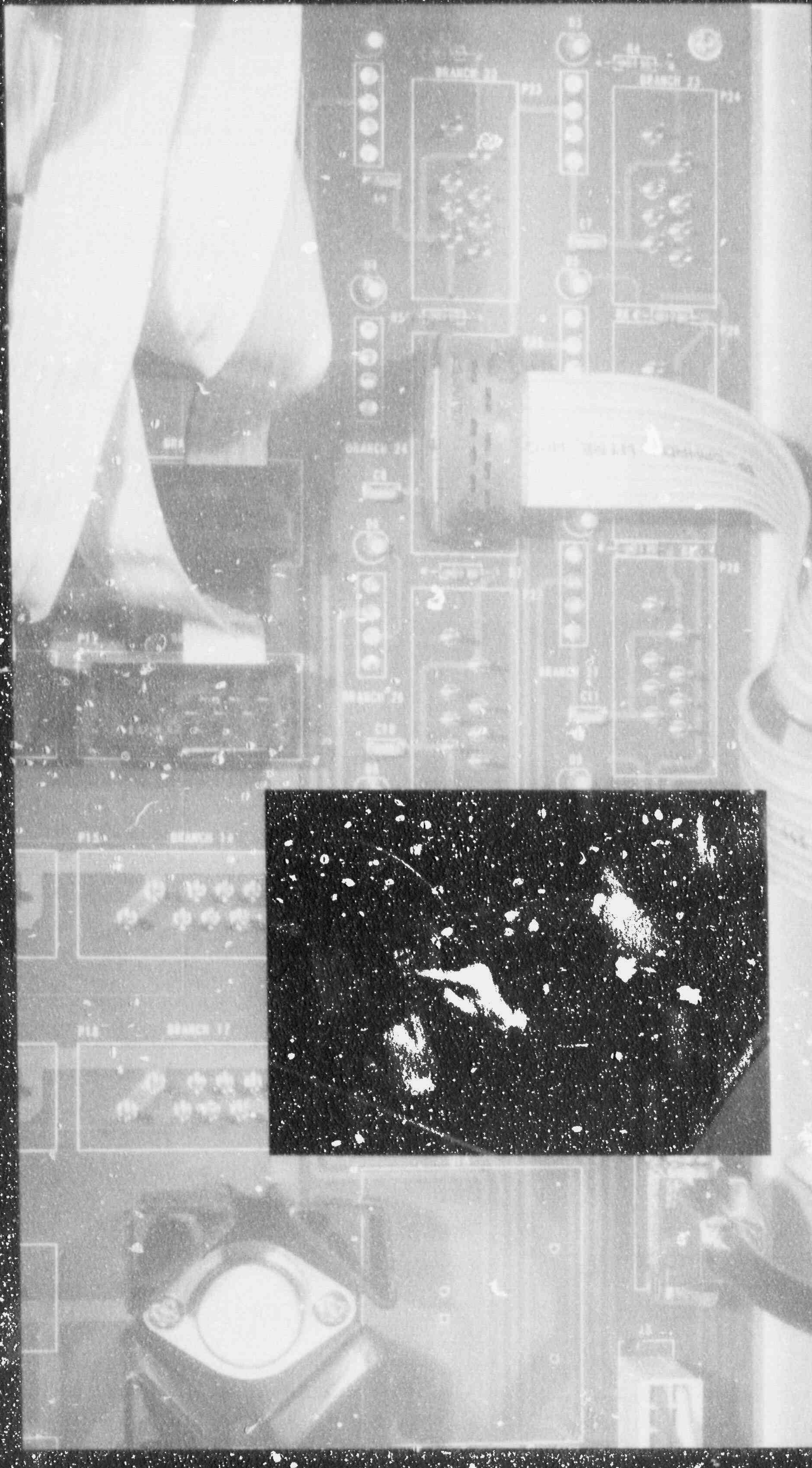
Through our Constellation subsidiary, we function as an independent power producer, building and operating a variety of plants across the country. As a utility, we have long bought energy and capacity when the right opportunities occur. During 1991, we signed a contract with AES Corporation, a major independent producer, to build a plant for service later in this decade. At the same time, we are proceeding with plans to build a 440-megawatt combined-cycle plant at our Perryman site in the northeastern part of our territory, where load growth has been strong. Although this plant has been challenged by a co-generator, we are convinced that Perryman presents the most economical option for our customers.

Utility-built generation offers customers the flexibility of tailoring capacity additions to meet load requirements. When the

We're helping lead the way in conservation by taking energy-efficiency measures in our business and encouraging customers to do the same. Conservation takes many forms—from the design, construction, and operation of an efficient power plant like Brandon Shores (left) to an individual consumer's choice of light bulb (inset). Brandon Shores' two 640-megawatt units burn low-sulfur coal, keeping the plant well within government-mandated emissions standards. New fluorescent lighting technology allows customers to enjoy optimum lighting, while reducing electric bills.

Coal ash, a by-product of coal combustion, is a recyclable resource. We market it to the construction industry for a variety of uses. The Brandon Woods Energy Business Park (above) uses coal ash from our Brandon Shores plants as structural fill.

New energy-efficient technologies will ultimately translate into more comfortable, convenient lives for our customers. In the not-too-distant future, you will be able to draw a bath, turn on your oven, or adjust your air conditioner simply by calling a home computer from a telephone. The prototype of these technologies is incorporated into the Energy Education Center (also called "Smart House") built by BG&E and the National Association of Home Builders. The circuitry panel (right) and the computer screen (above) are key elements in Smart House, a fully integrated system that replaces the multitude of wires and separate systems in conventional homes. Homeowners will be able to integrate natural gas and electric appliances on the same system, resulting in better ways to use energy conveniently and intelligently.



640-megawatt coal-fired Brandon Shores Unit 2 began service in spring 1991, it gave our customers cost-effective power exactly when they needed it. To accomplish that goal, we adjusted the plant's schedule over a period of nearly two decades, ultimately completing the project within budget. Independent producers, on the other hand, often expect to deliver a completed plant whether or not load growth continues to warrant the additional power. That is part of the reason why we reserve the right to build new capacity and why, when we seek to purchase generation, we choose partners who share our customer orientation. Our flexible power-purchase contract with Pennsylvania Power & Light Company epitomizes our commitment to providing ratepayers the lowest-cost source of electricity while ensuring reliability.

We Favor Voluntary Transmission Access

The development of the independent power market depends on the answer to the question of who can use utility transmission facilities. We have auctioned our excess transmission capability in the past. We are eager to offer transmission service in the future, but only when it does not interfere with our primary responsibility to provide economical service to our customers. Congress is considering legislation that would open transmission access to non-utility generators. As both a utility and an independent producer, we believe voluntary access is the best way to expand the market without sacrificing either the reliability of the nation's electrical system or the best interests of our customers.

Conservation—We Are Doing it Right

Advances in energy-efficient technology make it possible for us to expand our successful demand-side management programs into a comprehensive conservation effort called Conserve 2000. The Maryland Public Service Commission, responding to widespread public and governmental commitment to conservation, is working with us to compensate BG&E for loss in revenues. By finding a new solution to providing a return on investment, enlightened regulation will allow us to achieve the promise we see in conservation.

We are participating in a collaboration of regulators, environmental groups, and customers, working to identify and implement the most effective conservation programs for our territory. Although Conserve 2000 is only a part of the total picture, it will play a vital role in our long-term resource planning. We expect it to reduce our peak demand growth by about 35% over the next 15 years.

We sell electricity used during off-peak hours—evenings and weekends—at a reduced rate to our time-of-use customers because off-peak usage helps with load management. Smart House technology will make it easy to get the most out of time-of-use rates. But customers don't need futuristic home automation to save money on electricity. When a customer signs up for time-of-use rates, we install a computerized meter to measure how much electricity is used and when.

Air Quality—We're in Good Shape

Our projection of BG&E's fuel mix during the '90s calls for 50% coal. We've worked hard in the past to meet stringent air quality regulations, and, as a result, we are in a good position to comply with the initial requirements of the Clean Air Act of 1990. Over the long term, though, we will face additional costs to reduce sulfur dioxide and nitrogen oxide emissions to the levels mandated by later stages of the Clean Air Act.

Although it will eventually increase generation costs, the Clean Air Act has stimulated growth in our gas business and may also provide marketing opportunities for our electric business in the form of alternatively fueled vehicles. Through the Electric Power Research Institute, we are participating in research on electric cars. We will be prepared to offer our customers that option should the automotive industry make electric vehicles available.

Nuclear Power--We're Continually Improving

Over the past several years, we have been engaged in a thorough modernization of our Calvert Cliffs Nuclear Plant. This assures that Calvert Cliffs will remain our core producer of electricity well into the next century. Despite the demands of its physical and organizational overhaul, Calvert Cliffs continues to be an enormous asset for our customers, saving $5 billion in fuel costs since it began service in the mid-'70s.

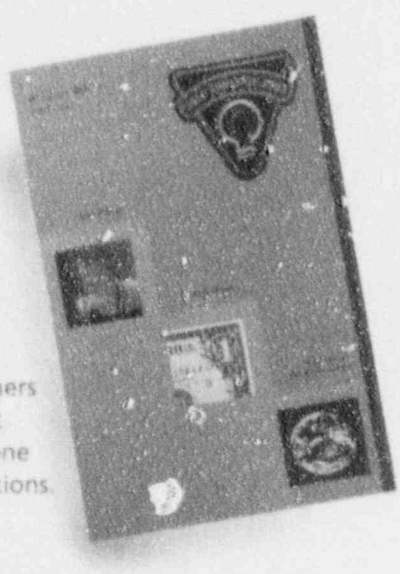
• The Gas Business

For many reasons, the time is right for growth in the natural gas business. Gas is competitively priced, domestically available, clean burning, and efficient. Technological improvements make it safer, easier, and less expensive to install. And many businesses are converting to gas equipment to help them satisfy environmental regulations.

Since natural gas vehicles emit fewer pollutants than their gasoline-powered counterparts, they can help fleet owners comply with provisions of the Clean Air Act of 1990. We expect to build a natural gas fueling station in 1992. In addition, plans call for similar stations in future years. We also have made arrangements with the State of Maryland to place natural gas fuel pumps in government fleet yards. Within three to four years, we hope to have 20 filling stations in service.

The Clean Air Act also makes natural gas an attractive fuel for electric generation. Our Perryman project is designed to burn gas. By the end of this decade we may be using small, on-site gas-fueled electric generation units to supply individual commercial or industrial users or to relieve reliability problems. Last fall, we began testing a unit in a hotel complex in suburban Baltimore. The bottom line for gas in the '90s is this: It vastly increases our options and those of our customers; therefore, we are actively expanding our gas business.

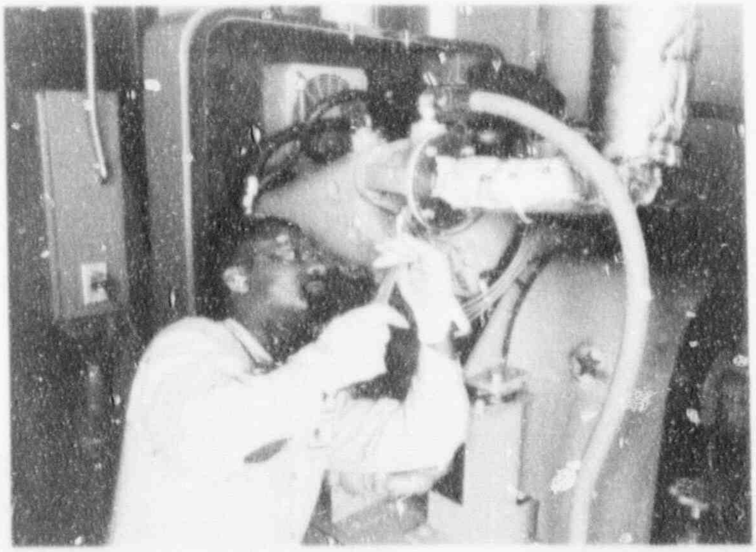
For the past several years, we have been investing in our infrastructure to make gas a realistic choice for more people. Over the next five years we project a total new-home market share of 20%. By making gas widely available and marketing it aggressively, we expect gas technologies to provide a meaningful source of new revenue for the future.



This brochure, available to all our customers, describes the programs included in Conserve 2000, our comprehensive plan to help customers save energy and money and also help protect the environment. Conserve 2000 is for everyone --individuals, businesses, schools, and institutions. We can all contribute, and we can all save.

• The Changing Marketplace

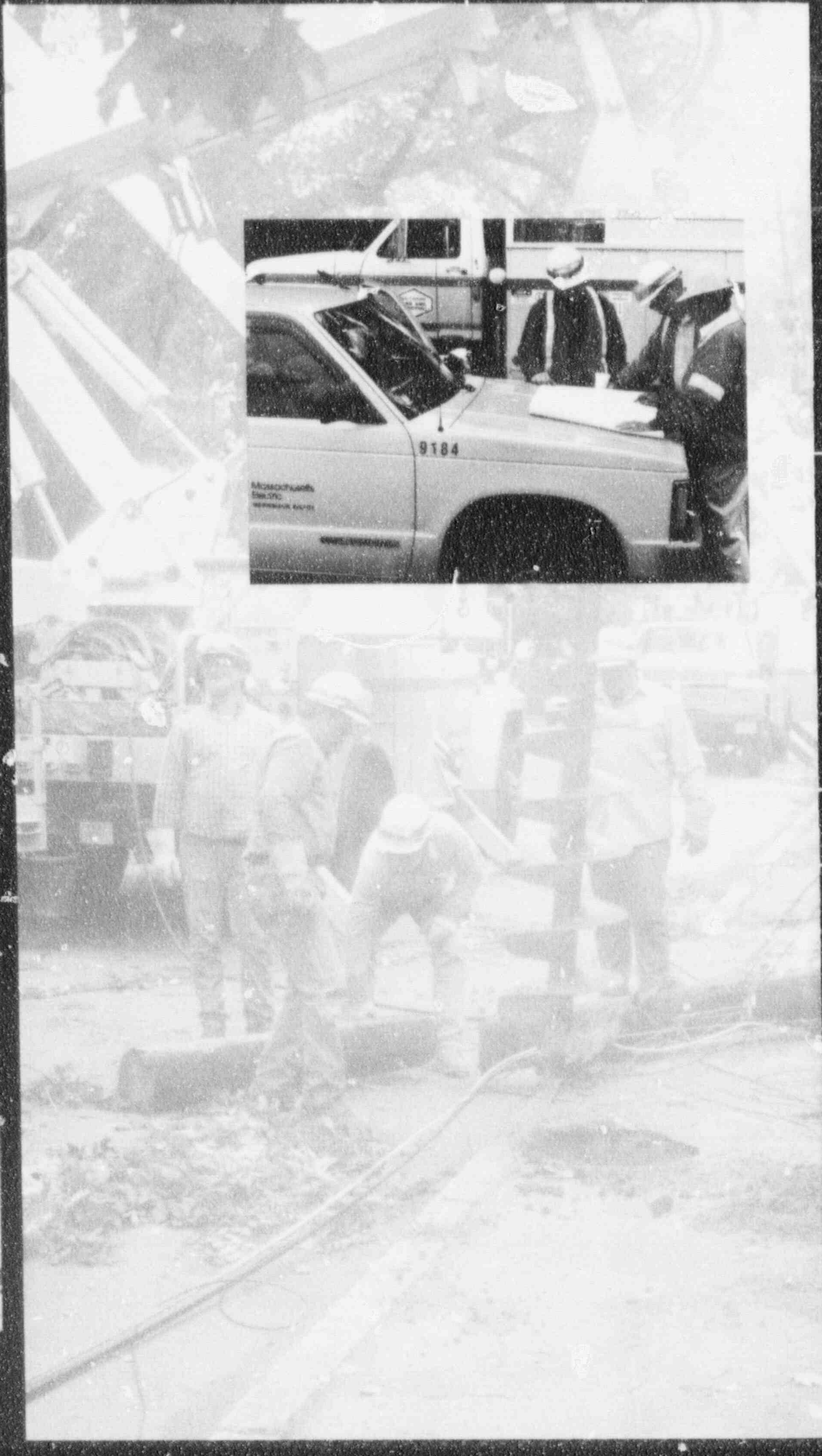
As technological advances present new and better ways to use energy, our business is becoming increasingly competitive. To grow in such



The growth of the natural gas industry provides new commercial opportunities for us, convenience and savings for our customers, and clear advantages for the environment. It can fuel a power plant, a small co-generation unit, a vehicle, or an air conditioner. Under our Conserve 2000 program, we are working with the State of Maryland in a pilot program to evaluate the performance of vans, like the one shown (left), on both compressed and liquified natural gas. Our goal is to lessen Maryland's dependence on imported oil and ease pollution by reducing the number of gasoline-powered vehicles on the roads.

