Charles H. Cruse
Vice President
Nuclear Energy

Baltimore Gas and Electric Company
Calvert Cliffs Nuclear Power Plant
1650 Calvert Cliffs Parkway
Lusby, Maryland 20657
410 495-4455

BGE

March 26, 1996

U. S. Nuclear Regulatory Commission
Washington, DC 20555

ATTENTION: Document Control Desk

SUBJECT: Calvert Cliffs Nuclear Power Plant
Unit Nos. 1 & 2; Docket Nos. 50-317 & 50-318
1995 Annual Report

In accordance with the requirements of 10 CFR 50.71(b), enclosed please find a copy of the Baltimore Gas and Electric Company's 1995 Annual Report to its shareholders.

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

Very truly yours,

Charles H. Cruse

CHC/DWM/bjd

Enclosure

cc: Resident Inspector, NRC

(Without Enclosure)
D. A. Brune, Esquire
J. E. Silberg, Esquire
L. B. Marsh, NRC
D. G. McDonald, Jr., NRC
T. T. Martin, NRC
R. I. McLean, DNR
J. H. Walter, PSC

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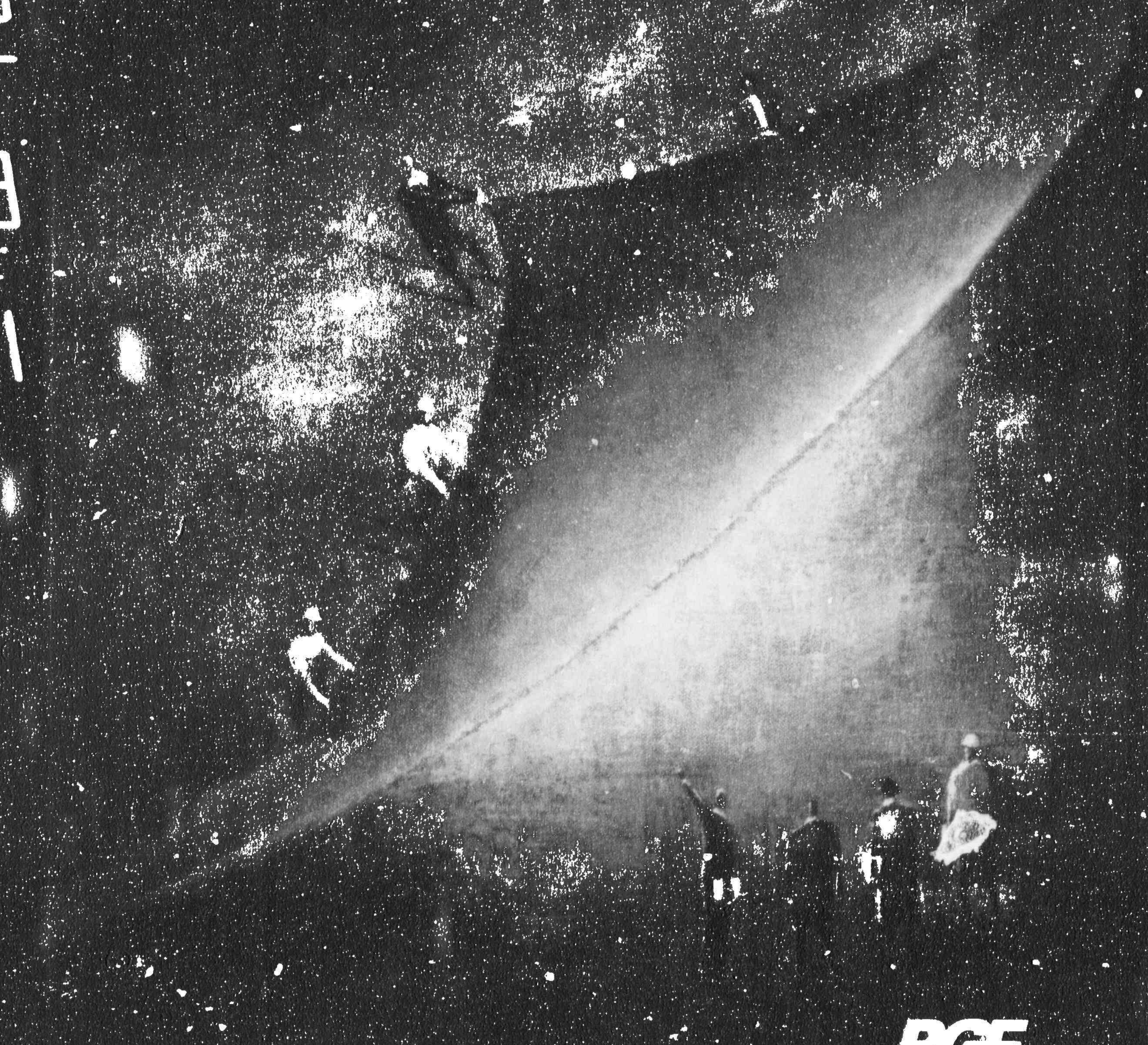
REALIZING *Our* DESTINY

1995 Annual Report



BGE

On the Cover

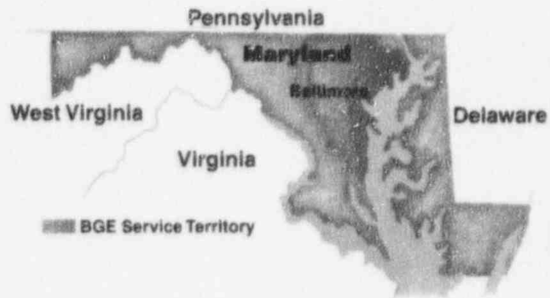
Baltimore Gas and Electric Company's 1995 Annual Report reveals the bold steps we've taken toward realizing our destiny—a bright future in the new energy marketplace.

Beginning a new era in our 180-year history, BGE employees at every level will create a new company—one that is ready to meet the challenges of a changing business environment and destined to become an even better value for your investment dollars.

Contents

This annual report is printed on recycled paper, which was made from the 500 tons of waste paper BGE recycles each year.

BGE at a Glance



As the nation's oldest gas utility and one of the earliest electric utilities, the Baltimore Gas and Electric Company has a long tradition of superior service and reliability. BGE's core business brings gas and electricity to more than 2.6 million residents in Central Maryland. BGE also has three subsidiaries that enhance customer service and increase revenue growth. In 1995 combined revenues totaled $2.9 billion from utility and diversified operations.

Last year BGE signed an agreement to merge with Potomac Electric Power Company (PEPCO) to form Constellation Energy Corporation, one of the 10 largest utilities in the United States. The merger is expected to be completed by early 1997.

Electric

BGE provides electricity and related services to more than one million customers in a 2,300-square-mile area of Central Maryland. The company owns and operates 10 generating plants, including two units at the Calvert Cliffs Nuclear Power Plant, and is part owner of Keystone, Conemaugh, and Safe Harbor generating plants in Pennsylvania. BGE's generating capacity exceeds 6,200 megawatts: 27% nuclear, 43% coal-fired, 26% oil and gas, and 4% hydro.

Gas

BGE's gas business serves nearly 550,000 customers in a more than 600-square-mile area in Central Maryland. We provide storage and distribution, as well as commercial transmission, through two gas plants and 10 gate stations in and around Baltimore. We deliver approximately 110 million dekatherms of gas to our customers through 4,900 miles of gas mains. BGE also acts as a gas broker by locating, purchasing, and arranging for transmission of gas for large industrial and commercial customers through a subsidiary.

Constellation Holdings

Constellation Holdings, Inc. (CHI), consists of four businesses: Constellation Power, Inc. has ownership interests in 26 electric power projects in the United States and Latin America and has 14 operating and maintenance contracts. Constellation Real Estate Group develops real estate projects and provides design/build, construction, and asset management services. Constellation Health Services, Inc. focuses on assisted and independent senior living. Constellation Investments, Inc. provides current income from investments in securities, partnerships, and financial services companies.

BGE Energy Projects & Services

The formation of our Energy Projects & Services, Inc. (EP&S), subsidiary in 1995 consolidated our value-added activities for our industrial and commercial customers. EP&S works with customers to bring new technologies to market, inside and outside our service area. Examples of EP&S's energy-related projects include electrical and lighting system improvements, campus and multi-building energy systems, and Comfort Link℠, a chilled water cooling system for Baltimore City.

