

CONSTELLATION ENERGY GROUP INC
Form 10-Q
August 11, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For The Quarterly Period Ended **June 30, 2008**

Commission File Number 1-12869	Exact name of registrant as specified in its charter CONSTELLATION ENERGY GROUP, INC.	IRS Employer Identification No. 52-1964611
1-1910	BALTIMORE GAS AND ELECTRIC COMPANY	52-0280210

MARYLAND

(State of Incorporation of both registrants)

100 CONSTELLATION WAY, BALTIMORE, MARYLAND 21202

(Address of principal executive offices) (Zip Code)

410-470-2800

(Registrants' telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>
		(Do not check if a smaller reporting company)	

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Indicate by check mark whether Baltimore Gas and Electric Company is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer <input type="radio"/>	Accelerated filer <input type="radio"/>	Non-accelerated filer <input type="radio"/>	Smaller reporting company <input type="radio"/>
		(Do not check if a smaller reporting company)	

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

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

**Common Stock, without par value 178,331,875 shares outstanding
of Constellation Energy Group, Inc. on July 31, 2008.**

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

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PART 1 FINANCIAL INFORMATION

Item 1 Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Constellation Energy Group, Inc. and Subsidiaries

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
<i>(In millions, except per share amounts)</i>				
Revenues				
Nonregulated revenues	\$4,445.3	\$4,172.9	\$8,157.2	\$8,366.7
Regulated electric revenues	448.7	544.3	1,158.0	1,059.1
Regulated gas revenues	183.1	159.1	574.1	561.6
Total revenues	5,077.1	4,876.3	9,889.3	9,987.4
Expenses				
Fuel and purchased energy expenses	3,880.4	3,885.2	7,623.5	7,901.9
Operating expenses	711.5	580.4	1,301.6	1,149.1
Impairment losses and other costs		20.2		20.2
Workforce reduction costs		2.3		2.3
Depreciation, depletion, and amortization	141.9	142.8	290.2	275.2
Accretion of asset retirement obligations	17.0	18.2	33.6	35.9
Taxes other than income taxes	71.1	72.8	145.9	146.0
Total expenses	4,821.9	4,721.9	9,394.8	9,530.6
Gains on Sales of Upstream Gas Assets	76.5		91.5	
Income from Operations	331.7	154.4	586.0	456.8
Gains on Sale of CEP LLC Equity		12.9		12.9
Other Income, primarily interest income	15.1	45.2	57.4	87.6
Fixed Charges				
Interest expense	73.5	71.1	152.3	151.4
Interest capitalized and allowance for borrowed funds used during construction	(8.6)	(4.5)	(15.7)	(8.4)
BGE preference stock dividends	3.3	3.3	6.6	6.6
Total fixed charges	68.2	69.9	143.2	149.6
Income from Continuing Operations Before Income Taxes	278.6	142.6	500.2	407.7
Income Tax Expense	107.1	26.3	183.0	94.1
Income from Continuing Operations	171.5	116.3	317.2	313.6
Loss from discontinued operations, net of income taxes of \$0.8				(1.6)
Net Income	\$ 171.5	\$ 116.3	\$ 317.2	\$ 312.0
Earnings Applicable to Common Stock	\$ 171.5	\$ 116.3	\$ 317.2	\$ 312.0
Average Shares of Common Stock Outstanding Basic	178.4	180.3	178.3	180.5
Average Shares of Common Stock Outstanding Diluted	180.2	182.7	180.2	182.8
Earnings Per Common Share from Continuing Operations Basic	\$ 0.96	\$ 0.65	\$ 1.78	\$ 1.74
Loss from discontinued operations				(0.01)
Earnings Per Common Share Basic	\$ 0.96	\$ 0.65	\$ 1.78	\$ 1.73

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Earnings Per Common Share from Continuing Operations Diluted	\$ 0.95	\$ 0.64	\$ 1.76	\$ 1.72
Loss from discontinued operations				(0.01)
Earnings Per Common Share Diluted	\$ 0.95	\$ 0.64	\$ 1.76	\$ 1.71
Dividends Declared Per Common Share	\$ 0.4775	\$ 0.435	\$ 0.955	\$ 0.87