Gas-engine-driven chillers offer our large commercial and industrial customers a low-cost alternative to meet cooling needs. A chiller like the one shown (inset) in a downtown Baltimore bank, can reduce energy costs by 30% and pay for themselves in less than three years. As a by-product, heat from the engine makes hot water for use in the building.

Record heat, combined with several severe storms, made the summer of 1991 a continuous challenge for our Distribution Division. In August, just as we finished restoring service after storms in our own territory, we received an emergency call from the Edison Institute's Mutual Assistance Group. Hurricane Bob had left 70% of the Cape Cod peninsula without electricity. More than 100 BG&E volunteers and 50 vehicles including our new mobile command center (below), went to help. In addition to reimbursement for our costs from the New England electric companies, we received valuable experience working in extreme conditions (right) as well as an outpouring of gratitude from the people we helped. While Hurricane Bob was an extraordinary event, the performance of our people was not. We are committed to superior customer service in everything we do. It's our job to listen to our customers, investigate their concerns, and resolve them quickly.



a marketplace, we have to compete aggressively for customers by developing new markets, new products, and new services. To focus our efforts in that direction, we restructured our organization to create a marketing division.

Conserve 2000 represents the first phase of our long-range marketing strategy. For the near term, we are promoting energy conservation technology, emphasizing the building shell as well as the appliances and equipment. Our promotions offer rebates and incentives for the design and application of energy-efficient technology. By the mid-'90s, we will begin to focus on markets for new technology, including gas-fired heat pumps, residential gas air-conditioning systems, and innovative gas and electrical processes.

As in all our planning, our primary marketing goal is to anticipate and respond to the needs of our customers. Our role is basically the same as it has always been: to offer new solutions to our customers' problems.

• The Corporation

The challenge of planning growth in a changing industry is only part of our story. As with every American corporation, we are managing a business in a recession while planning for the future. While fundamentally sound, our territory is feeling the effects of government budget shortfalls and the economy, further accentuating the need for strict cost controls and greater productivity in all our activities.

To ensure that our organization is functioning as effectively as possible, we have undertaken a broad-based corporate self-assessment effort. Our overall goal is to perform and be recognized as a world-class energy company. To reach that goal we have embarked on a process of incorporating continuous improvement in everything we do. We are examining our mission, our values, our management systems, and our strategic goals, and we are absolutely clear about our corporate priorities. We ask ourselves these questions: *Are we meeting the expectations of our customers—internal and external? Are we proud of the job we're doing? Can we think of a way to do the job better?* Far more than the answers themselves, these questions hold the key to our competitive future.

This process will undoubtedly result in new directions for us. For instance, we are planning more results-oriented management systems. The quest for improvement is a BG&E tradition, as much a part of our value system as our commitment to outstanding customer service and leadership. Our employees share an obligation to leave the Company and our community better than they found it. Our employees are active in economic development efforts, civic organizations, the arts, and a wide range of non-profit groups. With corporate support and enthusiasm behind them, our employees are among the community's most active volunteers. Maryland is our home. Other businesses may come and go, but BG&E is here to stay.

Service and leadership—they're at the heart of our past and central to our building for the future.

At BG&E every employee is responsible for identifying and responding to customer needs—and our people are old hands at it. Service pins like the one above are prized symbols of commitment to the Company and its values.


Mr. McGowan


Mr. Poindexter


Mr. Crooke


Mr. Brady


Mr. Chesser


Mr. Coss


Mr. Creel


Mr. England


Mr. Files


Mr. Schwartz


Mr. Shivery


Mr. Tiernan


Mr. Wellener

George V. McGowan
Chairman of the Board and Chief Executive Officer

Christian H. Poindexter
Vice Chairman of the Board

Edward A. Crooke
President - Utility Operations

Thomas F. Brady
Vice President, Customer Service and Accounting

Michael J. Chesser
Vice President, Marketing

Herbert D. Coss, Jr.
Vice President, Electric Interconnection and Transmission

George C. Creel
Vice President, Nuclear Energy

George D. England
Vice President, Distribution

Jon M. Files
Vice President, Management Services

G. Dowell Schwartz, Jr.
Vice President, General Services

Charles W. Shivery
Vice President, Corporate Finance, Treasurer, and Secretary

Joseph A. Tiernan
Vice President, Corporate Affairs

J. Thomas Wellener
Vice President, Fossil Energy

Jeffrey L. Davis
Assistant Secretary

Thomas E. Ruszin, Jr.
Assistant Treasurer

George V. McGowan
Chairman of the Board and Chief Executive Officer

Christian H. Poindexter
Vice Chairman of the Board

H. Furlong Baldwin
Chairman of the Board and Chief Executive Officer, Mercantile Bankshares Corporation (bank holding company), Baltimore

J. Owen Cole
Chairman of the Executive Committee, First Maryland Bancorp (bank holding company), Baltimore

Dan A. Colussy
Chairman of the Board, President, and Chief Executive Officer, UNC Incorporated (aviation services), Annapolis, Md.

Edward A. Crooke
President – Utility Operations

Leslie B. Disharoon
Former Chairman of the Board and President, Monumental Corporation (insurance), Baltimore

Sister Kathleen Feeley, S.S.N.D.
President, College of Notre Dame of Maryland (education), Baltimore

Jerome W. Geckle
Chairman of the Board (Ret.), PHH Corporation (vehicle, relocation, and facilities management services), Baltimore

Paul G. Miller
Chairman of the Board, Supercomputer Systems, Inc. (design, manufacturing, and sales of supercomputers), Baltimore

George G. Radcliffe
Former Chairman of the Board and Chief Executive Officer, The Baltimore Life Insurance Company (insurance), Baltimore

George L. Russell, Jr., Esq.
Partner, Piper & Marbury (law firm), Baltimore

Michael D. Sullivan
President and Chief Executive Officer, Merry-Go-Round Enterprises, Inc. (specialty retailing), Joppa, Md.

Bernard C. Trueschler
Chairman of the Executive Committee

Harry K. Wells
Chairman of the Board (Retired), McCormick & Company, Inc. (food processing, spices, etc.), Baltimore

Committees of the Board

Audit Committee
Mr. Radcliffe, *Chairman*
Mr. Baldwin
Mr. Cole
Mr. Russell

Committee on Management
Mr. Geckle, *Chairman*
Mr. Cole
Mr. Disharoon
Mr. Sullivan

Executive Committee
Mr. Trueschler, *Chairman*
Mr. Crooke
Mr. Disharoon
Sister Feeley
Mr. McGowan
Mr. Poindexter
Mr. Radcliffe

Committee on Nuclear Power
Mr. Wells, *Chairman*
Mr. Colussy
Sister Feeley
Mr. Miller
Mr. Poindexter

Changes in Directors

During the year, Willard Hackerman reached normal retirement age and did not stand for reelection at the Annual Shareholders Meeting on April 19, 1991.

Effective January 1, 1992:

Dan A. Colussy, Chairman of the Board, President and Chief Executive Officer of UNC, Inc., was elected to the Board of Directors of the Baltimore Gas and Electric Company.

Michael D. Sullivan, President and Chief Executive Officer of Merry-Go-Round Enterprises, Inc., was elected to the Board of Directors of the Baltimore Gas and Electric Company.

Mr. McGowan

Mr. Ambler

Mr. O'Connell

Mr. Ogletree

Mr. Jeffcoat

Mr. Kesler

Mr. Windham

Officers

George V. McGowan
Chairman of the Board, Constellation Holdings, Inc.

Bruce M. Ambler
President and Chief Executive Officer, Constellation Holdings, Inc.

Bruce M. Ambler
Acting President, Constellation Real Estate Group, Inc.

J. Richard O'Connell
President, The KMS Group, Inc.

Terry L. Ogletree
President, Constellation Energy, Inc.

James W. Jeffcoat
President, Constellation Health Services, Inc.

Steven D. Kesler
President, Constellation Investments, Inc.

Robert E. Windham
President, Church Street Station, Inc.

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 all new investments are controlled from Constellation Holdings.

Constellation Energy

This is the senior member of our Energy and Environmental 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 company is actively involved with developing, arranging financing, building, and operating 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. The KMS Group performs development, construction, and operational activities, and Constellation Health Services, through joint ventures, owns senior-living and retirement communities, as well as nursing facilities for the elderly.

Constellation Investments

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

Board of Directors

George V. McGowan
Chairman of the Board, Constellation Holdings, Inc.; Chairman of the Board and Chief Executive Officer, Baltimore Gas and Electric Company

Bruce M. Ambler
President and Chief Executive Officer, Constellation Holdings, Inc.

H. Furlong Baldwin
Chairman of the Board and Chief Executive Officer, Mercantile Bankshares Corporation

Leslie B. Disharoon
Former Chairman of the Board and President, Monumental Corporation

Jerome W. Geckle
Chairman of the Board (Ret.), PHH Corporation

Edward W. Kay
Former Co-Chairman and Chief Operating Officer, Ernst & Young

Paul G. Miller
Chairman of the Board, Supercomputer Systems, Inc.

Christian H. Poindexter
Vice Chairman of the Board, Baltimore Gas and Electric Company

Bernard C. Trueschler
Chairman of the Executive Committee, Baltimore Gas and Electric Company

Committees of the Board

Audit Committee

Mr. Kay, *Chairman*

Mr. Baldwin

Mr. Miller

Committee on Management

Mr. Geckle, *Chairman*

Mr. Disharoon

Change in Director

During the year, Willard Hackerman reached normal retirement age and did not stand for reelection on April 19, 1991.

	1991	1990	1989	1988	1987
	(Dollar Amounts in Thousands, Except Per Share Amounts)				
Summary of Operations					
Total Revenues	**$2,459,493**	$2,187,562	$2,032,009	$1,921,241	$1,878,970
Expenses Other Than Interest and Income Taxes	**1,958,038**	1,854,183	1,555,424	1,424,291	1,356,848
Income From Operations	**501,455**	333,379	476,585	496,950	522,122
Other Income					
Allowance for equity funds used during construction	**23,596**	27,086	18,564	16,056	16,870
Other income	**3,031**	9,589	12,364	7,498	7,276
Total other income	**26,627**	36,675	30,928	23,554	24,146
Income Before Interest and Income Taxes	**528,082**	370,054	507,513	520,504	546,268
Interest Expense					
Interest charges	**221,098**	200,922	164,369	136,071	129,871
Allowance for borrowed funds used during construction	**(13,870)**	(26,266)	(14,776)	(12,075)	(14,069)
Net interest expense	**207,228**	174,656	149,593	123,996	115,802
Income Before Income Taxes	**320,854**	195,398	357,920	396,508	430,466
Income Taxes	**87,173**	19,952	81,629	93,096	130,368
Income Before Cumulative Effect of Changes in Accounting Methods	**233,631**	175,146	276,291	303,412	300,098
Cumulative Effect of Change in the Method of Accounting for Income Taxes	**19,745**	–	–	–	–
Cumulative Effect of Change in the Method of Accounting for Unbilled Revenues, Net of Taxes	–	37,754	–	–	–
Net Income	**253,426**	213,200	276,291	303,412	300,098
Preferred and Preference Stock Dividends	**42,746**	40,261	32,381	29,375	26,406
Earnings Applicable to Common Stock	**$ 210,680**	$ 172,939	$ 243,910	$ 274,037	$ 273,692
Earnings Per Share of Common Stock					
Before Cumulative Effect of Changes in Accounting Methods	**$2.28**	$1.64	$3.05	$3.47	$3.47
Cumulative Effect of Change in the Method of Accounting for Income Taxes	**.23**	–	–	–	–
Cumulative Effect of Change in the Method of Accounting for Unbilled Revenues	–	.46	–	–	–
Total Earnings Per Share of Common Stock	**$2.51**	$2.10	$3.05	$3.47	$3.47
Dividends Declared Per Share of Common Stock	**$2.10**	$2.10	$2.075	$1.975	$1.875
Ratio of Earnings to Fixed Charges	**2.43**	1.96	3.12	3.83	4.22
Ratio of Earnings to Fixed Charges and Preferred and Preference Stock Dividends Combined	**1.93**	1.61	2.50	3.01	3.29
Financial Statistics at Year End					
Total Assets	**$7,078,847**	$6,710,375	$5,985,679	$5,126,362	$4,780,167
Capitalization					
Long-term debt	**$2,390,115**	$2,193,844	$2,076,620	$1,769,066	$1,707,407
Preferred stock	**59,185**	59,185	59,185	59,185	59,185
Redeemable preference stock	**398,500**	365,000	322,800	229,600	186,400
Preference stock not subject to mandatory redemption	**110,000**	110,000	110,000	110,000	110,000
Common shareholders' equity	**2,153,306**	2,073,158	2,001,188	1,885,245	1,755,368
Total capitalization	**$5,111,106**	$4,801,187	$4,569,793	$4,053,096	$3,818,360
Book Value Per Share of Common Stock	**$25.50**	$24.87	$24.91	$23.77	$22.24
Number of Common Shareholders	**67,303**	68,689	70,395	73,785	75,682

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

The financial condition and results of operations of Baltimore Gas and Electric Company (BG&E) and Subsidiaries (collectively, the Company) are set forth in the Consolidated Financial Statements, Notes to Consolidated Financial Statements (Notes), Selected Financial Data, and Utility Operating Statistics sections of this Annual Report. Factors significantly affecting results of operations, liquidity, and capital resources are discussed below.

Results of Operations

Earnings

The Company's consolidated earnings per share for 1991 were $2.51, which represents an increase of $.41 from the 1990 level of $2.10. The earnings per share are summarized as follows:

	1991	1990	1989
Utility business			
Current-year operations	$2.40	$1.74	$2.81
Provision for possible disallowance of replacement energy costs (see Note 11)	–	(.28)	–
Cumulative effect of change in the method of accounting for unbilled revenues (see Note 1)	–	.46	–
Total utility business	2.40	1.92	2.81
Diversified business activities			
Current-year operations	(.12)	.18	.24
Cumulative effect of change in the method of accounting for income taxes (see Note 1)	.23	–	–
Total diversified business activities	.11	.18	.24
Total	$2.51	$2.10	$3.05

Utility earnings increased during 1991 primarily as a result of higher revenues from the electric base rate increases authorized by the Public Service Commission of Maryland (Maryland Commission) in December 1990 and increased sales during the 1991 summer due to warmer weather as compared to the prior year. Warmer weather during the summer results in more demand for electricity to fuel cooling systems. These increases were partially offset by higher operations and maintenance expenses and higher financing costs. The decrease in utility earnings during 1990 is primarily attributable to higher operations and maintenance expenses, particularly at the Calvert Cliffs Nuclear Power Plant, higher financing costs, and lower sales during the 1990 winter due to warmer weather as compared to the prior year. Warmer weather during the winter results in less demand for electricity and gas to fuel heating systems. In addition, the decrease in 1990 reflects increased costs from the purchase of additional generating capacity and from lower sales of high voltage transmission capability.

Earnings from utility operations are affected by the regulation of BG&E's rates by the Maryland Commission and by the effect on sales of economic and weather conditions. During 1991, deteriorating economic conditions in the Company's service territory have reduced the growth in sales, and operations and maintenance expenses have continued to increase above levels provided for in the December 1990 base rate increase. If current economic conditions in the Company's service territory continue, electric and gas sales growth will also be reduced in 1992. The poor economic climate (including revenue shortfalls at the state and local levels) could inhibit the Company's ability to obtain timely rate relief and may cause 1992 earnings to decline from 1991 levels. In addition, there are currently several fuel rate cases pending before the Maryland Commission, as discussed in Notes 1 and 11, which could impact future years' earnings.

Earnings from diversified business activities, which primarily represent the operations of Constellation Holdings, Inc. and its subsidiaries (collectively, the Constellation Companies) decreased during both years. The reasons for the decreases in diversified business activities' earnings are discussed on page 27.

BG&E Utility Revenues and Sales

Electric revenues increased during 1991 and 1990 as a result of the following factors:

	1991	1990
	(In Millions)	
Changes in sales volumes to customers	$ 59.0	$ (5.0)
Increased base rates	176.4	33.6
Increased fuel rates	38.5	133.5
Sales to customers	273.9	162.1
Changes in other revenues	8.2	3.2
Total increases in revenues	$282.1	$165.3

The changes in electric sales volumes to customers were as follows:

	1991	1990
Residential	8.8%	(1.8)%
Small commercial	4.4	4.1
Large commercial and industrial	1.7	(2.7)
Total	4.7	(1.7)

The increases in sales during 1991 reflect the positive effects of warmer weather during the 1991 summer as compared to 1990 and growth in the number of customers in each class. These increases were partially offset by decreased usage of electricity due to less favorable economic conditions. In addition, sales to large commercial and industrial customers during 1991 reflect lower sales volumes to the Company's largest customer, Bethlehem Steel, due to a lengthy planned outage to improve operations at its hot strip mill. Sales to residential customers in 1990 reflect the negative effects of warmer winter weather as compared to 1989, partially offset by growth in the number of customers. Sales to small commercial customers reflect growth in the number of customers in 1990. The decrease in sales to large commercial and industrial customers in 1990 reflects lower steel production by Bethlehem Steel, which completed a planned maintenance outage at its L-Blast Furnace during 1990.