BGE Home Products & Services

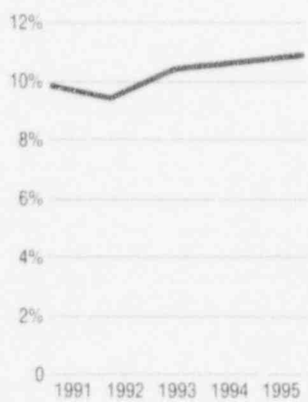
BGE Home Products & Services, Inc. (HP&S), markets home appliances, electronics, replacement windows and doors, kitchen and bath remodeling, and residential and commercial HVAC, plumbing, and electrical systems. HP&S operates 10 retail stores throughout BGE's service area. In addition, the company provides repair services and offers service contracts for appliances, electronics, and heating and cooling equipment.

Highlights

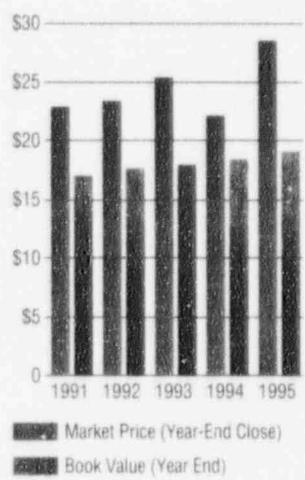
In millions, except per-share amounts	1995	1994	% Change
Common Stock Data			
Earnings per share			
Utility operations	**$ 1.84**	$ 1.81	1.7 %
Diversified activities	**0.18**	0.12	50.0 %
Total	**$ 2.02**	$ 1.93	4.7 %
Dividends declared per share	**$ 1.55**	$ 1.51	2.6 %
Average shares outstanding	**147.5**	147.1	0.3 %
Return on average common equity	**10.84%**	10.63%	2.0 %
Book value per share—year end	**$19.07**	$18.42	3.5 %
Market price per share—year-end close	**$28½**	$22⅛	28.8 %
Financial Data			
Revenues			
Electric	**$2,230**	$2,127	4.8 %
Gas	**400**	421	(5.0) %
Diversified activities	**305**	235	29.8 %
Total	**$2,935**	$2,783	5.5 %
Net income	**$ 338**	$ 324	4.3 %
Earnings applicable to common stock	**$ 297**	$ 284	4.6 %
Assets			
Utility	**$7,051**	$6,837	3.1 %
Diversified	**1,266**	1,201	5.4 %
Total	**$8,317**	$8,038	3.5 %
Utility construction expenditures	**$ 344**	$ 455	(24.4) %
BGE investment in Constellation Holdings	**$ 352**	$ 319	10.3 %
Utility System Data			
Electric sales—megawatt-hours	**28.2**	27.5	2.5 %
Gas sales—dekatherms	**110.8**	108.7	1.9 %

Earnings and Dividends Declared per Share of Common Stock

Return on Average Common Equity



Common Stock Market Price and Book Value



Chairman's Letter to Shareholders

Realizing Our Destiny

Christian H. Poindexter

In 1995 Baltimore caught the nation's eye. Millions witnessed Pope John Paul II celebrate mass at Oriole Park at Camden Yards. There, only a few weeks earlier, Cal Ripken Jr. had brought honor to his hometown and baseball by breaking Lou Gehrig's record of 2,130 consecutive games played.

BGE also attracted national attention when we signed an agreement to join forces with our neighbor, Potomac Electric Power Company (PEPCO). We see this strategic business combination as an excellent opportunity to increase shareholder value, enhance customer service, and improve cost competitiveness.

With that bold step forward—and the many others taken over the last few years—we are realizing our destiny. The two companies together will form Constellation Energy Corporation, one of the nation's 10 largest utilities serving one of the most prosperous regions in the United States—the Baltimore-Washington metropolitan area.

Although the merger took center stage, additional victories contributed to a year of excellent performance. Here are just a few of the year's highlights:

- ▲ Common stock earnings advanced to $2.02 per share, a 4.7% increase over 1994.
- ▲ We increased our annual dividend to $1.56, a 2.6% increase, and marked 86 consecutive years of dividend payments.
- ▲ Our dividend payout ratio continued to decline to 77% by the end of 1995.
- ▲ Over the past two years operating and maintenance expenses have continued to come down, while we have reduced capital expenditures by 24%.
- ▲ Our gas business connected 13,600 new customers. The Maryland Public Service Commission (PSC) granted BGE an annual gas rate increase of more than $19 million in late 1995.
- ▲ Our Constellation Holdings subsidiaries had an excellent year. Earnings were $27 million, or 18 cents per share, a 97% increase over 1994 earnings.
- ▲ To add a new source of future earnings, we created BGE Energy Projects & Services, Inc., which offers a broad range of customized energy services for commercial, industrial, and government customers.

Regulators Reshape Industry

As it has for several years, competition continues to act as a catalyst for change in our industry, although the speed and nature of those changes varied across the nation.

Federal regulators are grappling with how best to give competitors access to utilities' transmission systems. At the same time, regulators need to make sure that new entrants fairly compensate utilities for the use of their transmission systems.

In December the power pool to which BGE belongs, the Pennsylvania-New Jersey-Maryland Interconnection (PJM), unveiled a joint proposal that redefines the group's pooling arrangement. The objective of the proposal is to preserve cooperation and reliability, while promoting open access to the pool's transmission system. The PJM is currently working on the details of its proposal for submission to the Federal Energy Regulatory Commission.

PSC Rules on Competition

On the state level the PSC concluded its review of the structure of the state's electric industry.

The PSC said Maryland is in the enviable position of having efficient, reliable, comparatively low-cost power. The PSC also determined that wholesale competition remains in the best interests of the state's energy consumers—a position BGE supported. According to the PSC, Maryland energy consumers do not currently need retail competition to capture the benefits of the competitive energy market.

In addition, the PSC mandated competitive bidding for all new generation and agreed that utilities need flexibility to offer terms and conditions that meet unique customer needs.

On the gas side of our business, state regulators also took steps to create a more competitive market. Under future consideration are further unbundling of gas services, a market-based rate program for natural gas that BGE initiated, and the continued development of the gas-brokering market.

Our View of Change

In our many interactions with regulators, BGE is advocating that regulatory changes meet these key objectives:

- ▲ Allow returns commensurate with business risks
- ▲ Protect the interests of all customers
- ▲ Permit economic forces to play out
- ▲ Recognize that different regions require different solutions

We intend to stay flexible as the energy market and regulatory environment evolve. We believe, however, that to be successful in the long term, we must become a larger, more cost-competitive company. We are convinced that the way to achieve that goal is our merger with PEPCO.

On Our Decision to Merge

Although the move toward consolidation is new to today's utility employees, mergers are not new to BGE. We've been through

about three dozen in our long history. Our philosophy in evaluating any strategic business combination is that it must

- Enhance shareholder value
- Improve our competitive position
- Reduce costs to allow us the pricing flexibility to retain and attract customers

In late September we signed an agreement to join forces with PEPCO, a combination that meets all three objectives. Since the details of the proposed merger were described at great length in the joint proxy statement, I will touch only briefly on the highlights of this business combination.

The New Management Team

The boards of BGE and PEPCO unanimously approved the proposed merger and top management positions. Constellation Energy Corporation's Board of Directors will consist of 16 members, 9 designated by BGE and 7 designated by PEPCO.

Ed Mitchell, PEPCO's Chairman and CEO, will be Chairman of the new company's Board of Directors. I will be CEO of Constellation Energy Corporation, then assume the additional responsibility of Chairman of the Board from Ed Mitchell one year after the merger takes place.

BGE President and Chief Operating Officer Ed Crooke will serve as Vice Chairman of the new company and Chairman of the Board of the nonregulated subsidiaries. PEPCO's President and Chief Operating Officer John Derrick will be the President and Chief Operating Officer of Constellation Energy Corporation.

To complete this combination, we must first obtain shareholders' approval, then the approval of numerous regulatory agencies. We expect to complete all regulatory approvals by the early part of 1997.

After reviewing a long list of potential names, we finally settled on Constellation Energy Corporation, a name that not only reflects our vision for the new organization but is within our own family of companies. Our subsidiary, Constellation Energy, Inc., has changed its name to Constellation Power, Inc., to avoid name conflict with the new parent.

Why the Merger Makes Sense

This merger builds on our strong business fundamentals. The two companies are aligned philosophically, sharing a common vision and values. Both are well-respected, financially sound, low-cost companies with strong management teams.