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Constellation Energy Group, Inc. and Subsidiaries

	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	2008	2007	2008	2007
	<i>(In millions)</i>			
Net Income	\$171.5	\$ 116.3	\$ 317.2	\$ 312.0
Other comprehensive income (loss) (OCI)				
Hedging instruments:				
Reclassification of net (gain) loss on hedging instruments from OCI to net income, net of taxes	(99.0)	158.9	78.0	558.3
Net unrealized gain (loss) on hedging instruments, net of taxes	511.8	(448.7)	873.4	(138.4)
Available-for-sale securities:				
Reclassification of net loss (gain) on sales of securities from OCI to net income, net of taxes	1.9	(1.9)	1.6	(2.8)
Net unrealized gain (loss) on securities, net of taxes	16.4	33.2	(28.7)	13.7
Defined benefit obligations:				
Amortization of net actuarial loss, prior service cost, and transition obligation included in net periodic benefit cost, net of taxes	5.4	6.2	10.5	12.5
Net unrealized gain (loss) on foreign currency, net of taxes	2.1	2.8	(0.4)	3.1
Comprehensive Income (Loss)	\$610.1	\$(133.2)	\$1,251.6	\$ 758.4

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED BALANCE SHEETS

Constellation Energy Group, Inc. and Subsidiaries

June 30, *December 31,*
*2008** *2007*

(In millions)

Assets		
Current Assets		
Cash and cash equivalents	\$ 1,230.7	\$ 1,095.9
Accounts receivable (net of allowance for uncollectibles of \$154.8 and \$44.9, respectively)	5,356.1	4,289.5
Fuel stocks	931.3	591.3
Materials and supplies	213.4	207.5
Derivative assets	3,714.7	760.6
Unamortized energy contract assets	86.1	32.0
Deferred income taxes		300.7
Other	704.3	408.1
Total current assets	12,236.6	7,685.6
Investments and Other Noncurrent Assets		
Nuclear decommissioning trust funds	1,315.0	1,330.8
Other investments	507.5	542.2
Regulatory assets (net)	532.4	576.2
Goodwill	266.4	261.3
Derivative assets	3,000.2	1,030.2
Unamortized energy contract assets	170.8	178.3
Other	386.0	370.6
Total investments and other noncurrent assets	6,178.3	4,289.6
Property, Plant and Equipment		
Property, plant and equipment	14,993.4	14,138.2
Nuclear fuel (net of amortization)	367.2	374.3
Accumulated depreciation	(4,923.6)	(4,745.4)
Net property, plant and equipment	10,437.0	9,767.1
Total Assets	\$ 28,851.9	\$ 21,742.3

* Unaudited

See Notes to Consolidated Financial Statements.

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

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CONSOLIDATED BALANCE SHEETS

Constellation Energy Group, Inc. and Subsidiaries

	June 30, 2008*	December 31, 2007
<i>(In millions)</i>		
Liabilities and Equity		
Current Liabilities		
Short-term borrowings	\$ 145.7	\$ 14.0
Current portion of long-term debt	144.4	380.6
Accounts payable and accrued liabilities	3,638.4	2,630.1
Customer deposits and collateral	492.1	146.6
Derivative liabilities	3,349.6	1,134.3
Unamortized energy contract liabilities	389.7	392.2
Deferred income taxes	546.9	
Accrued expenses and other	805.2	956.0
Total current liabilities	9,512.0	5,653.8
Deferred Credits and Other Noncurrent Liabilities		
Deferred income taxes	1,349.5	1,588.5
Asset retirement obligations	951.5	917.6
Derivative liabilities	2,566.2	1,118.9
Unamortized energy contract liabilities	1,090.2	1,218.6
Defined benefit obligations	774.6	828.6
Deferred investment tax credits	47.2	50.5
Other	164.6	155.9
Total deferred credits and other noncurrent liabilities	6,943.8	5,878.6
Long-term Debt, net of current portion	5,734.9	4,660.5
Minority Interests	20.1	19.2
BGE Preference Stock Not Subject to Mandatory Redemption	190.0	190.0
Common Shareholders' Equity		
Common stock	2,571.2	2,513.3
Retained earnings	4,038.1	3,919.5
Accumulated other comprehensive loss	(158.2)	(1,092.6)
Total common shareholders' equity	6,451.1	5,340.2
Commitments, Guarantees, and Contingencies (see Notes)		
Total Liabilities and Equity	\$ 28,851.9	\$ 21,742.3