Base rate revenues increased in 1991 as a result of the Maryland Commission's December 1990 rate order, which authorized an immediate electric base rate increase of $77 million, a $124 million base rate increase to provide rate recognition for BG&E's investment and operating expenses at Brandon Shores Unit 2 effective with that Unit's initial commercial operation in May 1991, and a $53 million surcharge to base rates effective in October 1991 to recover certain purchased capacity charges. Increased base rate revenues for 1990 reflect the Maryland Commission's December 1989 rate order, which authorized a $21.5 million electric base rate increase, and a $10 million surcharge, effective June 1990 through May 1991, to recover a portion of purchased capacity charges. Electric base rate revenues are expected to increase in 1992 as a result of the remaining effects of the electric base rate increases which became effective in 1991.

The increases in fuel rate revenues for both periods resulted from the operation of the electric fuel rate formula. (See Notes 1 and 11.) Increased fuel rate revenues in 1991 resulted from higher sales volumes, partially offset by a reduction in the fuel rate ordered by the Maryland Commission in May 1991 to reflect $58 million of expected annual fuel cost savings resulting from the commercial operation of Brandon Shores Unit 2. The increase in fuel rate revenues in 1990 was due to a more costly twenty-four-month generation mix reflected in the fuel rate formula as compared to the prior year. Electric fuel rate revenues are expected to decrease during 1992 as a result of a continuing less costly generation mix due to the operation of both units at the Calvert Cliffs Nuclear Power Plant, the remaining effects of the May 1991 fuel rate reduction, and the expiration in October 1991 of a surcharge to the electric fuel rate.

Gas revenues decreased compared to the respective prior years as a result of the following factors:

	1991	1990
	(In Millions)	
Changes in sales volumes	$ 5.6	$(13.5)
Changes in base rates	1.3	(3.1)
Decreases in gas cost adjustments	(20.1)	(21.6)
Decreases in other revenues	(2.0)	(0.2)
Total decreases in revenues	$(15.2)	$(38.4)

The changes in gas sales volumes were as follows:

	1991	1990
Residential	4.3%	(12.0)%
Small commercial	0.2	(10.8)
Large commercial and industrial	(1.8)	(6.4)
Total	0.4	(8.7)

The increased sales to residential and small commercial customers were attributable to colder weather during the 1991 winter as compared to 1990. Colder weather during the winter results in more demand for gas to fuel heating systems. The decrease in sales to large commercial and industrial customers was attributable primarily to lower usage per customer due to less favorable economic conditions. In addition, a decrease in the volumes of steel processed by Bethlehem Steel resulted from a planned outage to improve operations at its hot strip mill during 1991. Sales to residential and small commercial customers in 1990 decreased as a result of the negative effects of warmer weather during the winter as compared to 1989. The decrease in sales to large commercial and industrial customers during 1990 reflects lower steel production by Bethlehem Steel and decreased utilization of delivery service by certain customers.

Base rate revenues increased in 1991 as a result of a $4 million gas base rate increase authorized by the Maryland Commission effective October 1, 1991. The decreased base rate revenues in 1990 reflect the Maryland Commission's December 1989 rate order which lowered base rates by $3.5 million. The remaining effect of the October 1991 gas base rate increase will act to increase gas base rate revenues in 1992.

The decreases in gas cost adjustments in each year resulted from the operation of the purchased gas adjustment clause (See Note 1). In addition, the decreases in both years reflect a settlement of certain take-or-pay issues with BG&E's principal gas pipeline suppliers. Take-or-pay costs refunded to BG&E are passed on to customers through the purchased gas adjustment clause.

BG&E Utility Operating Expenses

Electric fuel and purchased energy expense was as follows:

	1991	1990	1989
	(In Millions)		
Actual costs	$492.6	$659.2	$636.1
Net recovery (deferral) of costs under electric fuel rate clause (see Note 1)	105.6	(107.8)	(238.1)
Total expense	$598.2	$551.4	$ [illegible].0

The decrease in actual electric fuel and purchased energy costs during 1991 was due primarily to a less costly generation mix as a result of increased output from the operation of the Calvert Cliffs Nuclear Power Plant, the initial commercial operation of Brandon Shores Unit 2, and the commencement of the Pennsylvania Power and Light Energy and Capacity Purchase Agreement. The increase in actual electric fuel and purchased energy costs in 1990 was due primarily to a more costly generation mix and the purchase of additional generating capacity to meet BG&E's requirements under the Pennsylvania-New Jersey-Maryland Interconnection Agreement. All of these factors arose as a result of the extended maintenance and repair outages at the Calvert Cliffs Nuclear Power Plant, which lasted most of 1990. Calvert Cliffs Unit 2 went out of service on March 18, 1989, remained out of service throughout the remainder of 1989 and all of 1990, and returned to service on May 4, 1991. Calvert Cliffs Unit 1 went out of service on May 6, 1989, continued out of service for the remainder of that year, and was in operation for only 80 days in 1990. In that nuclear generation represents the lowest cost power generated by BG&E, outages at the Calvert Cliffs plant have a substantial effect on fuel costs (see Note 11).

As discussed in Note 11, during 1990 BG&E recorded a provision of $35 million for the possible disallowance of certain replacement energy costs associated with the extended outages at the Calvert Cliffs plant.

Purchased gas expense was as follows:

	1991	1990	1989
	(In Millions)		
Actual costs	$185.1	$181.1	$233.9
Net recovery (deferral) of costs under purchased gas adjustment clause (see Note 1)	(3.6)	19.7	(10.4)
Total expense	$181.5	$200.8	$223.5

The increase in actual purchased gas costs for 1991 reflects increased output due to the colder weather during the 1991 winter as compared to 1990, while the decrease in 1990 reflects lower output due to the warmer weather during the 1990 winter as compared to 1989.

Operations and maintenance expenses increased in both years due primarily to higher costs at the Calvert Cliffs Nuclear Power Plant as a result of significant expenditures to upgrade the plant equipment and procedures to the high standards required at newer nuclear facilities. The 1991 increase also reflects higher payroll and fringe benefit costs. The Company anticipates that operations and maintenance expenses will level off in 1992. Increased costs associated with the commercial operation of Brandon Shores Unit 2 and higher health care costs are expected to be offset by lower payroll costs. The expected decrease in payroll costs reflects a Company-wide objective to restrain growth in operating expenses by means of budget limitations, attrition, and planned workforce reductions as a result of the implementation of a Voluntary Special Early Retirement Program (see Note 9).

Depreciation expense increased in both years as a result of higher levels of depreciable plant in service, including Brandon Shores Unit 2, which began commercial operation in May 1991. Depreciation expense for 1991 and 1990 also reflects annual increases of $1.2 million and $2.9 million in nuclear decommissioning accruals as authorized by the Maryland Commission in its December 1990 and December 1989 rate orders, respectively.

Taxes other than income taxes increased in 1991 and 1990 due primarily to higher property, public service company franchise, and payroll taxes attributable to increased property assessments, utility revenues, and wages, respectively.

Inflation affects the Company through increased operating expenses and higher replacement costs for utility plant assets. Although the effects of inflation can be mitigated through timely rate relief, the regulatory process imposes a time lag during which increased costs may not be recovered. This regulatory lag is attributable in part to rate relief being based on past costs rather than projected costs. It has been the Maryland Commission's practice to permit recovery of the cost of replacing plant assets, together with the opportunity to earn a fair return thereon, beginning at the time of replacement.

Diversified Business Activities Earnings

Earnings per share from diversified business activities were as follows:

	1991	1990	1989
Diversified business activities			
Power generation systems	**$ .05**	$ .10	$ .06
Financial investments	**.01**	.12	.16
Real estate and senior living facilities	**(.16)**	(.03)	.05
Other	**(.02)**	(.01)	(.03)
Current-year operations	**(.12)**	.18	.24
Cumulative effect of change in the method of accounting for income taxes (see Note 1)	**.23**	–	–
Total diversified business activities	**$ .11**	$ .18	$ .24

Earnings per share from the Constellation Companies decreased during 1991 due to the absence of tax credits from new power generation projects, lower earnings from the financial investment portfolio, and the continued softness in the real estate market, as discussed in detail below.

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 providing services to power generation projects under operation and maintenance contracts. Earnings from the Constellation Companies' power generation business decreased during 1991, reflecting the absence of tax credits from new power generation projects, partially offset by income from energy projects in which the Constellation Companies have an equity interest, income from operating energy projects on a contractual basis, and the sale of a limited partnership interest in one project. Earnings increased in 1990 as a result of the utilization of energy tax credits when certain projects began service.

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. Investment earnings were lower in 1991 due to a $10.5 million write-down to reflect the market value of certain of the Constellation Companies' marketable equity securities, substantially all of which subsequently were sold. This write-down was based on the Constellation Companies' evaluation that the market value of these securities (predominantly financial services companies) would not recover to their cost levels in the near term. Investment earnings also were lower in 1991 due to a $7.1 million charge on two financial limited partnerships (banking and financial services) that were adjusted to reflect market value when the partnerships were reclassified from long-term to short-term investments in anticipation of expiration of their terms during the next twelve months. Investment earnings were further reduced due to the reallocation of the investment portfolio to emphasize more liquid but lower yielding securities and a decline in the size of the investment portfolio following the sale of selected assets to provide liquidity for ongoing activities of the Constellation Companies. These decreases were offset somewhat by improved performance in certain financial limited partnerships. The performance of the Constellation Companies' portfolio of financial investments was adversely affected in 1990 by the troubled banking and financial services industries, offset somewhat by the performance in other parts of the diversified portfolio.

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, and a mixed-use planned unit development in Anne Arundel County, Maryland. The majority of these projects are in the Baltimore-Washington corridor and have been adversely affected by the depressed real estate and economic markets, resulting in reduced demand for the purchase or lease of available land, office, and retail space, as well as the inability to complete anticipated sales and leases of real estate projects. Due to these conditions, in 1991 the Constellation Companies recorded write-downs aggregating $10.0 million on certain real estate projects and a $3.6 million reserve for loans where the value of the collateral was determined to be 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 are at minimal levels. All of these factors have negatively impacted 1991 earnings and are expected to continue to do so until the 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 equity infusions and loans from Constellation Holdings, Inc., which obtained the funds through a combination of cash flow generated by other Constellation Companies and its corporate borrowings. As long as the real estate market and local economic conditions remain soft, earnings from real estate activities are expected to remain depressed.

The Constellation Companies plan to hold real estate projects until the market is willing to pay a reasonable value. This condition is a function of market demand, interest rates, credit availability, and the strength of the economy in general. The Constellation Companies' Management believes that until the economy shows sustained growth and until excess inventory in the market in the Baltimore-Washington corridor is reduced, real estate values are not anticipated to improve. If the Constellation Companies were to sell real estate projects in the current depressed market, losses in amounts difficult to determine would occur. Depending upon market conditions, future sales also could 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.

Other Income and Expenses

The allowance for funds used during construction (AFC) decreased in 1991 due to the completion and commercial operation of Brandon Shores Unit 2. This decrease was partially offset by the use of a pre-tax AFC rate of 9.94% effective January 1, 1991 in connection with the adoption of the liability method of accounting for income taxes under Statement of Financial Accounting Standards No. 96. However, net income is not affected by this change in recording AFC. Under Statement No. 96, income taxes represented by the difference between a pre-tax and net-of-tax AFC rate are recorded as a component of income tax expense rather than as a reduction of AFC.

AFC increased in 1990 due to the construction of Brandon Shores Unit 2 and other major electric projects. The increase in AFC for 1990 also reflects the Maryland Commission's December 1989 rate order which increased the net-of-tax AFC rate to 8.80% and reinstated in the AFC base certain expenditures related to Brandon Shores Unit 2. AFC will decrease in 1992 due to the remaining effect of the cessation of AFC accruals on Brandon Shores Unit 2.

Net other income and deductions decreased in 1991 primarily due to lower earnings from merchandising operations and increased in 1990 as a result of gains on the sale of certain utility property.

The increases in interest charges for both years primarily reflect increased levels of debt outstanding, partially offset by lower interest rates in 1991. The increased debt levels are attributable to continuing construction expenditures during both years and increased deferred electric fuel costs during 1990. Interest charges are expected to increase in 1992 due to increased levels of debt associated with the Company's capital requirements and the discontinuation of interest capitalization on certain of the Constellation Companies' real estate projects.

Income tax expense increased during 1991 as a result of higher pre-tax earnings and the implementation of the liability method of accounting for income taxes. Under the liability method, deferred income taxes previously recorded as a reduction of AFC are recorded as a component of income tax expense. Income tax expense decreased during 1990 due to lower pre-tax earnings.

Preferred and preference stock dividends increased in both years as a result of greater amounts of preference stock outstanding.

Liquidity and Capital Resources

The Company's capital requirements reflect the capital-intensive nature of the utility business. Actual capital requirements for 1989 through 1991, along with estimated amounts for 1992 through 1994, are shown below.

	1989	1990	1991	1992	1993	1994
			(In Millions)			
Utility Business						
Construction expenditures (excluding AFC)						
Electric	$307	$362	$ 328	$391	$ 437	$458
Gas	27	39	43	46	48	50
Common	80	81	48	63	70	82
Total construction expenditures	414	482	419	500	555	590
AFC	33	53	37	25	35	34
Deferred nuclear expenditures	10	28	23	27	13	10
Nuclear fuel (uranium purchases and processing charges)	17	21	2	21	45	44
Retirement of long-term debt and redemption of preference stock	53	60	339	75	291	124
Total utility business	527	644	820	648	939	802
Diversified Business Activities						
Retirement of long-term debt	89	8	167	220	87	3
Investment requirements	113	122	109	71	42	44
Total diversified business activities	202	130	276	291	129	47
Total	$729	$774	$1,096	$939	$1,068	$849

BG&E Utility Capital Requirements

BG&E's construction program is subject to continuous review and modification, and actual expenditures may vary from the estimates on page 28. The increase in estimated construction expenditures as compared to prior estimates is attributable to the expansion and upgrading of BG&E's transmission and distribution facilities and modifications to existing generating facilities.

The most significant project in the construction program is the two phased-combined cycle units at the Perryman site. Excluding AFC, construction expenditures for Perryman totaled $34 million over the 1989-1991 period, and such expenditures are expected to total approximately $175 million over the 1992-1994 period. Other electric construction expenditures are primarily attributable to improvements to BG&E's existing generating plants and to its transmission and distribution facilities. The Company currently estimates that expenditures for compliance with the Clean Air Act of 1990 will total approximately $50 million through 1995.

During 1991, 1990, and 1989, the internal generation of cash from utility operations provided 74%, 14%, and 8%, respectively, of the funds required for construction, nuclear fuel, and deferred nuclear expenditures. The significant increase in the 1991 level is due to a reduction in deferred electric fuel costs, lower construction expenditures, and higher net income. The low levels in 1990 and 1989 reflect increased deferred electric fuel costs and construction expenditures and lower net income. During the three-year period 1992 through 1994, approximately 55% of the funds required for construction, nuclear fuel, and deferred nuclear expenditures are expected to be provided through utility operations.

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, 1991, BG&E's issuances of long-term debt, preferred and preference stock, and common stock were $866 million, $200 million, and $152 million, respectively. During the same three-year period, BG&E's retirements of long-term debt and redemptions of preferred and preference stock were $416 million and $36 million, respectively.

In January 1992, BG&E sold $125 million of 7⅜% Series due January 15, 2007 First Refunding Mortgage Bonds. Also in January 1992, BG&E filed with the Securities and Exchange Commission a registration statement for the issuance of up to five million shares of additional common stock and shelf registrations for $250 million of additional First Refunding Mortgage Bonds, $200 million of additional Medium-Term Notes, and 900,000 shares of additional Preference Stock ($100 par value). BG&E has $36.9 million of Medium-Term Notes available under an existing shelf registration. The amount and timing of the sales of these securities will depend primarily upon market conditions and BG&E's needs.

Diversified Business Activities - Liquidity And Capital Requirements

Debt

During 1991, the aggregate amount available under Constellation Holdings, Inc.'s (CHI) bank debt facilities was reduced from $315 million to $261 million, and the amount outstanding was reduced accordingly. The maturity dates of these facilities were also extended to May 1, 1992. An additional $41 million was paid down on the bank facilities debt, and, in addition, $45 million of CHI privately placed debt was redeemed pursuant to regular sinking fund payments and maturities. Also, during 1991, $27 million in debt of subsidiaries of CHI that is secured by project assets ("project debt") was repaid, and the maturity dates of $94 million in project debt were extended to the years 1994 through 1996. During 1991, an additional $95 million in CHI privately placed debt with maturities of 4–6 years was issued to insurance companies. The proceeds from issuing this debt were used to reduce existing debt as discussed above.