Brighten Baltimore aims to make the city's skyline as brilliant as it appears in this enhanced photo. A cooperative venture between BGE and several city agencies, Brighten Baltimore is working to make Baltimore's downtown safer and more attractive through enhanced lighting of buildings and streetscapes.

"We're working with the major downtown businesses and business owners on this project," says Marketing's Kathy Proctor, BGE's Brighten Baltimore program administrator. "BGE's role is to design lighting plans and identify energy savings that can help the businesses finance the enhanced lighting.

"Brighten Baltimore is raising the economic development prospects for our city, which helps rejuvenate the downtown area," says Proctor. "And a vital downtown makes a big difference in the way people look at the entire region."

I believe Constellation Energy Corporation will bring enhanced shareholder value to both BGE and PEPCO investors.

I believe Constellation Energy Corporation will bring enhanced shareholder value to both BGE and PEPCO investors. I also believe both companies' stock performances after the announcement indicate that the investment community viewed the merger as good for both companies.

Constellation Energy Corporation will adopt BGE's dividend policy. That is, it will seek to grow the dividend at a rate greater than the industry average. When the merger is complete, the new company's annual dividend will be $1.67 per share.

The merger will also improve our competitive standing by creating a larger, stronger company positioned to prosper from industry change. Together, BGE and PEPCO can keep costs lower than they could as stand-alone companies—a critical advantage in a competitive environment.

Operational efficiencies will result from having side-by-side service territories, and Constellation Energy Corporation will have an excellent generation mix. We expect to achieve significant savings—about $1.3 billion over 10 years—by eliminating duplicate functions, centralizing purchasing processes, and reducing corporate expenses.

Our combined Baltimore-Washington service territory, in addition to being compact and prosperous, contains a good balance of industrial, commercial, government, and residential customers.

What This Means to Our Employees

I firmly believe that those things our employees value most—job security, good wages and benefits, and challenging careers—are possible only if our company is growing and profitable. Creating Constellation Energy Corporation increases the likelihood of continued success.

We regret that much of the cost savings will be realized by reducing our combined workforce by about 10 percent. These will not be across-the-board reductions. The greatest impact will be felt by BGE and PEPCO employees in the administrative, staff, and service support areas.

We plan to handle this as compassionately as possible. We will provide a good severance package and as much information as we can throughout the transition process so that our employees can make informed career decisions.

Our Vision for the New Company

Given the intensity of industry changes, this is an opportune time to go through this transition. We are shaping a combination gas and electric company positioned to profit in the emerging competitive utility industry.

Exactly how we will define this utility of the future will be the focus of 1996. There are a number of givens, however that will be the foundation of our new company. First, we intend to remain a yield-oriented equity investment. We will create a low-cost structure that ensures price flexibility. We will position ourselves as a leading provider of energy and energy-related products and services. And we will seek growth in our diversified businesses.

To do this, we will continue to improve our strong customer focus and build a culture that fosters continuous improvement. We'll also pursue strategies to develop and retain the superior and flexible workforce we need for the future.

We will work toward influencing regulatory policy that recognizes that investors built this industry and that investors will be needed to grow the energy business of the future. I am committed to the proactive approach we've set for Constellation Energy Corporation and will continue to look out for your interests—as well as those of our customers and employees—every step of the way.

C H Poindexter

Christian H. Poindexter

Chairman of the Board and Chief Executive Officer
February 12, 1996

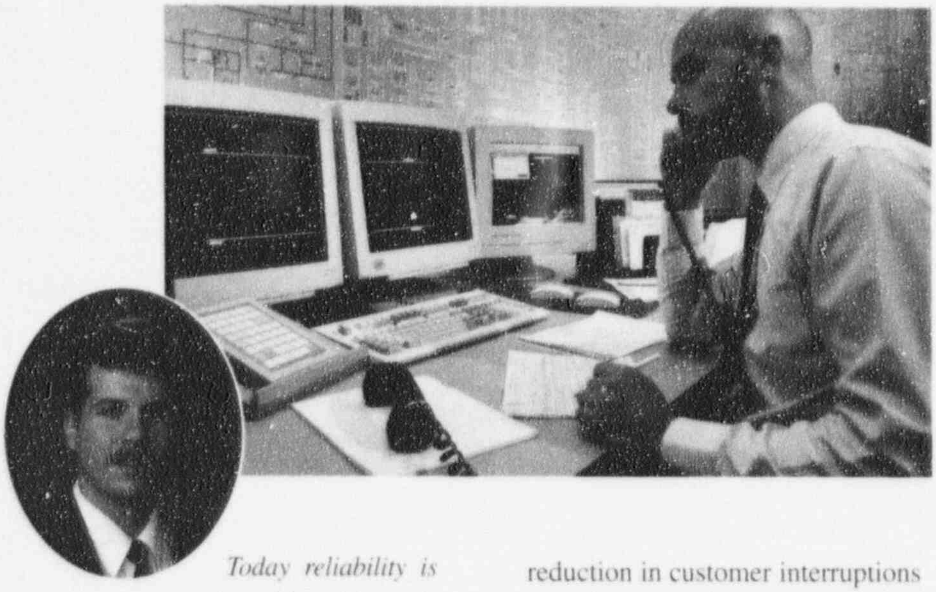
Creating the Utility of Choice

Edward A. Crooke

Although the merger presents an excellent opportunity to create a utility for the future, from now until the merger is complete, we must continue to work hard to make BGE the best company it can be.

In our changing industry, being the best means continually striving to be the utility of choice. It's been quite a journey over the past few years, moving away from a traditional monopoly and toward becoming a responsive organization ready and able to meet the demands of a competitive market.

I believe we are well-positioned to prosper today and in our business combination with PEPCO. Why? Because throughout our company, we have raised our standards of excellence and performance in the three areas our customers care about most—price, quality, and reliability.



Today reliability is a competitive advantage, so we're using new distribution automation (DA) technology to help us improve service to customers.

Project Manager Brian Deaver (inset) explains, "Distribution Automation involves installing electronically controlled 'line reclosers' on BGE's electric feeder mains. The reclosers automatically isolate electrical faults and signal BGE system operators of an outage.

"Without DA, faults on the feeder mains can result in power outages to all customers on a feeder until field operators can respond," says Deaver. With DA, Customer Operations system operators such as Ed Vogel, above right, can remotely restore two-thirds of those customers within a few minutes from a PC workstation in Baltimore. "That kind of improved reliability greatly improves our electric service," says Deaver.

reduction in customer interruptions in 1995 and improved customer satisfaction ratings. We attribute the improved system performance to efforts such as our overhead inspection and maintenance program, a completely revamped tree-trimming process, increased replacement of older, direct-buried cables, and the expansion of distribution automation in our worst-performing areas.

Looking Forward

In 1996 we will continue to keep BGE strong and profitable while building the foundation of Constellation Energy Corporation. PEPCO's President and Chief Operating Officer John Derrick and I are co-chairing the transition management team charged with taking two fine companies with proud histories and creating one even better organization. And to ensure that BGE operational issues are well managed, Executive Vice President George Creel has assumed the day-to-day duties of Chief Operating Officer of BGE from now until the completion of the merger.

John Derrick and I have approached this assignment as an opportunity to position Constellation Energy Corporation to compete in the energy industry of the future, an industry quite different from the one with which we are familiar. We are fortunate to have excellent ingredients to work with—two committed workforces, aligned philosophies, excellent reputations, and good regulatory relationships, to name a few.

Throughout most of 1996, hundreds of BGE and PEPCO employees will be working together on more than a dozen different process teams charged with shaping the fundamentals of Constellation Energy Corporation. Employees at every level will then be called upon to bring to realization the principles, relationships, and processes that will characterize our new company.

That will be both difficult and exhilarating. Our reward will be an even stronger company, better able to profit and grow in the years ahead.

Edward A. Crooke

President and
Chief Operating Officer
February 12, 1996

Achieving Pricing Flexibility

To meet our customers' needs today, we must create customized responses. That means having the financial flexibility to provide alternative pricing strategies and innovative products.

A streamlined cost structure, the single most important element of pricing flexibility, is well within our control. Since 1993, employees of all divisions have contributed to BGE's success in trimming operations and maintenance costs.

Our capital spending is also dramatically lower. Expenditures in 1995 were $344 million, down from $455 million in 1994. Our strategy for controlling capital expenditures is to impose adequate financial tests for all discretionary spending.