* Unaudited

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

*Constellation Energy Group, Inc. and Subsidiaries**Six Months Ended June 30,*

2008

2007

*(In millions)***Cash Flows From Operating Activities**

Net income	\$ 317.2	\$ 312.0
Adjustments to reconcile to net cash provided by operating activities		
Depreciation, depletion, and amortization	240.5	239.5
Accretion of asset retirement obligations	33.6	35.9
Deferred income taxes	39.2	60.2
Investment tax credit adjustments	(3.2)	(3.4)
Deferred fuel costs	19.7	(260.5)
Defined benefit obligation expense	55.5	73.1
Defined benefit obligation payments	(100.3)	(146.5)
Workforce reduction costs		2.3
Impairment losses and other costs		20.2
Gains on sale of CEP LLC equity		(12.9)
Gains on sale of assets	(99.2)	
Gains on termination of contracts	(68.9)	
Accrual of Maryland settlement agreement credit	188.2	
Equity in earnings of affiliates less than dividends received	7.4	33.4
Derivative power sales contracts classified as financing activities under SFAS No. 149	0.5	(3.8)
Changes in		
Accounts receivable	(949.7)	10.8
Derivative assets and liabilities	(700.6)	17.2
Materials, supplies, and fuel stocks	(235.5)	72.7
Other current assets	(187.0)	11.4
Accounts payable and accrued liabilities	1,051.7	133.3
Other current liabilities	905.0	(179.3)
Other	19.3	(5.5)
Net cash provided by operating activities	533.4	410.1

Cash Flows From Investing Activities

Investments in property, plant and equipment	(869.5)	(564.1)
Acquisitions, net of cash acquired	(312.4)	(250.6)
Investments in nuclear decommissioning trust fund securities	(282.7)	(352.7)
Proceeds from nuclear decommissioning trust fund securities	264.0	343.9
Proceeds from sales of property, plant and equipment	217.0	4.7
Contract and portfolio acquisitions		(474.2)
Increase in restricted funds	(196.9)	(8.4)
Other	12.9	7.8
Net cash used in investing activities	(1,167.6)	(1,293.6)

Cash Flows From Financing Activities

Net issuance of short-term borrowings	103.7	
Proceeds from issuance of		
Common stock	8.3	39.2
Long-term debt	1,100.0	643.2
Repayment of long-term debt	(265.1)	(731.7)
Debt issuance costs	(15.6)	
Common stock dividends paid	(165.0)	(147.6)
Reacquisition of common stock		(114.4)

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Proceeds from contract and portfolio acquisitions		847.8
Derivative power sales contracts classified as financing activities under SFAS No. 149	(0.5)	3.8
Other	3.2	22.1
Net cash provided by financing activities	769.0	562.4
Net Increase (Decrease) in Cash and Cash Equivalents	134.8	(321.1)
Cash and Cash Equivalents at Beginning of Period	1,095.9	2,289.1
Cash and Cash Equivalents at End of Period	\$ 1,230.7	\$ 1,968.0

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Baltimore Gas and Electric Company and Subsidiaries