CHI achieved rate advantages during past years by utilizing debt with short-term maturities. Uncertainties in the banking environment and tighter lending requirements, coupled with higher debt levels and the decline in operating income at the Constellation Companies, resulted in difficulty in obtaining from banks either new commitments or commitments to extend the maturity dates of the debt on terms acceptable to the Constellation Companies.

During 1992, $273 million of debt is scheduled to mature. Of this amount, $220 million is CHI bank debt, $53 million of which is classified as short-term debt; $30 million is CHI privately placed debt; and $23 million is project debt. CHI is presently negotiating to extend the maturity date of the bank debt until later years but, due to the factors discussed in the above paragraph, is unable to predict whether it will be able to do so.

During 1993, $87 million of debt is scheduled to mature. Of this amount, $40 million is CHI privately placed debt and $47 million is project debt. During 1994, $3 million of project debt is scheduled to mature. In 1995 and later years, $224 million of debt is scheduled to mature. Of this amount, $95 million is privately placed debt and $129 million is project debt.

CHI will attempt to continue, through private placements and further refinancing of maturing indebtedness, to restructure its indebtedness to achieve longer maturities. CHI also intends to pay down outstanding debt through internally generated cash which includes cash that may be generated from operations, maturing of financial limited partnerships, sales from the securities portfolio, the sale of other assets, and cash generated by tax benefits earned by CHI and its subsidiaries. In the event that the real estate market rebounds and CHI can obtain reasonable value for the 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 27 under the heading "Diversified Business Activities Earnings"). The ability of CHI to sell or liquidate the assets described above will depend on market conditions, and no assurances can be given that such sales or liquidations can be made.

CHI and its subsidiaries are negotiating the refinancing of all indebtedness as it matures in order to satisfy ongoing capital requirements. No assurances can be provided that CHI and its subsidiaries will be successful in extending the existing credit facilities and obtaining additional borrowings from institutional lenders.

Investment Requirements

The investment requirements shown on page 28 include CHI's portion of equity funding to committed projects under development as well as net loans made to project partnerships. The investment requirements for past periods reflect actual funding of projects, whereas investment requirements for the years 1992–1994 reflect the Constellation Companies' estimate of funding during such periods for ongoing and anticipated projects.

Estimates of the Constellation Companies' investment requirements are subject to continuous review and modification. Actual investment requirements may vary significantly from the amounts on page 28 due to 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' investment requirements have been met in the past through the internal generation of cash and through borrowings from institutional lenders.

Management is responsible for the information and representations contained in the Company's financial statements. The financial statements are prepared in accordance with generally accepted accounting principles based upon currently 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 which are 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, are engaged to audit the financial statements and express their opinion thereon. Their audit is made in accordance with generally accepted auditing standards which include a review of internal controls.

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, 1991 and 1990, and the related consolidated statements of income, cash flows, common shareholders' equity, and taxes for each of the three years in the period ended December 31, 1991. 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, 1991 and 1990, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1991 in conformity with generally accepted accounting principles.

As discussed in Note 11 to the consolidated financial statements, the Public Service Commission of Maryland is currently reviewing the replacement energy costs resulting from the outages at the Company's nuclear power plant, and the Company provided a reserve of $35 million in 1990 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 and changed its method of accounting for unbilled revenues in 1990.

Coopers & Lybrand

Coopers & Lybrand
Baltimore, Maryland
January 16, 1992

Consolidated Statements of Income

	1991	1990	1989
	Year Ended December 31, (In Thousands, Except Per Share Amounts)		
Revenues			
Electric	$1,994,525	$1,712,453	$1,547,167
Gas	358,195	373,419	411,801
Diversified activities	106,773	101,690	73,041
Total revenues	2,459,493	2,187,562	2,032,009
Expenses Other Than Interest and Income Taxes			
Electric fuel and purchased energy	598,208	551,385	398,004
Provision for possible disallowance of replacement energy costs (see Note 11)	–	35,000	–
Gas purchased for resale	181,455	200,762	223,462
Operations	634,309	576,271	478,194
Maintenance	173,648	163,457	149,014
Depreciation	199,637	170,586	156,546
Taxes other than income taxes	170,781	156,722	150,204
Total expenses other than interest and income taxes	1,958,038	1,854,183	1,555,424
Income from Operations	501,455	333,379	476,585
Other Income			
Allowance for equity funds used during construction	23,596	27,086	18,564
Equity in earnings of Safe Harbor Water Power Corporation	4,388	4,900	5,176
Net other income and deductions	(1,357)	4,689	7,188
Total other income	26,627	36,675	30,928
Income Before Interest and Income Taxes	528,082	370,054	507,513
Interest Expense			
Interest charges	221,098	200,922	164,369
Allowance for borrowed funds used during construction	(13,870)	(26,266)	(14,776)
Net interest expense	207,228	174,656	149,593
Income Before Income Taxes	320,854	195,398	357,920
Income Taxes	87,173	19,952	81,629
Income Before Cumulative Effect of Changes in Accounting Methods	233,681	175,446	276,291
Cumulative Effect of Change in the Method of Accounting for Income Taxes (See Note 1)	19,745	–	–
Cumulative Effect of Change in the Method of Accounting for Unbilled Revenues, Net of Taxes (See Note 1)	–	37,754	–
Net Income	253,426	213,200	276,291
Preferred and Preference Stock Dividends	42,746	40,261	32,381
Earnings Applicable to Common Stock	$ 210,680	$ 172,939	$ 243,910
Average Shares of Common Stock Outstanding	84,062	82,366	79,997
Earnings Per Share of Common Stock			
Before cumulative effect of changes in accounting methods	$2.28	$1.64	$3.05
Cumulative effect of change in the method of accounting for income taxes	.23	–	–
Cumulative effect of change in the method of accounting for unbilled revenues	–	.46	–
Total earnings per share of common stock	$2.51	$2.10	$3.05

See Notes to Consolidated Financial Statements.

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

Consolidated Balance Sheets

	At December 31, 1991	1990
	(In Thousands)	
Assets		
Current Assets		
Cash and cash equivalents	$ 17,417	$ 39,879
Accounts receivable (net of allowance for uncollectibles)	304,802	268,392
Accrued unbilled revenues	60,429	49,813
Fuel stocks	71,493	78,535
Materials and supplies	128,892	119,835
Income taxes refundable	–	44,720
Prepaid taxes other than income taxes	46,121	43,453
Other prepayments	30,194	30,759
Other	6,675	9,237
Total current assets	666,023	684,623
Investments and Other Assets		
Real estate projects	448,661	412,983
Financial investments	248,258	322,532
Power generation systems	215,757	171,922
Safe Harbor Water Power Corporation	34,229	34,241
Nuclear decommissioning trust fund	31,969	21,335
Senior living facilities	25,857	26,944
Other	67,175	54,517
Total investments and other assets	1,071,906	1,044,474
Utility Plant		
Plant in service		
Electric	5,157,619	4,230,881
Gas	494,950	496,603
Common	446,200	410,538
Total plant in service	6,098,769	5,138,022
Accumulated depreciation	(1,803,506)	(1,694,166)
Net plant in service	4,295,263	3,443,856
Construction work in progress	307,765	861,734
Nuclear fuel (net of amortization)	152,882	189,895
Plant held for future use	17,990	17,614
Net utility plant	4,773,900	4,513,099
Deferred Charges		
Deferred fuel costs (net of reserve for possible disallowance)	287,021	389,775
Income taxes recoverable through future rates	178,640	–
Deferred nuclear expenditures (net of amortization)	63,724	43,182
Other	37,633	35,222
Total deferred charges	567,018	468,179
Total Assets	$7,078,847	$6,710,375

See Notes to Consolidated Financial Statements.

	At December 31, 1991	1990
	(In Thousands)	
Liabilities and Capitalization		
Current Liabilities		
Short-term borrowings	$ 212,170	$ 227,700
Current portions of long-term debt and preference stock	294,507	452,912
Accounts payable	185,782	202,928
Customer deposits	14,573	13,176
Accrued taxes	29,612	23,982
Accrued interest	49,173	46,249
Dividends declared	54,914	54,334
Accrued vacation costs	30,142	27,050
Other	11,619	14,262
Total current liabilities	882,492	1,062,593
Deferred Credits and Other Liabilities		
Deferred income taxes	879,417	647,912
Deferred investment tax credits	174,442	180,591
Other	31,390	18,092
Total deferred credits and other liabilities	1,085,249	846,595
Capitalization		
Long-term debt	2,390,115	2,193,844
Preferred stock	59,185	59,185
Redeemable preference stock	398,500	365,000
Preference stock not subject to mandatory redemption	110,000	110,000
Common shareholders' equity	2,153,306	2,073,158
Total capitalization	5,111,106	4,801,187
Commitments, Guarantees, and Contingencies – See Note 11		
Total Liabilities and Capitalization	$7,078,847	$6,710,375

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

	Year Ended December 31, 1991	1990	1989
		(In Thousands)	
Cash Flows From Operating Activities			
Net income	$ 253,426	$ 213,200	$ 276,291
Adjustments to reconcile to net cash provided by operating activities			
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	–	(37,754)	–
Depreciation and amortization	242,390	179,793	170,706
Deferred income taxes	32,351	56,995	136,388
Investment tax credit adjustments	(6,225)	(4,450)	(1,478)
Deferred fuel costs	102,754	(79,671)	(248,472)
Provision for possible disallowance of replacement energy costs	–	35,000	–
Write-down of financial investments	13,575	–	–
Write-down of real estate projects	9,988	–	–
Allowance for equity funds used during construction	(23,596)	(27,086)	(18,564)
Equity in earnings of affiliates and joint ventures (net)	8,708	14,029	(6,449)
Changes in current assets and current liabilities			
Accounts receivable	(36,410)	15,698	(51,030)
Accrued unbilled revenues	(10,616)	9,580	–
Materials, supplies, and fuel stock	(2,015)	(41,228)	(5,075)
Income taxes refundable	44,720	29,169	(73,144)
Accounts payable	(17,146)	(53,844)	124,011
Accrued taxes	5,630	(709)	(1,824)
Other current assets and current liabilities	3,247	(12,837)	17,969
Other	(8,862)	(10,376)	1,095
Net cash provided by operating activities	592,174	285,509	320,424
Cash Flows From Financing Activities			
Proceeds from issuance of			
Short-term borrowings (net)	(15,550)	103,893	44,382
Long-term debt	1,015,950	1,987,426	1,296,310
Preference stock	34,801	64,342	98,860
Common stock	32,263	86,881	32,445
Reacquisition of long-term debt	(959,379)	(1,595,463)	(1,020,029)
Redemption of preference stock	(22,800)	(6,800)	(6,800)
Common stock dividends paid	(176,007)	(171,623)	(163,534)
Preferred and preference stock dividends paid	(42,743)	(38,490)	(31,151)
Other	(442)	(34)	(94)
Net cash (used in) provided by financing activities	(133,887)	430,132	250,389
Cash Flows From Investing Activities			
Utility construction expenditures	(456,244)	(535,316)	(447,339)
Allowance for equity funds used during construction	23,596	27,086	18,564
Nuclear fuel expenditures	(1,854)	(20,519)	(17,431)
Deferred nuclear expenditures	(22,681)	(27,755)	(9,605)
Nuclear decommissioning trust fund	(8,900)	(8,108)	(6,968)
Financial investments	67,282	(9,907)	(1,048)
Real estate projects	(45,322)	(49,745)	(40,282)
Power generation systems	(33,204)	(62,494)	(65,702)
Senior living facilities	(737)	(2,492)	(4,390)
Other	(2,685)	(5,412)	(11,608)
Net cash used in investing activities	(480,749)	(694,662)	(585,809)
Net (Decrease) Increase in Cash and Cash Equivalents	(22,462)	20,979	(14,996)
Cash and Cash Equivalents at Beginning of Year	39,879	18,900	33,896
Cash and Cash Equivalents at End of Year	$ 17,417	$ 39,879	$ 18,900
Other Cash Flow Information			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 199,911	$ 166,723	$ 150,178
Income taxes	$ 16,078	$ (56,937)	$ 14,390

See Notes to Consolidated Financial Statements.

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

	Common Stock Shares	Common Stock Amount	Premium on Preferred Stock	Retained Earnings	Net Unrealized Loss on Marketable Securities	Total Amount
	Years Ended December 31, 1991, 1990, and 1989 (In Thousands)					
Balance at December 31, 1988	79,298	$829,462	$157	$1,062,421	$ (6,795)	$ 1,885,245
Net income				276,291		276,291
Dividends declared						
Preferred and preference stock				(32,381)		(32,381)
Common stock ($2.075 per share)				(166 067)		(166,067)
Common stock issued under						
Dividend Reinvestment and Stock Purchase Plan	860	26,465				26,465
Employee Stock Ownership Plan	190	5,980				5,980
Costs associated with issuance of redeemable preference stock		(1,140)				(1,140)
Change in net unrealized loss on marketable securities					6,795	6,795
Balance at December 31, 1989	80,348	860,767	157	1,140,264	–	2,001,188
Net income				213,200		213,200
Dividends declared						
Preferred and preference stock				(40,261)		(40,261)
Common stock ($2.10 per share)				(173,204)		(173,204)
Common stock issued under						
Public offering	2,000	57,062				57,062
Dividend Reinvestment and Stock Purchase Plan	936	27,474				27,474
Employee Savings Plan	75	2,345				2,345
Costs associated with issuance of redeemable preference stock		(658)				(658)
Change in net unrealized loss on marketable securities					(13,988)	(13,988)
Balance at December 31, 1990	83,359	946,990	157	1,139,999	(13,988)	2,073,158
Net income				253,426		253,426
Dividends declared						
Preferred and preference stock				(42,746)		(42,746)
Common stock ($2.10 per share)				(176,584)		(176,584)
Common stock issued under						
Dividend Reinvestment and Stock Purchase Plan	1,010	29,747				29,747
Employee Savings Plan	91	2,516				2,516
Costs associated with issuance of redeemable preference stock		(199)				(199)
Change in net unrealized loss on marketable securities					13,988	13,988
Balance at December 31, 1991	84,460	$979,054	$157	$1,174,095	$ –	$2,153,306

See Notes to Consolidated Financial Statements.

Consolidated Statements of Capitalization

	At December 31, 1991	1990
	(In Thousands)	
Long-Term Debt		
First refunding mortgage bonds		
4⅜% Series, due July 15, 1992	$ 24,726	$ 24,751
4% Series, due March 1, 1993	24,061	24,070
4½% Series, due July 15, 1994	29,921	29,921
9¼% Series, due October 15, 1995	200,000	200,000
5⅜% Series, due April 15, 1996	26,585	26,585
8½% Series, due June 15, 1997	99,500	99,500
6⅝% Series, due August 1, 1997	24,957	24,958
5⅜% Installment Series, due August 15, 1998	53,000	55,155
7% Series, due December 15, 1998	28,638	28,646
8⅛% Series, due September 15, 1999	22,062	22,077
8.40% Series, due October 15, 1999	100,000	100,000
8⅜% Series, due September 15, 2000	11,338	11,338
7¼% Series, due April 15, 2001	59,919	59,919
8⅜% Series, due August 15, 2001	125,000	–
7⅜% Series, due September 1, 2001	59,985	59,985
7⅛% Series, due January 1, 2002	49,999	49,999
7½% Series, due July 1, 2002	49,985	49,985
5⅝% Installment Series, due July 15, 2002	12,500	12,500
7½% Series, due September 15, 2002	49,990	49,990
8⅛% Series, due February 1, 2004	74,983	74,983
6.80% Series, due September 15, 2004	20,000	20,000
8⅝% Series, due September 15, 2006	74,960	74,960
8¼% Series, due September 15, 2007	75,000	75,000
9⅝% Series, due July 1, 2008	29,995	43,894
6.90% Installment Series, due September 15, 2009	55,000	55,000
9⅛% Series, due March 1, 2016	98,000	98,000
Total first refunding mortgage bonds	1,480,104	1,371,216
Other long-term debt		
Loans under unsecured credit facilities	175,000	25,000
Loans under revolving credit agreements	–	175,000
Medium-term notes, Series A	100,000	47,000
Medium-term notes, Series B	63,100	–
9½% Notes, due May 1, 1993	100,000	100,000
Floating rate notes, due July 1, 1995	–	100,000
Floating rate notes, due October 15, 1995 Series II	100,000	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
Economic development loan, due December 1, 2018	35,000	35,000
Total other long-term debt	677,100	686,000
Long-term debt of Constellation Companies		
Mortgage and construction loans and other collateralized notes		
8.875%, due June 30, 1991	–	21,250
10.50%, due June 30, 1991	–	53,300
Variable rates, due through 1996	181,532	98,278
10.31%, due August 1, 1997	18,877	19,128
Industrial park facilities bonds	750	1,450
Loans under revolving credit agreements	167,330	265,996
Unsecured notes		
8.875%, due August 10, 1991	–	15,000
8.30%, due April 12, 1993	70,000	100,000
8.35%, due August 28, 1995	20,000	–
8.71%, due August 28, 1996	23,000	–
8.93%, due August 28, 1997	52,000	–
Total long-term debt of Constellation Companies	533,489	574,402
Unamortized discount and premium	(7,571)	(7,662)
Current portion of long-term debt	(293,007)	(430,112)
Total long-term debt	2,390,115	2,193,844

See Notes to Consolidated Financial Statements.