Our generation employees exceeded expectations by achieving the highest generation ever in both our nuclear and fossil plants. They also met the ambitious cost-reduction goal we set in 1992. At that time we were in the middle of the eight PJM companies in terms of generation costs. We set our sights on being in the lowest third in generation operating costs in the PJM within five years. In less than three years we achieved our goal. By any standard, this is a remarkable accomplishment.

Along with productivity and cost improvements, we are also using advanced information technology to help us determine the cost of producing and marketing our products. Our new Business Information System (BIS) is an activity-based planning and budgeting system that will provide us with better information faster than before. The first segment of BIS went on line in 1995. Over the next year we'll add new systems to track inventory, purchasing information, and other data on actual costs. This will help us make better-informed business decisions.

Earning the Right to Serve

Key to becoming the utility of choice is realizing that we no longer own exclusive rights to the customer relationship. Instead, we have to earn the right to keep that customer by delivering products and services that go beyond providing electricity and natural gas.

That's the philosophy behind our newest subsidiary, BGE Energy Projects & Services, Inc. (EP&S). EP&S will act as developer, marketer, packager, and general manager of value-added energy projects for large commercial and industrial customers. Our objective is to profitably enhance customer relationships through quality services.

EP&S is one facet of our marketing strategy that sells customers the products they desire and places high value on building customer relationships. First we listen to how our customers define quality, then we identify opportunities for new products, services, and customer growth.

We are bringing the advantages of natural gas to more customers. Research shows that natural gas is often a homeowner's preferred heating fuel. In 1995 we took strong action to extend mains into strategic growth areas and expanded our system more deeply into the outlying areas of our territory.

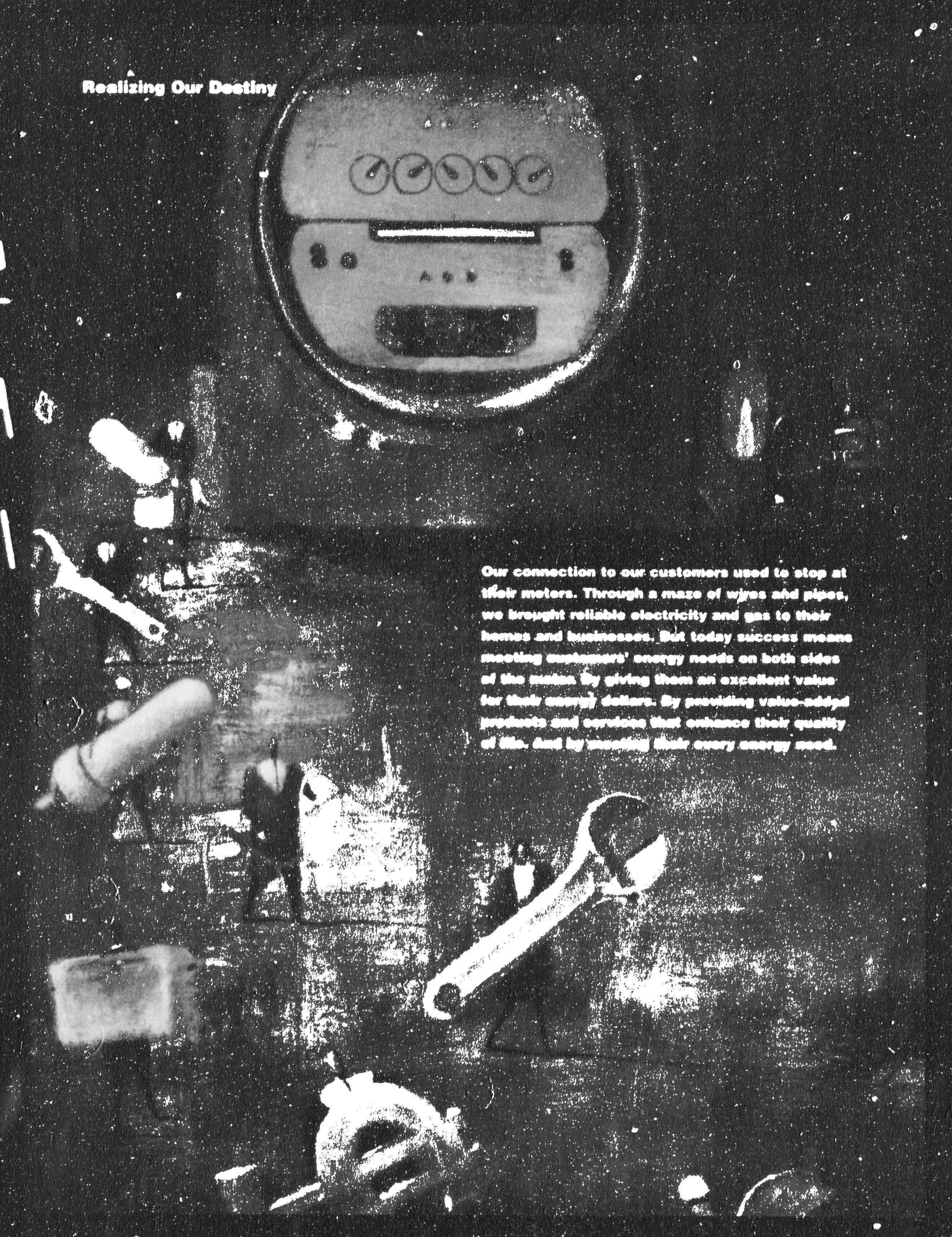
We have to earn the right to keep that customer by delivering products and services that go beyond providing electricity and natural gas.

Reliability Key to Satisfaction

Bringing customers the finest array of products and services will not compensate for shortcomings in system reliability. That truth guided a self-assessment of our reliability as benchmarked against other utilities. We found that, although we had many strengths, we also had room to improve system reliability.

This led to the Genesis Project, a comprehensive analysis of the performance of our electric distribution system. Based on employee insights at all phases, this effort produced a philosophical shift from reactive maintenance, which emphasizes restoration, to preventive maintenance, which focuses on keeping problems from occurring in the first place.

The improvements our employees suggested resulted in a 30%



Realizing Our Destiny

Our connection to our customers used to stop at their meters. Through a maze of wires and pipes, we brought reliable electricity and gas to their homes and businesses. But today success means meeting customers' energy needs on both sides of the meter. By giving them an excellent value for their energy dollars. By providing value-added products and services that enhance their quality of life. And by meeting their every energy need.

BGE is moving ahead with our efforts to meet customers' needs on both sides of the meter.

Our merger with PEPCO is the most visible step we've taken to meet the challenges of a competitive world. The merger will create a company that can succeed far into the future by providing us opportunities to not only enhance customer service, but to increase shareholder value and lower costs, as well.

To realize our destiny today, we're working hard to retain and attract customers, offer new products and services, and enhance our profitability. And that work is paying off.

REALIZING *Our* DESTINY

by retaining and attracting customers through low-cost gas and electricity

Across the nation, consumers are beginning to realize greater choices of energy providers, products, and services. Although many variables can influence consumer decisions, one thing is certain: price will become even more important to energy customers.

Low Cost Equals Flexibility

To be able to offer flexible pricing, we continue to work on creating a low-cost structure. In 1995 our employees once again made excellent progress toward reducing costs while increasing output, which has strengthened BGE's standing as a low-cost generator.

Last year employees at our Calvert Cliffs Nuclear Power Plant set the highest generation record for the plant and reduced the average unit cost of power generation by about 13%. Plant employees contributed to this reduction by completing the Unit Two outage in one-third less time than a similar outage on Unit One the year before.

Our fossil plant employees continued their outstanding record. In 1995 fossil generation reached an all-time high. For the fourth year in a row, the average unit cost of power generation for our fossil plants decreased faster than that of PJM comparison companies. The reason is increased output due to higher reliability and lower costs.

Reengineering Brings Benefits

In 1995 employees in our Customer Service & Distribution Division identified savings of about $35 million to be realized over the next two years. The savings were identified as part of the most extensive reengineering of our customer service processes in our 180-year history. Service to new customers has been greatly enhanced by the creation of a department dedicated to the specific needs of new businesses and new home construction.