	<i>Three Months Ended</i>		<i>Six Months Ended</i>	
	<i>June 30,</i>		<i>June 30,</i>	
	2008	2007	2008	2007
	<i>(In millions)</i>			
Revenues				
Electric revenues	\$ 448.7	\$544.3	\$1,158.1	\$1,059.1
Gas revenues	188.1	162.8	584.5	570.1
Total revenues	636.8	707.1	1,742.6	1,629.2
Expenses				
Operating expenses				
Electricity purchased for resale	404.3	320.9	859.6	595.1
Gas purchased for resale	127.7	102.9	397.7	387.0
Operations and maintenance	136.8	131.3	270.4	254.4
Depreciation and amortization	59.0	58.5	121.7	117.4
Taxes other than income taxes	40.1	43.0	86.6	88.8
Total expenses	767.9	656.6	1,736.0	1,442.7
(Loss) Income from Operations	(131.1)	50.5	6.6	186.5
Other Income	6.4	5.4	14.4	10.0
Fixed Charges				
Interest expense	32.0	29.1	67.0	57.1
Allowance for borrowed funds used during construction	(1.1)	(0.7)	(2.1)	(1.1)
Total fixed charges	30.9	28.4	64.9	56.0
(Loss) Income Before Income Taxes	(155.6)	27.5	(43.9)	140.5
Income Taxes	(51.5)	10.6	(16.1)	54.3
Net (Loss) Income	(104.1)	16.9	(27.8)	86.2
Preference Stock Dividends	3.3	3.3	6.6	6.6
(Loss) Earnings Applicable to Common Stock	\$ (107.4)	\$ 13.6	\$ (34.4)	\$ 79.6

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

Baltimore Gas and Electric Company and Subsidiaries

June 30,
2008* *December 31,*
2007

(In millions)

Assets		
Current Assets		
Cash and cash equivalents	\$ 14.9	\$ 17.6
Accounts receivable (net of allowance for uncollectibles of \$23.1 and \$20.3, respectively)	309.8	316.7
Accounts receivable, unbilled (net of allowance for uncollectibles of \$0.8 and \$0.8, respectively)	179.7	209.5
Investment in cash pool, affiliated company	181.1	78.4
Accounts receivable, affiliated companies	7.8	4.2
Fuel stocks	96.1	98.8
Materials and supplies	40.4	42.7
Prepaid taxes other than income taxes	2.3	49.9
Regulatory assets (net)		74.9
Restricted cash	246.8	39.2
Income taxes refundable	107.9	
Other	1.6	7.4
Total current assets	1,188.4	939.3
Investments and Other Assets		
Regulatory assets (net)	532.4	576.2
Receivable, affiliated company	174.8	149.2
Other	127.7	148.1
Total investments and other assets	834.9	873.5
Utility Plant		
Plant in service		
Electric	4,365.2	4,244.4
Gas	1,202.0	1,181.7
Common	457.2	456.1
Total plant in service	6,024.4	5,882.2
Accumulated depreciation	(2,135.9)	(2,080.8)
Net plant in service	3,888.5	3,801.4
Construction work in progress	214.7	166.4
Plant held for future use	2.4	2.4
Net utility plant	4,105.6	3,970.2
Total Assets	\$ 6,128.9	\$ 5,783.0

* Unaudited

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED BALANCE SHEETS

Baltimore Gas and Electric Company and Subsidiaries

June 30,
2008* *December 31,*
2007

(In millions)

Liabilities and Equity		
Current Liabilities		
Current portion of long-term debt	\$ 142.2	\$ 375.0
Accounts payable and accrued liabilities	251.1	182.4
Accounts payable and accrued liabilities, affiliated companies	300.8	164.5
Customer deposits and collateral	185.9	70.5
Current portion of deferred income taxes	43.3	44.1
Accrued taxes	17.3	34.4
Regulatory liabilities (net)	114.2	
Accrued expenses and other	75.7	96.3
Total current liabilities	1,130.5	967.2
Deferred Credits and Other Liabilities		
Deferred income taxes	810.2	785.6
Payable, affiliated company	246.1	243.7
Deferred investment tax credits	11.2	11.9
Other	22.8	33.6