	At December 31, 1991	1990
	(In Thousands)	
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, 6,000,000 shares authorized		
Redeemable preference stock		
12%, 1981 Series A, 68,000 shares outstanding in 1990	–	6,800
12%, 1981 Series B, 160,000 shares outstanding in 1990	–	16,000
7.50%, 1986 Series, 500,000 shares outstanding, callable at $105 per share prior to October 1, 1996 and at lesser amounts thereafter	50,000	50,000
6.75%, 1987 Series, 500,000 shares outstanding, callable at $106.75 per share prior to April 1, 1992 and at lesser amounts thereafter	50,000	50,000
6.95%, 1987 Series, 500,000 shares outstanding	50,000	50,000
7.64%, 1988 Series, 500,000 shares outstanding, callable at $107.64 per share prior to July 1, 1993 and at lesser amounts thereafter	50,000	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 in 1991	35,000	–
Current portion of redeemable preference stock	(1,500)	(22,800)
Total redeemable preference stock	398,500	365,000
Preference stock not subject to mandatory redemption		
7.88%, 1971 Series, 500,000 shares outstanding, callable at $101 per share	50,000	50,000
7.75%, 1972 Series, 400,000 shares outstanding, callable at $101 per share	40,000	40,000
7.78%, 1973 Series, 200,000 shares outstanding, callable at $101 per share	20,000	20,000
Total preference stock not subject to mandatory redemption	110,000	110,000
Common Shareholders' Equity		
Common stock—without par value—100,000,000 shares authorized; 84,459,582 and 83,359,464 shares issued and outstanding at December 31, 1991 and 1990, respectively. (At December 31, 1991, 311,503 shares were reserved for the Employee Savings Plan and 2,242,731 shares were reserved for the Dividend Reinvestment and Stock Purchase Plan.)	979,054	946,990
Premium on preferred stock	157	157
Retained earnings	1,174,095	1,139,999
Net unrealized loss on marketable securities	–	(13,988)
Total common shareholders' equity	2,153,306	2,073,158
Total Capitalization	$5,111,106	$4,801,187

See Notes to Consolidated Financial Statements.

Consolidated Statements of Taxes

	Year Ended December 31, 1991	1990	1989
	(Dollar Amounts In Thousands)		
Income Taxes			
Current			
Regular tax	$ 46,844	$ (65,130)	$ (78,617)
Alternative minimum tax	14,203	31,792	25,336
Total current taxes	61,047	(33,338)	(53,281)
Deferred			
Accelerated depreciation	79,147	70,639	64,540
Deferred fuel costs	(34,936)	27,088	84,481
Provision for possible disallowance of replacement energy costs	–	(11,900)	–
Alternative minimum tax	(14,203)	(31,792)	(25,336)
Tax rate differential attributable to tax net operating loss	(20,258)	5,744	15,325
Tax credit carryforward offset	1,522	(8,410)	–
Unbilled revenues	–	12,952	(9,420)
Deferred nuclear expenditures	6,984	9,117	3,259
Computer software development costs	(1,045)	6,885	7,790
Contributions in aid of construction	(2,798)	(2,704)	(2,785)
Leveraged leases	(1,041)	(943)	4,877
Other	(766)	513	(6,343)
Total deferred taxes	12,606	77,189	136,388
Investment tax credit adjustments			
Current tax credits deferred	3,119	2,887	6,428
Amortization of deferred tax credits	(9,344)	(7,337)	(7,906)
Investment tax credit adjustments	(6,225)	(4,450)	(1,8[illegible])
Total income taxes	6[illegible],428	39,401	81,629
Income taxes included in cumulative effect of change in method of accounting for income taxes	19,745	–	–
Income taxes included in cumulative effect of change in method of accounting for unbilled revenues	–	(19,449)	–
Income taxes per Consolidated Statements of Income	$ 87,173	$ 19,952	$ 81,629
Reconciliation of Income Taxes Computed at Statutory Federal Rate to Total Income Taxes			
Income before income taxes (including cumulative effect of accounting changes)	$320,854	$252,601	$357,920
Statutory federal income tax rate	34%	34%	34%
Income taxes computed at statutory federal rate	109,090	85,884	121,693
Increases (decreases) in income taxes due to			
Depreciation differences not normalized on regulated activities	8,082	4,301	4,610
Allowance for equity funds used during construction	(8,023)	(18,140)	(11,336)
Amortization of deferred investment tax credits	(9,344)	(7,337)	(7,906)
Tax credits flowed through to income	(1,335)	(15,283)	(10,219)
Dividends received deduction	(2,108)	(4,352)	(5,111)
Equity in earnings of Safe Harbor Water Power Corporation	(1,492)	(1,666)	(1,760)
Loss on disposition of assets	(3,295)	(1,892)	(2,230)
Amortization of deferred tax rate differential on regulated activities	(5,024)	(3,062)	(2,673)
Reversal of deferred taxes on nonregulated activities	(19,745)	–	–
Other	622	948	(3,439)
Total income taxes	$ 67,428	$ 39,401	$ 81,629
Effective federal income tax rate	21.0%	15.6%	22.8%
Taxes Other Than Income Taxes			
Real and personal property	$ 89,379	$ 85,372	$ 82,959
Public service company franchise	46,041	42,812	38,293
Social security	33,121	30,344	27,843
Other	9,026	6,770	7,094
Total taxes other than income taxes	177,567	165,298	156,189
Amounts included above charged to accounts other than taxes	(6,7[illegible]6)	(8,576)	(5,985)
Taxes other than income taxes per Consolidated Statements of Income	$170,781	$156,722	$150,204

See Notes to Consolidated Financial Statements.

Note 1. Significant Accounting Policies

Nature of the Business
Baltimore Gas and Electric Company (BG&E) 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 business activities as further described in Note 3.

Principles of Consolidation
The consolidated financial statements include the accounts of BG&E and all subsidiaries in which BG&E owns directly or indirectly a majority of the voting stock. Intercompany balances and transactions have been eliminated in consolidation. Corporate joint ventures, partnerships, and affiliated companies in which a 50% or less voting interest is held are accounted for under the equity or cost methods. 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, and Safe Harbor Water Power Corporation is reported under the equity method. Investments in power generation systems and certain financial investments represent ownership interests of 21% to 50% and are accounted for under the equity method.

Regulation of Utility Operations
BG&E's utility operations are subject to regulation by the Public Service Commission of Maryland (Maryland Commission). The accounting for utility operations is in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission and adopted by the Maryland Commission. 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.

Utility Revenues
Effective January 1, 1990, BG&E changed its revenue recognition policy to provide for the accrual of revenue for service rendered but unbilled as of the end of each month. Prior to 1990, revenues were recognized at the time customers' meters were read on a monthly cycle basis. The new policy was adopted in order to provide a better matching of revenues and expenses and to conform with the predominant practice within the utility industry. This change in policy resulted in an increase in 1990 net income of $31,675,000, or 38¢ per common share. This increase consisted of an increase of $37,754,000, or 46¢ per common share, attributable to the cumulative effect of the change at January 1, 1990, partially offset by a decrease of $6,079,000, or 8¢ per common share, in the December 31, 1990 accrual. If the current policy had been in effect in 1989, net income would have been increased by $6,046,000, or 8¢ per common share.

Effective January 1, 1991, BG&E implemented an accounting order of the Federal Energy Regulatory Commission which requires revenue from interchange sales of electricity and interconnection services to be reported as electric revenues rather than as a reduction of electric fuel and purchased energy expense. Prior-year amounts have been restated to conform with the current year's presentation of these revenues. Revenues from interchange sales of electricity are included in the electric fuel rate formula as a reduction of electric fuel and purchased energy costs and, accordingly, do not contribute to income from operations.

Fuel and Purchased Energy Costs
Subject to the approval of the Maryland Commission, the cost of fuel used in generating electricity and the cost of gas sold may be recovered through zero-based electric fuel rate (see Note 11) and purchased gas adjustment clauses. To the extent actual fuel costs differ from revenues under the clauses, BG&E defers the fuel costs and accumulates them on the balance sheet to be recovered from or refunded to customers in future periods.

As implemented by the Maryland Commission, the electric fuel rate formula is based upon the latest twenty-four-month generation mix and the latest three-month average fuel cost for each generating unit. Effective June 1, 1990, the Maryland Commission modified the electric fuel rate formula and ordered BG&E to include a minimum level of nuclear generation in its twenty-four-month generation mix. The fuel rate does not change unless the calculated rate is more than 5% above or below the rate then in effect. In addition, BG&E recovered deferred electric fuel costs of $14,798,000, $17,179,000, and $17,301,000 in 1991, 1990, and 1989, respectively, through a surcharge to the electric fuel rate which expired as scheduled in October 1991.

The purchased gas adjustment is based on recent annual volumes of gas and the related current prices charged by BG&E's gas suppliers. As authorized by the Maryland Commission, 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.

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

	At December 31, 1991	1990
	(In Thousands)	
Electric		
Costs deferred	**$322,064**	$428,632
Reserve for possible disallowance of replacement energy costs (see Note 11)	**(35,000)**	(35,000)
Net electric	**287,064**	393,632
Gas	**(43)**	(3,857)
Total	**$287,021**	$389,775

At December 31, 1991 and 1990, the amount of electric deferred fuel costs included in rate base by the Maryland Commission for ratemaking purposes was $72,795,000.

Income Taxes
Effective January 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 96, "Accounting For Income Taxes," which 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 and is measured using presently enacted tax rates. The Company's temporary differences consist primarily of timing differences between revenues and expenses for financial statement and income tax purposes, the allowance for funds used during construction, and deferred investment tax credits. Changes in BG&E's deferred income taxes arising from the initial application of Statement No. 96 represent income taxes recoverable through future rates and have 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. As a result of its effect on nonregulated activities, the cumulative effect of the change in accounting for income taxes resulted in an increase in net income of $19,745,000, or 23¢ per common share, due to the reversal of deferred income taxes accrued in prior years at tax rates in excess of the presently enacted tax rate.

Prior to 1991, deferred income taxes were generally provided on all timing differences between revenues and expenses for financial statement and income tax purposes except for timing differences pertaining to accelerated depreciation on pre-1976 property additions.

The 1991 current tax expense consists of a regular tax and alternative minimum tax (AMT). The 1989 and 1990 current tax refunds consist of a regular tax refund reduced by the AMT. These regular tax refunds represent principally the tax benefit of net operating losses (NOLs) incurred in 1989 and 1990 which have been carried back to recover taxes previously paid in 1986 and 1987 at federal tax rates of 46% and 40%, respectively. The AMT liabilities 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, 1991, this carryforward totaled $72,505,000. At December 31, 1991, the Company had a capital loss carryforward of $4,087,000 for tax return purposes which expires in the year 1996 and an additional capital loss carryforward for financial statement purposes of $3,071,000.

The investment tax credit (ITC) associated with BG&E's regulated utility operations is deferred and 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. For federal income tax purposes, at December 31, 1991, the Company had tax credit carryforwards of $6,888,000 which expire in the years 2005 and 2006.

BG&E's utility revenue, excluding revenue from interchange sales and interconnection services, 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.

Deferred income taxes have not been provided on the $17,329,000 portion of BG&E's investment in Safe Harbor Water Power Corporation representing accumulated undistributed earnings. In the future, if the undistributed earnings were remitted, BG&E would incur income taxes of $1,178,000.

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

Investments
Marketable equity securities are stated at the lower of aggregate cost or market value, and other securities are stated at cost. Where appropriate, [illegible] amortization of premium and discount computed on a straight-line basis. Gains and losses on the sale of investment securities are included in revenues from diversified activities on the income statement and are recognized upon realization on a specific identification basis.

Utility Plant, Depreciation, and Decommissioning
Utility plant in service is stated at original cost, which includes material, labor, construction overhead costs, and, where applicable, an allowance for funds used during construction. Construction work in progress, plant held for future use, and nuclear fuel are stated at cost.

Additions to utility plant and replacements of units of property are capitalized to utility plant accounts. The original cost of plant retired is removed from utility plant, and such cost, plus removal cost, less salvage value, is charged to the accumulated provision for depreciation. 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.

Nuclear decommissioning costs are accrued by and recovered through a sinking fund methodology. In its December 1990 rate order, the Maryland Commission granted BG&E additional revenue to provide for an increase in its nuclear decommissioning accrual in order to accumulate a reserve of $275 million in 1989 dollars by the end of Calvert Cliffs' service life. The total decommissioning reserve of $64,310,000 and $52,026,000 at December 31, 1991 and 1990, respectively, is included in accumulated depreciation in the Consolidated Balance Sheets.

BG&E is required by regulations of the Nuclear Regulatory Commission (NRC) to provide financial assurance that decommissioning funds in an amount at least equal to an NRC-prescribed minimum level will be accumulated over the remaining service life of the Calvert Cliffs plant. Accordingly, BG&E has established a tax-qualified decommissioning trust to which a portion of decommissioning costs accrued have been contributed.

Allowance for Funds Used During Construction and Capitalized Interest

The allowance for funds used during construction (AFC) is an accounting procedure whereby the cost of funds used to finance utility construction projects is capitalized as part of utility plant on the balance sheet and is credited as a noncash item on the income statement. The cost of borrowed and equity funds is segregated between interest expense and other income, respectively. BG&E 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. AFC does not represent taxable income, and the depreciation of capitalized AFC is not a tax-deductible expense.

During the period January through December 15, 1989, an after-tax AFC rate of 8.55%, compounded annually, was applied to all major electric projects. Effective December 15, 1989, a rate order of the Maryland Commission resulted in the after-tax AFC rate being increased to 8.80%, compounded annually, and $54,344,000 of construction expenditures on Brandon Shores Unit 2, which previously had been removed from the AFC base, being reinstated in the AFC base. Effective December 17, 1990, a rate order of the Maryland Commission reduced the after-tax AFC rate to 8.69%, compounded annually.

Effective January 1, 1991, the Maryland Commission authorized the Company to begin accruing AFC at a pre-tax rate of 9.94% in connection with the adoption of the liability method of accounting for income taxes under Statement of Financial Accounting Standards No. 96. Under Statement No. 96, which prohibits net-of-tax accounting and reporting, income taxes represented by the difference between a pre-tax and net-of-tax AFC rate are recorded as a component of income tax expense rather than as a reduction of AFC. The pre-tax AFC rate of 9.94% is equivalent to the 8.69% after-tax AFC rate. Thus, the use of a pre-tax AFC rate does not affect net income.

The Constellation Companies capitalize interest on qualifying real estate development projects. Capitalized interest totaled $16,410,000, $26,982,000, and $5,842,000 in 1991, 1990, and 1989, respectively, and is included as a reduction of interest charges in the Consolidated Statements of Income. A significant portion of the increase in capitalized interest in 1990 was the result of consolidating several real estate projects which had previously been accounted for under the equity method (see Note 4).

Nuclear Fuel

Nuclear fuel expenditures are capitalized and 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.

Deferred Nuclear Expenditures

Deferred nuclear expenditures represent the net unamortized balance of certain operations and maintenance costs which, in accordance with orders of the Maryland Commission, have been deferred, included in rate base, and are being amortized over the remaining life of the Calvert Cliffs Nuclear Power Plant. These expenditures consist of costs incurred from 1979 through 1982 for inspecting and repairing seismic pipe supports, expenditures incurred during 1989 through 1991 associated with nonrecurring phases of certain nuclear operations programs, and expenditures incurred during 1990 for investigating leaks in the pressurizer heater sleeves.