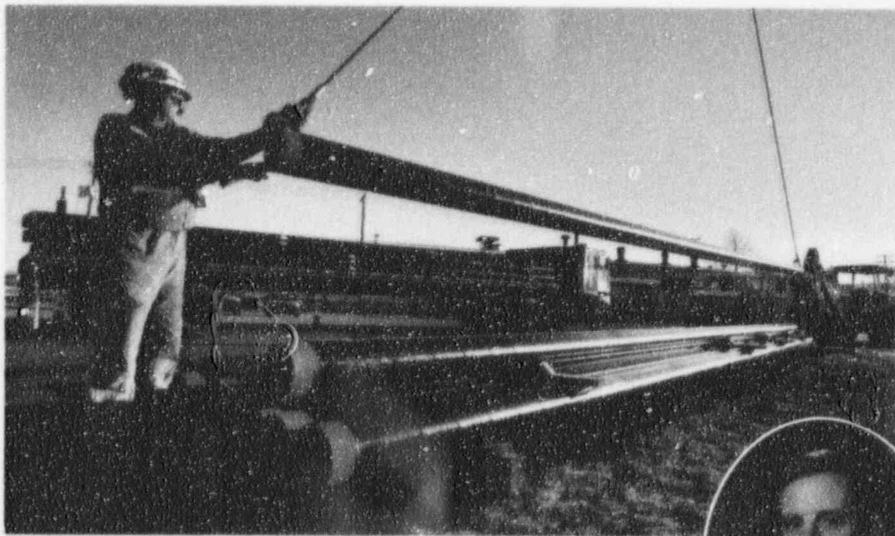
Our cost-reduction efforts not only help us retain existing customers, but help us attract new customers as well. We added more than 17,000 new electric customers in 1995. On the gas side, we connected 13,600 new gas customers, doubled the number of residential conversions to gas over 1994, and constructed 256 miles of new gas mains.

Profitability Is a Priority

We achieved our goal of increasing the profitability of our gas business—a strategic asset often overlooked by the investment community and underrated by the

market. In 1995 the Maryland Public Service Commission granted BGE a $19.3 million gas base-rate increase. The increase will allow us to earn a return on our investment in gas system expansion and improvements. Even with this gas rate increase, BGE's first in three years, our gas prices remain among the lowest in our region.

Our profitability was also enhanced in 1995 by our Constellation Holdings subsidiary, which had its best year ever.



Our partnership with the Aberdeen Proving Ground (APG) helped the U.S. Army facility dramatically reduce its energy use and costs last year.

"We extended seven miles of gas main through the post," says Steve Troch of BGE's Gas Engineering and Construction Department (inset). "That allowed us to convert 20 buildings previously heated with oil to dual fuel, oil and natural gas, capability. The whole effort illustrates our aggressive pursuit of gas expansion."

Along with gas expansion, our Marketing & Sales Division installed energy-efficient lighting in nearly 60 buildings at APG and is helping convert APG's fleet to natural gas vehicles. As a result of all these energy savings, Aberdeen received two federal energy conservation awards last year.

REALIZING *Our* DESTINY

by offering products and services our customers value

We're listening closely to what our customers need and want. As new products and services become available, we continue to expand our markets, delivering total energy solutions in ways that benefit both BGE and our customers.

We've adopted a centralized marketing approach that lets us meet a full range of customers' energy needs. This approach lets us know segment by segment the value and needs of each customer group so we can market what the customer wants and, at the same time, enhance our profits.

Created New Subsidiary

To complement our core business and provide industrial and commercial customers better service and choice, we created a new subsidiary, BGE Energy Projects & Services, Inc. (EP&S). EP&S will position us as a leading provider of products and services to meet our customers' energy-related needs. Products under the EP&S umbrella range from efficient lighting to heating and cooling systems for large customers. Services include commercial and industrial HVAC system analysis, design, financing, and construction management.

Added New Products and Services

To provide customers more energy choices, we also introduced and began marketing several new products and services, some of which fall under the EP&S umbrella.

- Comfort Link[SM]: In partnership with The Poole and Kent Company, a Baltimore-based mechanical contracting firm, BGE is building a system that uses a central plant to

Our Premium Power program responds to customers' needs by making their sensitive electronic equipment less susceptible to outages.

Last year Premium Power installed uninterruptible power systems (UPS) in electric robots that weld Chevrolet and GMC vans at the General Motors plant in east Baltimore. "Astro and Safari vans are selling at an incredible pace, and GM cannot afford to have any production delays due to power quality," says Vladi Basch, Director of BGE's Premium Power Unit.

"The UPS systems sense outages, then switch over to battery power. Now the robots don't lose their programming, which helps minimize the plant's downtime," says Basch.

pump chilled water beneath the streets to cool buildings. In November BGE was granted a franchise to operate district chilled water and heating systems in downtown Baltimore.

- ▲ Premium Power: We provide a range of energy options to help industrial customers identify and solve potential power-quality problems. Premium Power energy solutions range from inspecting customers' facilities for faulty wiring and simple electrical repairs to installing electric system-protection products.
- ▲ PowerDigm™: In 1995 we tested and began marketing our PowerDigm subcycle transfer switch along with our partner, Silicon Power Corporation. Developed for industrial customers with sensitive electronic equipment, PowerDigm switches a customer's equipment to a backup power source in milliseconds with no power interruption.

Through our BGE Home Products & Services, Inc. (HP&S), subsidiary, we're pursuing additional revenue growth opportunities in the residential and commercial markets. Created in 1994, HP&S installs and repairs heating, cooling, plumbing, and electrical systems. HP&S also operates 10 appliance and electronics centers and provides home remodeling services.

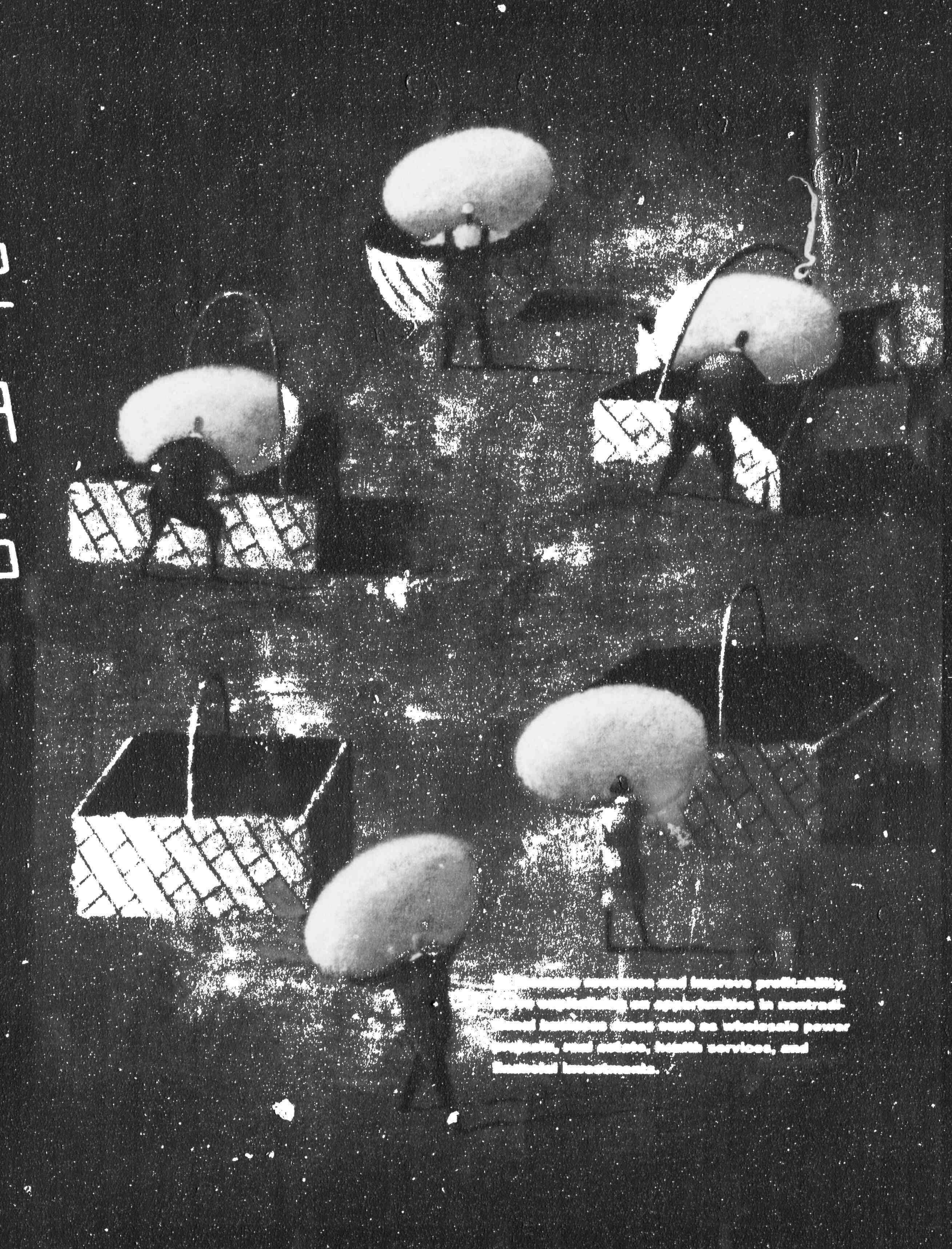
Realizing *Our* Destiny

by enhancing profitability through nontraditional businesses

Under the umbrella of Constellation Holdings, Inc. (CHI), we operate a range of nonregulated businesses from independent energy to real estate and senior living facilities to financial investments. The Constellation Companies' expertise in these areas is paying off. In 1995 we earned in excess of $27 million.