Long-Term Debt

The discount or premium and expense of issuance associated with long-term debt are deferred and amortized over the 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, 1991	1990	1989
		(In Thousands)	
Electric			
Revenues	$1,994,525	$1,712,453	$1,547,16[illegible]
Income from operations	446,157	264,814	388,071
Income from operations net of income taxes	352,385	233,863	307,300
Depreciation	171,722	146,188	135,735
Cumulative effect of change in the method of accounting for unbilled revenues	–	30,173	–
Construction expenditures (including AFC)	406,008	482,529	406,410
Identifiable assets at December 31	4,966,639	4,796,542	4,279,399
Gas			
Revenues	$ 358,195	$ 373,419	$ 411,801
Income from operations	35,607	35,919	55,230
Income from operations net of income taxes	[illegible]0,944	30,654	42,343
Depreciation	13 896	17,243	16,169
Cumulative effect of change in the method of accounting for unbilled revenues	–	7,581	–
Construction expenditures	50,236	52,787	40,929
Identifiable assets at December 31	457,003	447,292	433,248
Diversified Activities			
Revenues	$ 106,773	$ 101,690	$ 73,041
Income from operations	19,691	32,646	33,284
Income from operations net of income taxes	30,953	48,910	45,313
Depreciation	9,019	7,155	4,642
Cumulative effect of change in the method of accounting for income taxes	19,745	–	–
Identifiable assets at December 31	1,001,313	1,041,365	836,530
Total			
Revenues	$2,459,493	$2,187,562	$2,032,009
Income from operations	501,455	333,379	476,585
Income from operations net of income taxes	414,282	313,427	394,956
Depreciation	199,637	170,586	156,546
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	–	37,754	–
Construction expenditures (including AFC)	456,244	535,316	447,339
Identifiable assets at December 31	6,424,955	6,285,199	5,549,177
Other assets at December 31	653,892	425,176	436,502
Total assets at December 31	7,078,847	6,710,375	5,985,679

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

Note 3. Subsidiary Information

Diversified business activities 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 operations and development and ownership of senior living facilities; development, ownership, and operation of power generation systems; and financial investments.

BNG, Inc. is a wholly owned subsidiary which invests in natural gas reserves and obtains gas from nontraditional sources.

BG&E's investment in Safe Harbor Water Power Corporation, a producer of hydroelectric power, is reported under the equity method. This investment 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 and Safe Harbor Water Power Corporation. Similar information is not presented for BNG, Inc. as its financial position (shareholder's equity of $5.5 million) and results of operations (contribution of 1¢ per common share to the Company's 1991 earnings) are immaterial to the consolidated financial statements. 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.

	1991	1990	1989
	(In Thousands, Except Per Share Amounts)		
Constellation Holdings, Inc. and Subsidiaries			
Income Statements			
Revenues			
Real estate projects	$ 85,845	$ 82,687	$ 53,831
Power generation systems	17,732	3,328	301
Financial investments	8,059	20,160	23,655
Total revenues	111,636	106,175	77,787
Expenses other than interest and income taxes	91,848	73,537	44,966
Income from operations	19,788	32,638	32,821
Minority interest	3,550	952	340
Interest expense	43,578	37,345	28,709
Income tax expense (benefit)	(9,005)	(17,859)	(14,678)
Cumulative effect of change in the method of accounting for income taxes	19,745	–	–
Net income	$ 8,510	$ 14,104	$ 19,130
Contribution to the Company's earnings per share of common stock	$ .10	$ .17	$ .24
Balance Sheets			
Current assets	$ 20,463	$ 71,837	$ 68,858
Noncurrent assets	976,179	964,095	760,688
Total assets	$996,642	$1,035,932	$829,546
Current liabilities	$285,130	$ 439,687	$ 26,736
Noncurrent liabilities	431,370	343,602	551,482
Shareholder's equity	280,142	252,643	251,328
Total liabilities and shareholder's equity	$996,642	$1,035,932	$829,546
Safe Harbor Water Power Corporation			
Income Statements			
Revenues	$ 28,059	$ 28,793	$ 28,713
Expenses other than interest and income taxes	13,468	13,163	12,337
Income from operations	14,591	15,630	16,376
Other income	428	721	700
Interest expense	4,695	4,702	4,700
Income taxes	3,742	4,299	4,612
Net income	$ 6,582	$ 7,350	$ 7,764
BG&E's equity in earnings	$ 4,388	$ 4,900	$ 5,176
Dividends paid to BG&E by Safe Harbor Water Power Corporation	$ 4,570	$ 11,084	$ 5,142
Balance Sheets			
Current assets	$ 13,517	$ 10,803	$ 15,464
Noncurrent assets	120,472	122,044	124,932
Total assets	$133,989	$ 132,847	$140,396
Current liabilities	$ 3,409	$ 3,798	$ 3,801
Noncurrent liabilities	79,235	77,686	75,963
Shareholders' equity	51,345	51,363	60,632
Total liabilities and shareholders' equity	$133,989	$ 132,847	$140,396
BG&E's investment	$ 34,229	$ 34,241	$ 40,421

Note 4. Real Estate Projects and Financial Investments

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

	At December 31, 1991	1990
	(In Thousands)	
Rental and operating properties (net of accumulated depreciation)	$232,154	$219,778
Properties under development	213,439	190,677
Other real estate ventures	3,068	2,528
Total	$448,661	$412,983

In 1991, a subsidiary of Constellation Holdings, Inc. recognized a loss of $9,588,000 to write-down the carrying value of certain operating properties and properties under development to reflect the depressed real estate and economic markets.

In July 1990, a subsidiary of Constellation Holdings, Inc. obtained control of several real estate partnerships which had previously been accounted for under the equity method. Accordingly, the financial statements reflect assets totaling $155,635,000, including $154,182,000 of real estate property, and liabilities totaling $76,277,000, including $74,734,000 of long-term debt, in place of the previous $79,358,000 equity investment.

In August 1989, a subsidiary of Constellation Holdings, Inc. acquired substantially all of the assets and liabilities of a real estate partnership in which it had previously held a 50% equity interest. The assets acquired totaled $66,934,000, including $62,354,000 of real estate property, and the liabilities assumed totaled $50,306,000, including $43,060,000 of long-term debt. The acquisition was recorded using the purchase method of accounting.

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

	At December 31, 1991	1990
	(In Thousands)	
Marketable equity securities		
At cost	$ 38,817	$ 82,051
Net unrealized loss	-	(13,988)
At lower of aggregate cost or market value	38,817	68,063
Other securities	16,767	17,659
Financial limited partnerships	67,269	123,711
Insurance companies	85,307	72,603
Leveraged leases	40,098	40,496
Total	$248,258	$322,532

In 1991, a subsidiary of Constellation Holdings, Inc. recognized a loss of $10,503,000 to write-down the carrying value of financial investments to reflect previously unrealized losses on certain marketable equity securities. Substantially all of the securities written-down were subsequently sold. The Constellation Companies also recognized a loss of $3,071,000 on two financial limited partnerships (banking and financial services) that were adjusted to reflect market value when the partnerships were reclassified as short-term investments.

As of December 31, 1991, gross unrealized gains applicable to marketable equity securities totaled $3,022,000. Net realized losses from financial investments included in net income totaled $11,593,000 in 1991. Net realized gains totaled $1,395,000, and $5,986,000 in 1990 and 1989, respectively.

Note 5. Jointly Owned Electric Utility Plant

BG&E owns an undivided interest in the Keystone and Conemaugh mine-mouth 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. Financing and accounting for these properties are the same as for wholly owned utility plant. BG&E's share of the direct expenses and assets and liabilities of the joint property is included in the corresponding sections of the Consolidated Statements of Income and Consolidated Balance Sheets.

The following data represent BG&E's share of the jointly owned properties at December 31, 1991:

	Keystone	Conemaugh	Transmission Line
	(Dollar Amounts in Thousands)		
Ownership interest	20.99%	10.56%	7.00%
Utility plant in service	$79,274	$42,474	$1,486
Accumulated depreciation	24,046	15,589	683
Construction work in progress	3,312	3,106	-

Note 6. 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.

	1991	1990	1989
	(Dollar Amounts in Thousands)		
BG&E's Commercial Paper Notes			
Borrowings outstanding at December 31	**$159,500**	$163,700	$117,300
Weighted average interest rate of notes outstanding at December 31	**4.75%**	7.91%	8.69%
Unused lines of credit supporting commercial paper notes at December 31	**$303,000**	$225,000	$200,000
Maximum borrowings during the year	**$336,200**	$344,200	$212,350
Average daily borrowings during the year *(a)*	**$210,883**	$218,642	$ 87,025
Weighted average interest rate for the year *(b)*	**6.08%**	8.29%	9.26%
Constellation Companies Lines of Credit			
Borrowings outstanding at December 31	**$ 52,670**	$ 64,000	$ 6,507
Weighted average interest rate of borrowings outstanding at December 31	**5.94%**	8.89%	10.65%
Unused lines of credit at December 31	**$ 8,000**	$ 10,000	$ 7,493
Maximum borrowings during the year	**$ 75,000**	$ 64,000	$ 7,130
Average daily borrowings during the year *(a)*	**$ 61,860**	$ 38,932	$ 5,588
Weighted average interest rate for the year *(b)*	**7.19%**	8.93%	11.12%

(a) The sum of dollar days of outstanding borrowings divided by the number of days in the period.

(b) Total interest accrued during the period divided by average daily borrowings.

Note 7. Long-Term Debt

First Refunding Mortgage Bonds of BG&E

Substantially all of the principal properties and franchises owned by BG&E, 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 BG&E's outstanding First Refunding Mortgage Bonds have been issued.

On August 1 of each year, BG&E 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 1998, 2002, and 2009, the 9⅜% Series of 1995, the 8.40% Series of 1999, the 8⅜% Series of 2001, and the 6.80% Series of 2004. Purchases may be made by the trustee in the open market and/or through responses to invitations for sealed proposals if purchases are possible at or below the applicable redemption price, or directly through the redemption provisions to which the Mortgage Bonds are subject if purchases at a more favorable price are not possible. BG&E may purchase outstanding Mortgage Bonds from time to time and may submit its sealed proposal for the sale of such Mortgage Bonds to the trustee for the sinking fund.

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

Year	Bonds Due 1998	Bonds Due 2002	Bonds Due 2009
		(In Thousands)	
1992	$ 3,000		
1993	3,000	$ 420	
1994	3,000	430	
1995	3,000	605	
1996 and 1997	4,0[illegible]	605	
1998	33,000	690	
1999		690	
2000 and 2001		865	
2002		6,725	
2005 through 2008			$ 3,250
2009			42,000

Other Long-Term Debt of BG&E

The loans under the unsecured credit facilities mature during 1992. These loans have been classified as long-term since BG&E is able to refinance these loans on a long-term basis with the $175 million of unused capacity under the revolving credit agreements discussed below.

BG&E maintains revolving credit agreements providing for borrowings of up to a total of $175 million. These agreements expire at various times during 1993 through 1995. Under the terms of the agreements, BG&E 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, 1991, BG&E had no borrowings under these revolving credit agreements and had available $175 million of unused capacity under these agreements.

The Medium-term Notes Series A mature at various dates from January 1992 through February 1996. The weighted average interest rate for notes outstanding at December 31, 1991 is 7.77%.

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, 1991 is 8.86%.

Interest rates on the $100 million of Floating Rate Notes Series II due 1995 are determined quarterly based on the 91-day Treasury Bill auction rate (expressed on a bond-equivalent basis) plus 1.125%. The interest rate is subject to a minimum and maximum of 7.9% and 11.9%, respectively, per annum.

Long-Term Debt of Constellation Companies

The mortgage and construction loans and other collateralized notes have varying terms. Of the $181,532,000 of variable rate notes, $144,698,000 requires monthly interest only payments with various maturities from April 1992 through January 1996, and $36,834,000 requires monthly payments of principal and interest with various maturities from April 1993 through April 1996. The $18,877,000, 10.31% mortgage note requires monthly principal and interest payments through September 1997.

The Industrial Park Facilities Bonds require a final principal payment of $750,000 in 1992. Interest is payable semi-annually at a weighted average rate of 10.25%.

Constellation Holdings, Inc. (CHI) maintains revolving credit agreements that expire in May 1992 and permit loans at various interest rates. Commitment fees are paid on the daily average of the unborrowed portion of the commitments. At December 31, 1991, CHI had borrowed $167 million under these revolving credit agreements, and $33 million of unused capacity was available under these agreements.

The $70 million of 8.30% unsecured notes are subject to a mandatory sinking fund under which $30 million of the principal amount will be redeemed at par in 1992, with the remaining $40 million being redeemed at par in 1993.

Weighted Average Interest Rates for Variable Rate Debt

The weighted average interest rates for variable rate debt during 1991 and 1990 were as follows:

	1991	1990
BG&E		
Loans under unsecured credit facilities	**8.81%**	8.81%
Loans under revolving credit agreements	**6.93**	8.44
Floating rate notes	**8.00**	9.04
Floating rate notes Series II	**7.92**	8.99
Pollution control loan	**4.42**	5.84
Port facilities loan	**4.43**	5.91
Adjustable rate pollution control loan	**5.48**	6.15
Economic development loan	**4.69**	6.05
Constellation Companies		
Mortgage and construction loans and other collateralized notes	**8.95**	9.89
Loans under credit agreements	**7.65**	8.56

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	Requirements (In Thousands)
1992	$293,007
1993	374,585
1994	113,570
1995	435,027
1996	116,598

Note 8. 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 BG&E'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
7.64%, 1988 Series	100,000	1994
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	Requirements (In Thousands)
1992	$ 1,500
1993	3,000
1994	13,000
1995	73,000
1996	36,000

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 9. Pension and Other Postretirement Benefits

The Company sponsors several noncontributory defined benefit pension plans, the largest of which (the Pension Plan) covers substantially all BG&E employees and certain employees of the Constellation Companies. The other plans, which are not material in amount, provide supplemental benefits to certain 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 straight-line 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 aggregate cost method. Plan assets at December 31, 1991 consisted primarily of marketable fixed income and equity securities, group annuity contracts, and short-term investments.

On December 20, 1991, BG&E's Board of Directors approved a Voluntary Special Early Retirement Program (the Program) for those employees who retire during the period February 1, 1992 through April 1, 1992. To be eligible, an employee must be at least age 55 and have at least 20 years of service as of 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 one-time cost of termination benefits associated with the Program will be recognized in 1992.

The following tables set forth the combined funded status of the plans and the composition of total net pension cost. The amounts shown below are not affected by the Program discussed above.

	At December 31, 1991	1990
	(Dollar Amounts in Thousands)	
Actuarial present value of		
Vested benefit obligation	\$(418,170)	\$(377,818)
Nonvested benefit obligation	(11,372)	(11,283)
Accumulated benefit obligation	(429,542)	(389,101)
Projected benefits related to increase in future compensation levels	(94,176)	(83,803)
Projected benefit obligation	(523,718)	(472,904)
Plan assets at fair value	516,967	474,688
Plan assets less projected benefit obligation	(6,751)	1,784
Unrecognized prior service cost	19,112	10,597
Unrecognized net gain	(12,015)	(18,860)
Unamortized net asset from adoption of FASB Statement No. 87	(2,265)	(2,492)
Accrued pension cost	\$ (1,919)	\$ (8,971)
Assumptions		
Discount rate	9.0%	9.25%
Average increase in future compensation levels	4.5%	4.5 %
Expected long-term rate of return on assets	9.5%	9.5 %

	Year Ended December 31, 1991	1990	1989
	(In Thousands)		
Components of net pension cost			
Service cost – benefits earned during the period	\$11,729	\$ 11,257	\$ 10,893
Interest cost on projected benefit obligation	43,143	40,455	38,042
Actual return on plan assets	(56,737)	(18,881)	(64,593)
Net amortization and deferral	12,810	(23,066)	24,507
Total net pension cost	10,945	9,765	8,849
Amount capitalized as construction cost	(1,500)	(1,377)	(1,237)
Amount charged to expense	\$ 9,445	\$ 8,388	\$ 7,612

In addition to providing pension benefits, certain health care and life insurance benefits are provided for retired BG&E employees and certain retired employees of the Constellation Companies. The cost of these benefits is generally recognized as the benefits are paid and totaled \$14,054,000 for 1991 and \$11,464,000 for 1990. The cost of providing these benefits for years prior to 1990 is not separable from the cost of providing similar benefits for active employees.

Statement of Financial Accounting Standards No. 106, which must be adopted by 1993, requires a change in the method of accounting for postretirement benefits other than pensions from the present pay-as-you-go method to an accrual method. The accumulated postretirement benefit obligation existing at the time Statement No. 106 is adopted (transition obligation) may be recognized immediately or on a delayed basis over the average remaining service period of active plan participants. In that the transition obligation is expected to exceed \$200 million, the Company expects to elect delayed recognition of the transition obligation. The Company also plans to request the Maryland Commission to provide current rate recovery for any increased costs as a result of adopting Statement No. 106 and to authorize deferral of any increased costs for which service rates are not provided currently under the provisions of Statement No. 71 for regulated enterprises. Therefore, the adoption of Statement No. 106 is not expected to have a significant impact on the Company's financial statements.

Note 10. 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, lease payments for operating and capital leases for utility operations are charged to expense in the Consolidated Statements of Income. Lease expense was as follows for the three years ended December 31:

	1991	1990	1989
	(In Thousands)		
Operating leases	12,365	$13,240	$15,031
Capital leases	274	330	365
Total lease expense	$12,63[illegible]	$13,570	$15,396

The future minimum lease payments at December 31, 1991 for long-term noncancelable leases are as follows:

Year	Operating Leases	Capital Leases
	(In Thousands)	
1992	$ 3,709	$ 194
1993	3,098	92
1994	2,198	86
1995	2,157	84
1996	1,959	84
Thereafter	3,283	481
Total minimum lease payments	$16,404	$1,021
Interest portion		(468)
Present value of net minimum lease payments		$ 553

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 25 years, with options to renew. The net book value of property under operating leases was $193,962,000 and $187,449,000 at December 31, 1991 and 1990, respectively. The future minimum rentals to be received under operating leases in effect at December 31, 1991 are as follows:

Year	(In Thousands)
1992	$ 9,888
1993	9,779
1994	8,597
1995	7,484
1996	5,974
Thereafter	36,734
Total minimum rentals	$78,456

Note 11. Commitments, Guarantees, and Contingencies

Commitments

BG&E has made substantial commitments in connection with its construction program for 1992 and subsequent years. In addition, BG&E has entered into two long-term contracts for the purchase of electric generating capacity and energy. The capacity contracts expire in 2001 and 2013. Total payments under these contracts were $23,716,000, $17,957,000, and $12,922,000 during 1991, 1990, and 1989, respectively. At December 31, 1991, the estimated future payments for capacity and energy that BG&E is obligated to buy under these contracts are as follows:

Year	(In Thousands)
1992	$ 66,987
1993	68,789
1994	69,966
1995	71,791
1996	74,329
Thereafter	763,212
Total payments	$1,115,274

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, 1991, the total amount of investment requirements committed to by the Constellation Companies is $102 million.

Guarantees
BG&E has agreed to guarantee two-thirds of certain indebtedness incurred by Safe Harbor Water Power Corporation. The amount of such indebtedness totals $50 million, of which $33.3 million represents BG&E's share of the guarantee. BG&E assesses that the risk of material loss on the loans guaranteed is minimal.

As of December 31, 1991, the total outstanding loans guaranteed by the Constellation Companies were $46 million. Also, the Constellation Companies have agreed to guarantee certain borrowings of various power generation and real estate projects. The Constellation Companies assess that the risk of material loss on the loans guaranteed 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, BG&E expects to incur expenditures of approximately $50 million, most of which is attributable to its portion of the cost of installing a flue gas desulfurization system at the Conemaugh mine-mouth generating station, in which BG&E owns a 10.56% interest. BG&E cannot presently determine what actions will be required in order to comply with Phase II of the Act, which must be implemented by 2000. However, BG&E 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 implementing 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 acid rain abatement at BG&E's generating plants and ozone non-attainment at all BG&E facilities. The controls will result in additional expenditures that are difficult to predict prior to the issuance of such regulations. Based on proposed acid rain regulations, BG&E currently estimates that the acid rain compliance NO_x controls will cost approximately $40 million. As no proposed ozone nonattainment regulations have been issued, BG&E is currently unable to predict the cost of compliance with the additional requirements at other BG&E facilities.

BG&E 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 clean-up of certain environmentally contaminated sites owned and operated by third parties. Additionally, certain BG&E properties contain substances designated by the EPA as hazardous to human health. Although the clean-up costs for these sites could be significant, BG&E believes that the resolution of these matters will not have a material effect on its financial position or results of operations.

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 BG&E. 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 BG&E's liability to third parties for property damage and bodily injury. Although BG&E maintains the various insurance policies currently available to provide coverage for portions of these contingencies, BG&E 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, BG&E could be assessed for a portion of any third party claims associated with the incident. Under the provisions of the Price Anderson Act, if third party claims relating to such an incident exceed $200 million (the amount of primary insurance), BG&E could be assessed up to $132 million per incident, payable at a rate of $20 million per year, for third party claims.

BG&E 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 BG&E or others insured by these policies for radiation injuries. If certain claims were made under these policies, BG&E and all policyholders could be assessed, with BG&E's share being up to $6.3 million in any one year.

For physical damage to Calvert Cliffs, BG&E has $2.515 billion of property insurance, including $1.25 billion from an industry mutual insurance company. If an accident at any insured plant causes a shortfall of funds at the industry mutual, BG&E and all policyholders could be assessed, with BG&E's share being up to $7.3 million.

If an outage at Calvert Cliffs is caused by an insured physical damage loss and lasts more than 21 weeks, BG&E has up to $364 million per unit of insurance, provided by a different industry mutual insurance company for replacement power costs. If an outage at any insured plant causes a shortfall of funds at the industry mutual, BG&E and all policyholders could be assessed, with BG&E's share being up to $10 million per year.

Recoverability of Electric Fuel Costs
By statute, actual electric fuel costs are recoverable so long as the Maryland Commission finds that BG&E demonstrates that, among other things, it has maintained the productive capacity of its generating plants at a reasonable level. The Maryland Commission and Maryland's highest appellate court have interpreted this as permit-

ting a subjective evaluation of each unplanned outage at BG&E's generating plants to determine whether or not BG&E had implemented all reasonable and cost effective maintenance and operating control procedures appropriate for preventing the outage. Effective January 1, 1987, the Maryland Commission authorized the establishment of 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 BG&E 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 BG&E. Parties to fuel rate hearings may still question the prudence of BG&E's actions or inactions with respect to any given generating plant outage, which could result in the disallowance of replacement energy costs by the Maryland Commission.

Since the two units at BG&E's Calvert Cliffs Nuclear Power Plant produce the lowest cost power generated by BG&E, replacement energy costs associated with outages at these units can be significant. BG&E 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, BG&E filed its first fuel rate application for a change in its electric fuel rate under the GUPP program. The resultant case before the Maryland Commission covers BG&E's operating performance in calendar year 1987, and BG&E'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, BG&E filed its fuel rate case in which 1988 performance was examined. BG&E met the system-wide and nuclear plant performance targets in 1988. People's Counsel alleged that BG&E imprudently managed several outages at Calvert Cliffs, and BG&E 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 Maryland Commission issued a proposed Order, which became final on December 17, 1991 and concluded that no disallowance was warranted. The Hearing Examiner found that BG&E 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, BG&E experienced extended outages at its Calvert Cliffs Nuclear Power Plant. In the Spring of 1989, a leak was discovered around the Unit 2 pressurizer heater sleeves during a refueling outage. BG&E 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 cost associated with these extended outages for both units at Calvert Cliffs, concluding with the return to service of Unit 2, is estimated to be $458 million.

In a December 1990 order issued by the Maryland Commission in a BG&E base rate proceeding, the Maryland Commission found that certain operations and maintenance expenses incurred at Calvert Cliffs during the test year should not be recovered from ratepayers. The Maryland Commission 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 BG&E actions which were deficient.

The Commission noted in the order that its review and findings on these issues pertain to the reasonableness of BG&E'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 Maryland Commission 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 Maryland Commission's statement regarding no binding effect, BG&E recognizes that the views expressed by the Maryland Commission make the full recovery of all of the replacement energy costs associated with the Unit 1 outage doubtful.

Based upon a review of all of the work performed during the 1989–1991 outages at both units at Calvert Cliffs by BG&E personnel as well as independent consultants, BG&E recorded a provision of $35 million against the possible disallowance of replacement energy costs incurred during these outages, which reduced 1990 earnings by 28¢ per common share. BG&E 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 12. Quarterly Financial Data (Unaudited)

The following data are unaudited but, in the opinion of Management, include all adjustments necessary for a fair presentation. BG&E'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)				
1991					
Revenues	$594,664	$567,189	$702,048	$595,592	$2,459,493
Income from operations	88,623	118,789	225,320	68,723	501,455
Income before cumulative effect of change in accounting method	41,110	59,192	116,671	16,708	233,681
Cumulative effect of change in the method of accounting for income taxes	19,745	–	–	–	19,745
Net income	60,855	59,192	116,671	16,708	253,426
Earnings applicable to common stock	50,285	48,164	106,097	6,134	210,630
Earnings per share of common stock					
Before cumulative effect of change in accounting method	0.36	0.57	1.26	0.07	2.28
Cumulative effect of change in accounting for income taxes	0.24	–	–	–	0.23
Total earnings per share of common stock	0.60	0.57	1.26	0.07	2.51
1990					
Revenues	$550,921	$491,265	$619,657	$525,719	$2,187,562
Income from operations	77,279	74,773	174,007	7,320	333,379
Income before cumulative effect of change in accounting method	36,775	38,859	100,320	(508)	175,446
Cumulative effect of change in the method of accounting for unbilled revenues, net of taxes	37,754	–	–	–	37,754
Net income	74,529	38,859	100,320	(508)	213,200
Earnings applicable to common stock	65,156	29,112	89,749	(11,078)	172,939
Earnings per share of common stock					
Before cumulative effect of change in accounting method	0.34	0.35	1.08	(.13)	1.64
Cumulative effect of change in the method of accounting for unbilled revenues	0.47	–	–	–	0.46
Total earnings per share of common stock	0.81	0.35	1.08	(.13)	2.10

Quarterly amounts for 1991 have been restated to reflect a change in the method of accounting for income taxes which was made in December 1991 effective January 1, 1991 (see Income Taxes section of Note 1).

Quarterly amounts for 1991 and 1990 have been restated to reflect a change in the reporting of revenue from interchange sales of electricity and interconnection services (see Utility Revenues section of Note 1).

Results for the third and fourth quarters of 1991 reflect the write-down of the Constellation Companies' investments in certain financial investments and real estate projects, respectively (see Note 4).

Results for the fourth quarter of 1990 reflect the provision for a possible disallowance of replacement energy costs (see Note 11).

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.

	1991	1990	1989	1988	1987
Electric Operating Statistics					
Revenues (In Thousands)					
Residential	$ 882,591	$ 718,032	$ 648,883	$ 620,669	$ 594,283
Small Commercial	246,669	220,687	194,573	178,727	175,322
Large Commercial and Industrial	816,233	732,837	666,042	626,300	615,723
Sales to Customers	1,945,493	1,671,556	1,509,498	1,425,687	1,385,328
Interchange Sales	23,845	26,629	17,802	43,919	32,368
Other	25,187	14,268	19,867	22,528	18,264
Total	$1,994,525	$1,712,453	$1,547,167	$1,492,134	$1,435,960
Sales (In Thousands) – MWH					
Residential	10,097	9,283	9,451	9,196	8,521
Small Commercial	2,673	2,561	2,461	2,293	2,139
Large Commercial and Industrial	12,742	12,534	12,879	12,491	11,915
Sales to Customers	25,512	24,378	24,791	23,980	22,575
Interchange Sales	1,166	1,088	595	2,052	1,266
Total	26,678	25,466	25,386	26,032	23,841
Customers					
Residential	939,734	930,880	913,910	895,881	876,826
Small Commercial	93,808	92,102	90,647	87,049	83,247
Large Commercial and Industrial	8,030	7,991	7,587	8,175	8,395
Total	1,041,572	1,030,973	1,012,144	991,105	968,468
Average use per Residential Customer – KWH	10,[illegible]	10,064	10,438	10,362	9,837
Average Rate per KWH (excluding interchange sales) – ¢	7.6[illegible]	6.86	6.09	5.95	6.14
Peak Load (one-hour) – MW	5,910	5,477	5,304	5,381	5,190
Capability at Summer Peak – MW	6,608	6,159	6,164	5,930	5,888
Gas Operating Statistics					
Revenues (In Thousands)					
Residential	$ 220,653	$ 218,967	$ 242,389	$ 225,035	$ 242,240
Small Commercial	33,538	34,622	40,011	36,394	38,538
Large Commercial and Industrial					
Excluding Delivery Service	77,506	87,389	90,953	92,637	103,765
Delivery Service	17,319	21,156	27,069	19,364	23,492
Other	9,179	11,285	11,349	8,106	7,421
Total	$ 358,195	$ 373,419	$ 411,801	$ 381,536	$ 415,456
Sales (In Thousands) - DTH					
Residential	36,519	35,026	39,806	40,140	38,142
Small Commercial	6,154	6,144	6,889	6,792	6,336
Large Commercial and Industrial					
Excluding Delivery Service	18,138	19,324	18,772	21,770	18,345
Delivery Service	40,673	40,593	45,230	40,827	40,118
Total	101,484	101,087	110,697	109,529	102,941
Customers					
Residential	482,085	482,680	482,538	482,011	482,023
Small Commercial	32,336	31,981	31,881	31,582	31,108
Large Commercial and Industrial	5,61[illegible]	5,373	5,307	5,160	5,001
Total	520,031	520,034	519,726	518,753	518,132
Average use per Residential Customer – Therms	757.1	726.4	825.8	832.8	791.2
Average Rate per Therm (excluding delivery service) - $	.55	.56	.57	.52	.61
Peak Day Sendout – DTH	610,200	653,900	663,200	669,500	636,000
Peak Day Capability – DTH	817,000	853,000	761,000	793,000	731,000

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

Common Stock Dividends and Price Ranges

	1991			1990		
	Dividend Declared	Price High	Price Low	Dividend Declared	Price High	Price Low
First Quarter	$ .525	$29[illegible]	$25[illegible]	$ .525	$34[illegible]	$29[illegible]
Second Quarter	.525	29[illegible]	28[illegible]	.525	30[illegible]	27[illegible]
Third Quarter	.525	32	29[illegible]	.525	29[illegible]	24[illegible]
Fourth Quarter	.525	34[illegible]	31[illegible]	.525	29[illegible]	25[illegible]
Total	$ 2.10			$ 2.10		

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; however, holders of preferred stock (first) and holders of preference stock (next) 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 1991 and 1990 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, Midwest, and Pacific stock exchanges, and has unlisted trading privileges on the Boston, Cincinnati, and Philadelphia exchanges.

As of December 31, 1991, there were 67,303 Common Shareholders of record.

Transfer Agent and Registrar
Maryland National Bank, Baltimore

Annual Meeting
The annual meeting of shareholders will be held at 10:00 a.m. on April 15, 1992, in the Hunt Valley Ballroom of Marriott's Hunt Valley Inn, 245 Shawan Road (I-83 at Shawan Road), Hunt Valley, 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 1992. Requests should be addressed to Charles W. Shivery, Vice President, Secretary, and Treasurer, 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	783-5920
Within Maryland	1-800-492-2861
Outside of Maryland	1-800-258-0499

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

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

Quarterly

Financial Summary

June 1992

Inquiries concerning this summary should be directed to:

Charles W. Shivery
Vice President,
Treasurer, and Secretary
(410) 234-5511

Kevin J. Miller
Director,
Corporate Financial Planning
(410) 234-5434

Baltimore Gas and Electric Company
Gas and Electric Building
Charles Center
P.O. Box 1475
Baltimore, Maryland 21203

Consolidated Statements of Income (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
	1992	1991	1992	1991	1992	1991
	(In Thousands, Except Per Share Amounts)					
Revenues						
Electric	$446,830	$476,889	$ 934,098	$ 909,375	$2,019,248	$1,833,048
Gas	67,238	62,919	218,751	203,232	373,714	361,682
Diversified activities	29,082	25,381	61,671	49,246	119,198	112,499
Total revenues	543,150	567,189	1,214,520	1,161,853	2,512,160	2,307,229
Expenses Other Than Interest and Income Taxes						
Electric fuel and purchased energy	125,998	144,244	285,226	294,252	589,187	586,502
Provision for possible disallowance of replacement energy costs	—	—	—	—	—	35,000
Gas purchased for resale	30,216	28,333	114,955	108,182	188,228	188,411
Operations	143,718	148,308	296,385	290,170	640,524	596,328
Maintenance	52,877	42,434	94,37[illegible]	83,694	184,327	168,310
Depreciation	55,461	48,540	110,954	95,326	215,266	181,342
Taxes other than income taxes	40,909	36,542	89,012	82,817	176,975	162,597
Total expenses other than interest and income taxes	449,179	448,401	990,905	954,441	1,994,502	1,918,490
Income From Operations	93,971	118,788	223,615	207,412	517,658	388,739
Other Income						
Allowance for equity funds used during construction	3,205	7,826	6,362	19,525	10,433	30,981
Equity in earnings of Safe Harbor Water Power Corporation	1,084	1,103	2,168	2,206	4,349	4,581
Net other income and deductions	1,173	638	1,377	(579)	600	866
Total other income	5,462	9,667	9,907	21,152	15,382	39,428
Income Before Interest and Income Taxes	99,435	128,455	233,522	228,564	533,040	428,167
Interest Expense						
Interest charges	51,073	53,613	103,588	108,853	215,834	215,476
Allowance for borrowed funds used during construction	(1,760)	(4,662)	(3,616)	(11,480)	(6,006)	(25,116)
Net interest expense	49,313	48,951	99,972	97,373	209,828	190,360
Income Before Income Taxes	50,120	79,504	133,550	131,191	323,212	237,807
Income Taxes						
Current	2,827	2,526	31,260	823	91,484	(10,359)
Deferred	11,370	18,723	9,516	32,000	9,866	53,714
Investment tax credit adjustments	(2,126)	(937)	(4,528)	(1,935)	(8,819)	(5,663)
Total income taxes	12,071	20,312	36,248	30,888	92,531	37,692
Income Before Cumulative Effect of Change in Accounting Method	38,049	59,192	97,302	100,303	230,681	200,115
Cumulative Effect of Change in the Method of Accounting for Income Taxes	—	—	—	19,745	—	19,745
Net Income	38,049	59,192	97,302	120,048	230,681	219,860
Preferred and Preference Stock Dividends	10,574	11,028	21,147	21,599	42,294	42,741
Earnings Applicable to Common Stock	$ 27,475	$ 48,164	$ 76,155	$ 98,449	$ 188,387	$ 177,119
Average Shares of Common Stock Outstanding	135,321	125,9[illegible]2	132,655	125,693	129,574	125,257
Earnings Per Share of Common Stock						
Utility operations	$0.18	$0.37	$0.52	$0.62	$1.49	$1.30
Provision for possible disallowance of replacement energy costs	—	—	—	—	—	(0.18)
Total utility operations	0.18	0.37	0.52	0.62	1.49	1.12
Diversified activities	0.02	0.01	0.05	—	(0.04)	0.13
Cumulative effect of change in the method of accounting for income taxes	—	—	—	0.16	—	0.16
Total diversified activities	0.02	0.01	0.05	0.16	(0.04)	0.29
Total earnings per share of common stock	$0.20	$0.38	$0.57	$0.78	$1.45	$1.41

Constellation Companies

Revenues	$30,448	$26,935	$64,333	$51,843	$124,126	$117,228
Net Income	2,736	1,143	7,095	20,242	(4,637)	35,704
Total Assets—End of Period	1,009,623	1,043,952	1,009,623	1,043,952	1,009,623	1,043,952
BG&E's Investment—End of Period	287,237	280,834	287,237	280,834	287,237	280,834

All per share amounts reflect the 3-for-2 common stock split to shareholders of record as of April 23, 1992. Also, amounts for 1991 have been restated to reflect the changes in the methods of accounting for income taxes and interchange sales which were adopted in December 1991 effective January 1, 1991.