Constellation Sub Goes Global

Constellation's independent power producer, Constellation Power, Inc. (CPI), is contributing to our growing diversified business strength by expanding its marketing activities and establishing a presence in the power market in Latin America.



CPI affiliates own and operate 26 electric power projects in the United States and Latin America and have 14 operations and maintenance contracts. In July, along with several partners, CPI bought a 50% interest in 181 megawatts of existing and under-construction generating capacity formerly owned by Bolivia's national utility.

Real Estate Makes Strides

Constellation Real Estate Group (CREG), has made great strides to address its challenges and pursue new opportunities. CREG's existing land portfolio was reduced, and three new retail opportunities have been initiated with limited investment. Our commercial properties reached a level of 96% occupancy by the end of 1995, far exceeding the Baltimore-area average.

CREG's 1995 success is embodied in a decision by retailer Saks Fifth Avenue to build a 470,000-square-foot distribution center in our service territory. Working with state and local officials and others, CREG brought the new Saks supercenter to our Hickory Ridge Industrial Park.

Focusing on Senior Living

Constellation Health Services, Inc. (CHS), also contributed to CHI's success, rapidly developing a strong position both in size and quality of service. Focusing on assisted and independent living, CHS has over 200 units in operation and another 750 units in various stages of development. In addition, CHS purchased a health management and consulting company, now called Constellation Senior Services, that has an additional 1,800 units under management.

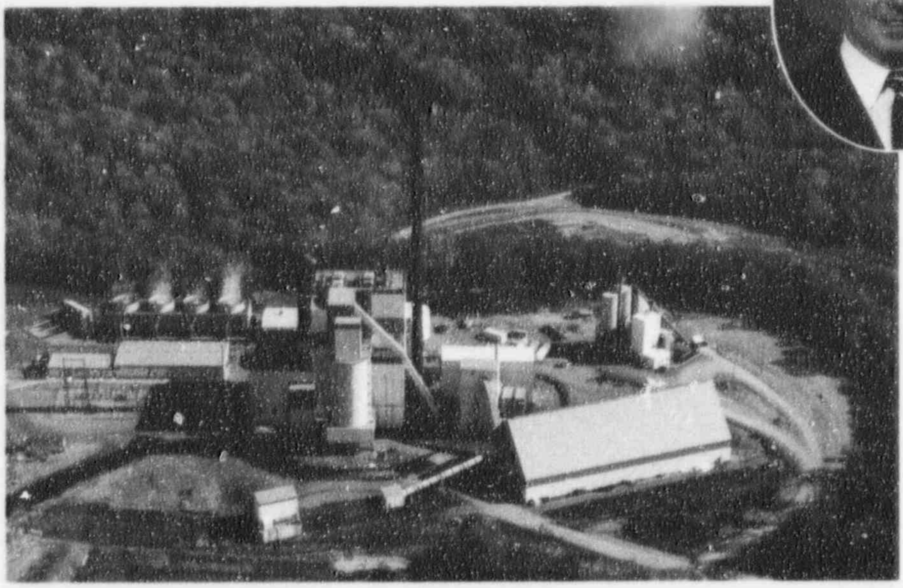
Investments Perform Well

Constellation Investments, Inc. (CII), maintains a diverse investment portfolio that provides current income, cash flow, and backup liquidity for the other Constellation Companies in a portfolio of low-to-moderate risk investments. Results in 1995 exceeded expectations, particularly in the marketable securities investment program.

Independent power production continues to be a mainstay of our diversified business activities. The commercial start-up last June of the Colver Power Project near Altoona, Pennsylvania, represents Constellation Power, Inc.'s (CPI), 24th wholesale power project in the United States.

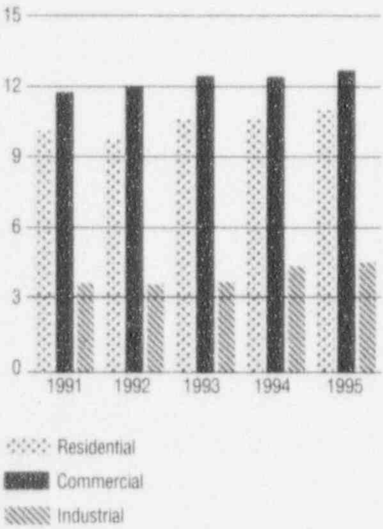
John Hall, CPI's manager for the plant, calls the Colver project an environmental and revenue asset. "Colver burns coal waste to generate 102 megawatts of power that we sell to the Pennsylvania Electric Company. By using the coal waste for fuel, we're not only generating power but also helping free up land from surrounding counties that will be reclaimed and revegetated," says Hall.

"Our experience with other independent power projects helped make this the most well-organized start-up we've had. And to top it off we had a near-record year for new plants, operating at an 86% capacity factor," says Hall. "Overall, Colver has been a success story from the start."

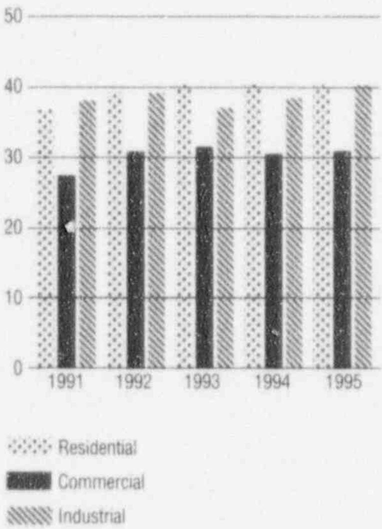


Financial Contents

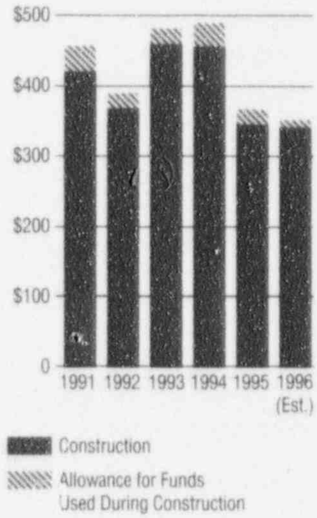
Sales of Electricity
Billions of Kilowatt-Hours



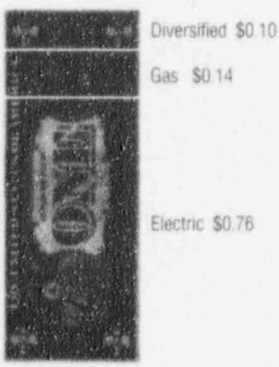
Sales of Gas
Millions of Dekatherms



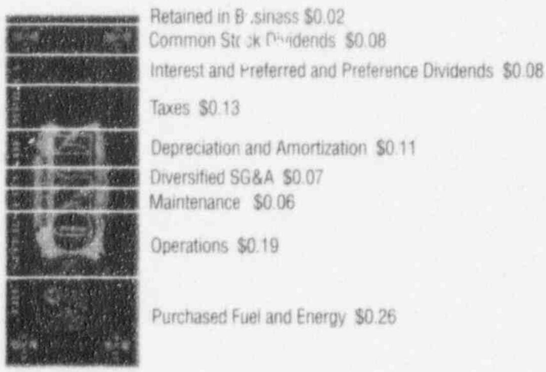
Utility Construction Expenditures
Millions of Dollars