Information for the Constellation Companies does not reflect consolidating eliminations for intercompany balances and transactions.

The interim information contained herein reflects apportionments and estimates of some items subject to final adjustment at the calendar year end. Results for interim periods, which can be largely influenced by weather conditions, are not necessarily indicative of results to be expected for an entire year.

Consolidated Balance Sheets (Unaudited)

	June 30, 1992	June 30, 1991
	(In Thousands)	
ASSETS		
Current Assets		
Cash and cash equivalents	$ 42,007	$ 65,121
Accounts receivable (net of allowance for uncollectibles)	268,841	292,024
Accrued unbilled revenues	74,285	72,027
Materials, supplies, and fuel stocks	206,782	193,503
Income taxes refundable	8,590	5,787
Prepayments and other	32,413	25,995
Total current assets	632,918	654,457
Investments and Other Assets		
Real estate projects	457,036	445,807
Financial investments	233,817	257,722
Power generation systems	215,649	191,697
Safe Harbor Water Power Corporation	34,237	34,247
Nuclear decommissioning trust fund	37,352	26,454
Senior living facilities	25,031	26,302
Other	72,945	66,067
Total investments and other assets	1,076,067	1,048,296
Utility Plant	6,692,057	6,387,541
Accumulated depreciation	(1,871,097)	(1,731,361)
Net utility plant	4,820,960	4,656,180
Deferred Charges		
Deferred fuel costs (net of reserve for possible disallowance)	210,998	351,669
Income taxes recoverable through future rates	183,137	174,308
Deferred nuclear expenditures (net of amortization)	70,048	52,482
Other	48,389	31,986
Total deferred charges	512,572	610,445
Total Assets	$7,042,517	$6,969,378
LIABILITIES AND CAPITALIZATION		
Current Liabilities		
Short-term borrowings	$ 76,150	$ 220,900
Current portions of long-term debt and preference stock	495,306	473,692
Accounts payable	134,609	142,890
Accrued taxes	3,408	2,460
Accrued interest and dividends declared	109,851	100,838
Other	55,207	49,960
Total current liabilities	874,531	990,740
Deferred Credits and Other Liabilities		
Deferred income taxes	893,430	874,734
Deferred investment tax credits	169,963	178,691
Other	41,811	43,193
Total deferred credits and other liabilities	1,105,204	1,096,618
Long-Term Debt		
Mortgage bonds	1,605,104	1,369,061
Other long-term debt	497,850	770,000
Long-term debt of Constellation Companies	583,513	528,676
Unamortized discount and premium	(9,281)	(7,400)
Current portion of long-term debt	(492,306)	(450,892)
Total long-term debt	2,184,880	2,209,437
Preferred Stock	59,185	59,185
Redeemable Preference Stock	400,000	422,800
Current portion of redeemable preference stock	(3,000)	(22,800)
Total redeemable preference stock	397,000	400,000
Preference Stock Not Subject to Mandatory Redemption	110,000	110,000
Common Shareholders' Equity		
Common stock	1,157,252	963,862
Premium on preferred stock	157	157
Retained earnings	1,154,308	1,150,419
Net unrealized loss on marketable securities	—	(11,040)
Total common shareholders' equity	2,311,717	2,103,398
Total Liabilities and Capitalization	$7,042,517	$6,969,378

Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,		Twelve Months Ended June 30,	
	1992	1991	1992	1991
	(In Thousands)			
Cash Flows From Operating Activities				
Net income	$ 97,302	$ 120,048	$ 230,681	$ 219,860
Adjustments to reconcile to net cash provided by operating activities				
Cumulative effect of change in the method of accounting for income taxes	—	(19,745)	—	(19,745)
Depreciation and amortization	132,497	110,550	264,336	203,954
Deferred income taxes	9,516	32,000	9,866	53,714
Investment tax credit adjustments	(4,528)	(1,935)	(8,819)	(5,663)
Deferred fuel costs	76,023	38,106	140,671	(18,872)
Provision for possible disallowance of replacement energy costs	—	—	—	35,000
Write-down of financial investments	—	—	13,575	—
Write-down of real estate projects	—	—	9,988	—
Allowance for equity funds used during construction	(6,362)	(19,525)	(10,433)	(33,981)
Equity in earnings of affiliates and joint ventures (net)	769	21,449	(11,972)	26,365
Changes in current assets and current liabilities				
Accounts receivable	35,961	(23,632)	23,183	(40,212)
Accrued unbilled revenues	(13,855)	(22,213)	(2,258)	(10,540)
Materials, supplies, and fuel stocks	(6,397)	4,867	(13,279)	(15,383)
Income taxes refundable	(8,590)	38,933	(2,803)	22,848
Accounts payable	(51,173)	(60,038)	(8,281)	(8,925)
Accrued taxes	(26,204)	(21,522)	948	(374)
Other current assets and current liabilities	59,798	53,705	9,340	2,715
Other	(10,750)	12,539	(28,661)	(11,284)
Net cash provided by operating activities	284,007	263,587	616,082	399,477
Cash Flows From Financing Activities				
Proceeds from issuance of				
Short-term borrowings (net)	(75,350)	(6,800)	(84,080)	(67,390)
Long-term debt	325,833	516,665	825,118	1,682,433
Preference stock	—	34,829	(28)	34,737
Common stock	178,198	17,043	193,418	31,080
Reacquisition of long-term debt	(394,188)	(481,385)	(872,182)	(1,234,180)
Redemption of preference stock	—	—	(22,800)	—
Common stock dividends paid	(91,552)	(87,711)	(179,849)	(174,827)
Preferred and preference stock dividends paid	(21,147)	(21,141)	(42,748)	(41,458)
Other	(230)	(75)	(597)	(97)
Net cash (used in) provided by financing activities	(78,436)	(28,575)	(183,748)	230,298
Cash Flows From Investing Activities				
Utility construction expenditures	(167,888)	(210,158)	(413,974)	(503,754)
Allowance for equity funds used during construction	6,362	19,525	10,433	33,981
Nuclear fuel expenditures	(9,425)	(445)	(10,834)	(19,972)
Deferred nuclear expenditures	(7,733)	(10,245)	(20,169)	(30,006)
Nuclear decommissioning trust fund	(4,450)	(4,450)	(8,900)	(8,092)
Deferred conservation expenditures	(7,908)	(569)	(10,828)	(569)
Financial investments	21,814	53,844	35,251	65,847
Real estate projects	(12,688)	(28,786)	(29,224)	(56,136)
Power generation systems	(3,183)	(24,782)	(11,604)	(41,061)
Senior living facilities	39	(404)	(294)	(1,602)
Other	4,079	(3,300)	4,695	(11,455)
Net cash used in investing activities	(180,981)	(209,770)	(455,448)	(572,819)
Net Increase (Decrease) in Cash and Cash Equivalents	24,590	25,242	(23,114)	56,956
Cash and Cash Equivalents at Beginning of Period	17,417	39,879	65,121	8,165
Cash and Cash Equivalents at End of Period	$ 42,007	$ 65,121	$ 42,007	$ 65,121
Other Cash Flow Information				
Cash paid during the period for:				
Interest (net of amounts capitalized)	$ 98,532	$ 96,508	$ 201,935	$ 182,521
Income taxes	$ 47,029	$ 14,383	$ 48,653	$ 19,002

Utility Operating Statistics

	Three Months Ended June 30,		Six Months Ended June 30,		Twelve Months Ended June 30,	
ELECTRIC	1992	1991	1992	1991	1992	1991
Revenues (In Thousands)						
Residential—househeating	$ 74,995	$ 73,695	$ 187,844	$ 172,219	$ 366,750	$ 313,585
—other	111,832	131,594	225,515	235,246	521,736	474,694
—total	186,827	205,289	413,359	407,465	888,486	788,279
Small commercial	59,198	61,454	116,709	115,710	247,667	233,285
Large commercial and industrial	186,341	200,201	364,062	368,819	811,477	774,611
Sales to customers	[illegible]	466,944	894,130	891,994	1,947,630	1,796,175
Interchange sales	[illegible]	6,830	32,504	7,382	48,967	18,660
Other	3,899	5,115	7,464	9,999	22,6[illegible]1	18,2[illegible]3
Total	$ 446,630	$ 478,889	$ 934,098	$ 909,375	$2,019,248	$1,833,048
Sales (In Thousands)—MWH						
Residential—househeating	873	857	2,372	2,231	4,434	4,095
—other	1,174	1,419	2,487	2,671	5,621	5,568
—total	2,047	2,276	4,859	4,902	10,055	9,663
Small commercial	606	634	1,305	1,291	2,687	2,610
Large commercial and industrial	3,020	3,177	6,215	6,211	12,746	12,698
Sales to customers	5,673	6,087	12,379	12,404	25,488	24,971
Interchange sales	488	307	1,615	325	2,456	753
Total	6,16[illegible]	6,394	13,994	12,729	27,944	25,724
GAS						
Revenues (In Thousands)						
Residential—househeating	$ 32,806	$ 30,368	$ 113,730	$ 104,969	$ 192,175	$ 180,181
—other	7,753	7,708	21,446	20,370	38,315	36,896
—total	41,559	38,076	135,176	125,339	230,490	217,077
Small commercial	6,030	5,724	20,647	19,205	34,981	33,258
Large commercial and industrial						
—Excluding delivery service	13,169	2,77[illegible]	50,861	45,079	83,287	79,156
—Delivery service	4,575	4,274	9,085	8,853	17,551	20,151
—Total	17,744	17,053	59,945	53,932	100,838	99,307
Other	1,905	2,066	2,982	4,756	7,405	12,040
Total	$ 67,238	$ 62,919	$ 218,751	$ 203,232	$ 373,714	$ 361,682
Sales (In Thousands)—DTH)						
Residential—househeating	5,493	4,703	20,211	17,980	33,282	29,765
—other	1,096	1,055	3,338	3,043	5,764	5,274
—total	6,589	5,758	23,549	21,023	39,046	35,039
Small commercial	1,074	981	3,972	3,527	6,599	5,928
Large commercial and industrial						
—Excluding delivery service	3,166	2,920	12,417	10,344	20,211	17,880
—Delivery service	11,012	10,122	21,450	21,085	41,037	42,714
—Total	14,178	13,042	33,867	31,429	61,248	60,574
Total	21,841	19,781	61,388	55,979	106,893	101,541

Electric Generation Statistics

Twelve Months Ended June 30,

	Nuclear	Coal	Oil	Hydro & Gas	Purchased Power Net of Interchange Sales	Total
Generation by Fuel Type (%)						
1992	40.2	49.4	2.8	2.7	4.9	100.0
1991	15.9	43.8	6.7	5.8	27.8	100.0
Thousands of MWH						
1992	10,[illegible]	1[illegible],312	756	737	1,327	25,961
1991	4[illegible]	11,685	1,784	1,541	7,405	26,657
Average Cost of Fuel (Cents per Million Btu)						
1992	47.09	158.58	252.13	—	—	114.24
1991	51.07	157.42	314.56	—	—	156.75

Supplemental Financial Statistics

	Twelve Months Ended June 30, 1992	Twelve Months Ended June 30, 1991
Consolidated Capitalization		
Long-term debt	47.5%	47.7%
Short-term borrowings	1.4%	4.0%
Preferred and preference stock	10.1%	10.6%
Common equity	41.0%	37.7%
Return on Average Common Equity	8.5%	8.5%
Ratio of Earnings (SEC Method)		
To fixed charges	2.48	2.07*
To fixed charges and preferred and preference dividends combined	1.95	1.70*
AFC as a % of Earnings Applicable to Common Stock	8.7%	33.4%
Effective Tax Rate	28.6%	7.5%
Utility Construction Expenditures including AFC, Nuclear Fuel, Deferred Nuclear Expenditures, and Deferred Conservation Expenditures (Thousands of Dollars)	$455,805	$554,301

Excludes cumulative effect of change in the method of accounting for income taxes.

Common Stock Data

	Three Months Ended June 30, 1992	Three Months Ended June 30, 1991	Twelve Months Ended June 30, 1992	Twelve Months Ended June 30, 1991
Common Stock Dividends				
—Declared	$ .36	$ .35	$1.41	$1.40
—Paid	$ .35	$ .35	$1.40	$1.40
Market Value Per Share				
—High	22 5/8	19 7/8	23 1/8	19 7/8
—Low	19 7/8	18 3/4	19 3/8	16 1/4
—Close	22 1/4	19 1/2	22 1/4	19 1/2
Shares Outstanding—End of Period (In Thousands)	135,366	125,948	135,366	125,948
Book Value per Share—End of Period	$17.08	$16.70	$17.08	$16.70

All per-share amounts reflect the 3-for-2 common stock split to shareholders of record as of April 23, 1992.

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Internal Cash Flow Projection
For Calvert Cliffs Nuclear Power Plant

Percentage Ownership in all Operating Nuclear Units	Calvert Cliffs Unit No. 1	100.00%
	Calvert Cliffs Unit No. 2	100.00%

Maximum Total Contingent Liability (000) per Nuclear Incident	$132,000
Payable at Per Year (000)	$20,000

	Twelve Months Ended 6/30/92	Twelve Months Ended 7/31/93
Non-Cash Expenses ($000)		
Depreciation and Amortization	$ 254,542	$ 280,848
Deferred Income Taxes and Investment Tax Credits	35	(6,223)
Total	$ 254,577	$ 274,625
Percentage of Total to Maximum Total Contingent Liability Payable Per Year	1,272.9%	1,373.1%
Retained Earnings ($000)		
Net Income After Taxes	$ 230,681	
Less Allowance for Funds Used During Construction	16,439	
Less Dividends Paid	222,598	
Total	$ (8,356)	
Total Internal Cash Flow	$ 246,221	
Percentage of Total Internal Cash Flow to Maximum Total Contingent Liability Payable Per Year	1,231.1%	

Baltimore Gas and Electric Company

Underlying Assumptions for Projected Cash Flow

(1) Projected cash flow does not include an estimate of retained earnings. However, internally generated funds without retained earnings are well in excess of the maximum possible retrospective premiums.

(2) Depreciation accruals are based on composite straight line rates of 3.26% for electric property other than nuclear and Brandon Shores Power Plant, 2.80% for nuclear property, 2.75% for Brandon Shores, 3.12% for gas, and 4.02% for common utility property, other than vehicles. Vehicles are depreciated based on their estimated useful lives.

(3) Estimates of Federal income taxes and other tax expense are based upon existing tax laws and any known changes thereto.

(4) Accounting policies are consistent with those in effect June 30, 1992.

Exhibit IV

Baltimore Gas and Electric Company

Curtailment of Capital Expenditures

Estimated construction expenditures including nuclear fuel, deferred nuclear expenditures, Allowance for Funds Used During Construction, and conservation expenditures for the twelve months ended July 31, 1993 are $659 million. To insure that retrospective premiums under the Price Anderson Act would be available during the aforementioned twelve month period without additional funds from external sources, construction curtailments would affect all construction expenditures rather than impacting a specific project.