1995 Revenue



1995 Operating Expenses



Utility Operating Statistics

	1995	1994	1993	1992	1991	Compound Growth 5-year	Compound Growth 10-Year
Electric Operating Statistics							
Revenues (In Thousands)							
Residential	**$ 955,239**	$ 931,711	$ 931,643	$ 839,954	$ 882,591	5.88%	6.09%
Commercial	**879,438**	852,989	869,829	842,694	850,038	3.00	4.50
Industrial	**208,441**	205,611	199,042	201,950	212,864	1.35	0.58
System Sales	**2,043,118**	1,990,311	2,000,514	1,884,598	1,945,493	4.10	4.69
Interchange and Other Sales	**166,964**	118,027	91,543	64,323	23,845	44.36	12.04
Other	**21,029**	19,083	20,090	16,611	21,531	9.50	0.99
Total	**$2,231,111**	$2,127,421	$2,112,147	$1,965,532	$1,990,869	5.45	5.04
Sales (In Thousands)–MWH							
Residential	**10,966**	10,670	10,614	9,735	10,097	3.39	4.47
Commercial	**12,635**	12,351	12,395	11,909	11,707	2.16	3.65
Industrial	**4,591**	4,433	3,763	3,663	3,708	4.17	1.95
System Sales	**28,192**	27,454	26,772	25,307	25,512	2.95	3.65
Interchange and Other Sales	**8,149**	5,684	4,149	3,180	1,166	49.59	15.34
Total	**36,341**	33,138	30,921	28,487	26,678	7.37	5.31
Customers							
Residential	**988,179**	978,591	968,212	956,570	939,734	1.20	1.74
Commercial	**103,399**	101,957	100,820	99,673	98,254	1.38	2.25
Industrial	**4,161**	3,967	3,800	3,761	3,584	3.37	5.21
Total	**1,095,739**	1,084,515	1,072,832	1,060,004	1,041,572	1.23	1.80
Average Use per Residential Customer–KWH	**11,097**	10,903	10,963	10,177	10,744	2.16	2.68
Average Rate per KWH (System Sales)–¢							
Residential	**8.71**	8.73	8.78	8.63	8.74	2.42	1.56
Commercial	**6.96**	6.91	7.02	7.08	7.26	0.82	0.83
Industrial	**4.54**	4.64	5.29	5.51	5.74	(2.72)	(1.33)
Peak Load (One-hour)–MW	**5,947**	6,038	5,876	5,558	5,910	1.66	2.92
Capability at Summer Peak–MW	**6,731**	6,722	6,701	6,687	6,608	1.79	1.88
System Load Factor	**57.2%**	54.7%	55.2%	54.8%	52.4%	1.12	0.32
Gas Operating Statistics							
Revenues (In Thousands)							
Residential	**$ 248,283**	$ 262,736	$ 265,601	$ 242,737	$ 220,653	2.54	(0.33)
Commercial							
Excluding Delivery Service	**109,859**	121,005	121,832	112,147	96,189	4.17	(1.57)
Delivery Service	**3,696**	2,285	3,287	3,591	3,031	2.27	5.16
Industrial							
Excluding Delivery Service	**16,730**	20,140	22,250	21,123	14,855	(12.40)	(9.14)
Delivery Service	**16,332**	9,635	12,920	14,290	14,288	(1.76)	0.29
Other	**5,604**	5,448	7,273	6,511	6,777	(9.43)	(1.25)
Total	**$ 400,504**	$ 421,249	$ 433,163	$ 400,399	$ 355,793	1.52	(1.23)
Sales (In Thousands)–DTH							
Residential	**40,211**	40,279	40,029	39,042	36,519	2.80	1.01
Commercial							
Excluding Delivery Service	**23,612**	23,712	23,830	23,478	20,687	5.39	0.88
Delivery Service	**6,982**	6,490	7,428	7,102	6,433	3.52	5.52
Industrial							
Excluding Delivery Service	**4,102**	4,410	5,298	5,314	3,605	(10.90)	(6.77)
Delivery Service	**35,925**	33,837	31,390	33,638	34,240	0.68	3.08
Total	**110,832**	108,728	107,975	108,574	101,484	1.86	1.35
Customers							
Residential	**506,739**	498,152	491,165	486,863	482,085	0.98	0.52
Commercial	**38,422**	37,891	37,518	37,000	36,561	1.34	1.27
Industrial	**1,334**	1,354	1,353	1,412	1,385	(0.98)	0.22
Total	**546,495**	537,397	530,036	525,275	520,031	1.00	0.57
Average Use per Residential Customer–Therms	**794**	809	815	802	758	1.81	0.49
Average Rate per Therm–$							
Residential	**.62**	.65	.66	.62	.60	(0.32)	(1.35)
Commercial (Excluding Delivery Service)	**.47**	.51	.51	.48	.46	(0.83)	(2.41)
Industrial (Excluding Delivery Service)	**.41**	.46	.42	.40	.41	(1.40)	(2.53)
Peak Day Sendout–DTH	**706,287**	761,900	657,700	609,200	610,200	1.55	0.42
Peak Day Capability–DTH	**847,000**	847,000	847,000	847,000	817,000	(0.14)	0.24

Utility operating statistics do not reflect the elimination of intercompany transactions.

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

Selected Financial Data

	1995	1994	1993	1992	1991	Compound Growth 5-year	10-Year
		(Dollar amounts in thousands, except per share amounts)					
Summary of Operations							
Total Revenues	**$2,934,799**	$2,782,985	$2,741,385	$2,559,536	$2,514,631	5.47%	4.56%
Expenses Other Than Interest and Income Taxes	**2,239,107**	2,147,726	2,124,993	2,024,227	2,026,910	3.10	4.93
Income From Operations	**695,692**	635,259	616,392	535,309	487,721	16.36	3.46
Other Income	**8,819**	32,365	20,310	22,132	28,095	(23.87)	(4.60)
Income Before Interest and Income Taxes	**704,511**	667,624	636,702	557,441	515,816	14.33	3.30
Net Interest Expense	**196,977**	190,154	188,764	189,747	196,588	3.58	5.98
Income Before Income Taxes	**507,534**	477,470	447,938	367,694	319,228	21.03	2.43
Income Taxes	**169,527**	153,853	138,072	103,347	85,547	53.41	1.11
Income Before Cumulative Effect of Change in Accounting Method	**338,007**	323,617	309,866	264,347	233,681	14.01	3.17
Cumulative Effect of Change in the Method of Accounting for Income Taxes	–	–	–	–	19,745	–	–
Net Income	**338,007**	323,617	309,866	264,347	253,426	9.65	3.17
Preferred and Preference Stock Dividends	**40,578**	39,922	41,839	42,247	42,746	0.16	4.02
Earnings Applicable to Common Stock	**$ 297,429**	$ 283,695	$ 268,027	$ 222,100	$ 210,680	11.45	3.06
Earnings Per Share of Common Stock							
Before Cumulative Effect of Change in Accounting Method	**$2.02**	$1.93	$1.85	$1.63	$1.51	13.13	0.77
Cumulative Effect of Change in the Method of Accounting for Income Taxes	–	–	–	–	.16	–	–
Total Earnings Per Share of Common Stock	**$2.02**	$1.93	$1.85	$1.63	$1.67	7.61	0.77
Dividends Declared Per Share of Common Stock	**$1.55**	$1.51	$1.47	$1.43	$1.40	2.06	3.40
Ratio of Earnings to Fixed Charges	**3.21**	3.14	3.00	2.65	2.27	12.52	(2.51)
Ratio of Earnings to Fixed Charges and Preferred and Preference Stock Dividends Combined	**2.52**	2.47	2.34	2.08	1.82	11.38	(1.99)
Financial Statistics at Year End							
Total Assets	**$8,316,663**	$8,037,502	$7,829,613	$7,208,660	$6,963,547	4.39	6.88
Capitalization							
Long-term debt	**$2,598,254**	$2,584,932	$2,823,144	$2,376,950	$2,390,115	3.44	5.69
Preferred stock	**59,185**	59,185	59,185	59,185	59,185	–	–
Redeemable preference stock	**242,000**	279,500	342,500	395,500	398,500	(7.89)	11.70
Preference stock not subject to mandatory redemption	**210,000**	150,000	150,000	110,000	110,000	13.81	1.84
Common shareholders' equity	**2,812,682**	2,717,866	2,620,511	2,534,639	2,153,306	6.29	6.33
Total Capitalization	**$5,922,121**	$5,791,483	$5,995,340	$5,476,274	$5,111,106	4.29	5.92
Book Value Per Share of Common Stock	**$19.07**	$18.42	$17.94	$17.63	$17.00	2.84	3.98
Number of Common Shareholders	**79,811**	81,505	82,287	80,371	71,131	1.79	0.04

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Effective November 1, 1995, BGE formed a wholly owned subsidiary, BGE Energy Projects & Services, Inc. (EP&S). EP&S' revenues and expenses are included in diversified businesses revenues and diversified businesses selling, general, and administrative expenses, respectively.

Results of Operations

Earnings per Share of Common Stock

Consolidated earnings per share were $2.02 for 1995 and $1.93 for 1994, an increase of $.09 and $.08 from prior-year amounts, respectively. The changes in earnings per share reflect a higher level of earnings applicable to common stock, offset partially by a larger number of outstanding common shares. The summary below presents the earnings-per-share amounts.

	1995	1994	1993
Utility business	**$1.84**	$1.81	$1.77
Diversified businesses	**.18**	.12	.08
Total	**$2.02**	$1.93	$1.85

Earnings Applicable to Common Stock

Earnings applicable to common stock increased $13.7 million in 1995 and $15.7 million in 1994. The increases reflect higher utility and diversified businesses earnings.

Utility earnings increased in 1995 compared to the prior year due to higher electric system sales resulting from the extremely hot summer weather in 1995, and higher electric and gas sales resulting from the colder fall weather experienced in 1995. These factors were partially offset by lower electric and gas system sales resulting from the milder weather experienced during the first half of the year as compared to last year; lower net other income and deductions in 1995; and a decrease in the allowance for funds used during construction.

Utility earnings increased in 1994 compared to the prior year due to three principal factors: lower operations and maintenance expenses; an increase in the allowance for funds used during construction; and greater sales of electricity. The higher sales of electricity were primarily due to an increased number of customers compared to 1993. Both 1995 and 1994 earnings increases were offset partially by higher depreciation and amortization expense, which includes the write-off of certain Perryman costs in both years (see discussion on page 21). The effect of weather on utility sales is discussed below.

The following factors influence BGE's utility operations earnings: regulation by the Maryland Public Service Commission (PSC); the effect of weather and economic conditions on sales; and competition in the generation and sale of electricity. The gas base rate increase authorized by the PSC in November 1995 favorably affected utility earnings beginning in December 1995. The electric and gas base rate increases authorized by the PSC in April 1993 favorably affected utility earnings through April 1994. The electric fuel rate cases now pending before the PSC discussed in Notes 1 and 12 could affect future years' earnings.

Future competition may also affect earnings in ways that are not possible to predict (see discussion on page 25).

Earnings from diversified businesses, which primarily represent the operations of Constellation Holdings, Inc. (CHI) and its subsidiaries (collectively, the Constellation Companies), BGE Home Products & Services, Inc. and Subsidiary (HP&S), and EP&S, increased during both 1995 and 1994. The reasons for these changes are discussed in the "Diversified Businesses Earnings" section on pages 22 and 23.

Effect of Weather on Utility Sales

Weather conditions affect BGE's utility sales. BGE measures weather conditions using degree days. A degree day is the difference between the average daily actual temperature and the baseline temperature of 65 degrees. Hotter weather during the summer, measured by more cooling degree days, results in greater demand for electricity to operate cooling systems. Conversely, cooler weather during the summer, measured by fewer cooling degree days, results in less demand for electricity to operate cooling systems. Colder weather during the winter, as measured by greater heating degree days, results in greater demand for electricity and gas to operate heating systems. Conversely, warmer weather during the winter, measured by fewer heating degree days, results in less demand for electricity and gas to operate heating systems. The degree-days chart below presents information regarding cooling and heating degree days for 1995 and 1994.

	1995	1994	30-Year Average
Cooling degree days	**1,056**	949	804
Percentage change compared to prior year	**11.3%**	9.7%	
Heating degree days	**4,601**	4,670	4,901
Percentage change compared to prior year	**(1.5)%**	(5.8)%	

BGE Utility Revenues and Sales

Electric revenues changed during 1995 and 1994 because of the following factors:

	1995	1994
	(In millions)	
System sales volumes	**$ 43.4**	$ 9.9
Base rates	**23.2**	1.4
Fuel rates	**(13.8)**	(21.5)
Revenues from system sales	**52.8**	(10.2)
Interchange and other sales	**49.0**	26.5
Other revenues	**1.4**	(1.9)
Total electric revenues	**$103.2**	$ 14.4

Electric system sales represent volumes sold to customers within BGE's service territory at rates determined by the PSC. These amounts exclude interchange sales and sales to other utilities, discussed separately later. Following is a comparison of the changes in electric system sales volumes:

	1995	1994
Residential	**2.8%**	0.5%
Commercial	**2.3**	(0.4)
Industrial	**3.6**	17.8
Total	**2.7**	2.5

The increase in sales to residential and commercial customers during 1995 reflects the extremely hot summer and colder fall weather during 1995 and an increase in the number of customers, offset partially by milder weather experienced during the first half of the year as compared to last year. Sales to industrial customers increased primarily due to an increase in the number of customers and the increased sale of electricity to Bethlehem Steel, offset partially by lower usage by other industrial customers. Bethlehem Steel has been purchasing its full electricity requirements from BGE since March of 1994 and is selling power produced with its own generating facilities to BGE rather than using the power to reduce its requirements.

In 1994, sales to residential and commercial customers were essentially unchanged from the prior year due to three factors: the number of customers increased; higher sales from extreme weather conditions early in the year slightly exceeded lower sales from milder weather in the second half of the year; and usage-per-customer decreased. Sales to industrial customers reflect primarily an increase in the sale of electricity to Bethlehem Steel, which purchased more electricity from BGE due to increased steel production and the fact that Bethlehem Steel has been purchasing its full electricity requirements from BGE since March of 1994.

Base rates are affected by two principal items: rate orders by the PSC and recovery of eligible electric conservation program costs through the energy conservation surcharge. Base rates increased in 1995 compared to 1994 due to recovery of a higher level of eligible electric conservation program costs and the ability to collect the full amount of energy conservation surcharge revenues, portions of which had been deferred subject to refund in 1994 as discussed below. Base rates increased slightly during 1994 due to the remaining effect of the PSC's April 1993 rate order, offset partially by the deferral of the portion of energy conservation surcharge billings subject to refund.

Under the energy conservation surcharge, if the PSC determines that BGE is earning in excess of its authorized rate of return, BGE will have to refund (by means of lowering future surcharges) a portion of energy conservation surcharge revenues to its customers. The portion subject to the refund is compensation for foregone sales from conservation programs and incentives for achieving conservation goals and will be refunded to customers with interest beginning in the ensuing July when the annual resetting of the conservation surcharge rates occurs. BGE earned in excess of its authorized rate of return on electric operations for the period July 1, 1993 through June 30, 1994. As a result, BGE deferred the portion of electric energy conservation revenues subject to refund for the period December 1993 through November 1994. The deferral of these billings totaled $20.1 million.

Changes in fuel rate revenues result from the operation of the electric fuel rate formula. The fuel rate formula is designed to recover the actual cost of fuel, net of revenues from interchange sales and sales to other utilities (see Notes 1 and 12). Changes in fuel rate revenues and interchange and other sales normally do not affect earnings. However, if the PSC were to disallow recovery of any part of these costs, earnings would be reduced as discussed in Note 12.

Fuel rate revenues decreased during both 1995 and 1994 due to a lower fuel rate, offset partially by increased electric system sales volumes. The rate was lower in both years because of a less-costly twenty-four month generation mix resulting from greater generation at the Calvert Cliffs Nuclear Power Plant and Brandon Shores Power Plant compared to the previous year, as well as lower fuel costs. BGE expects electric fuel rate revenues to remain relatively constant through 1996.

Interchange and other sales represent sales of BGE's energy to the Pennsylvania-New Jersey-Maryland Interconnection (PJM) and other utilities. The PJM is a regional power pool of eight member companies including BGE. These sales occur after BGE has satisfied the demand for its own system sales of electricity, if BGE's available generation is the least costly available. Interchange and other sales increased during 1995 and 1994 because BGE had a less-costly generation mix than the other utilities. The less-costly mix reflects greater generation from the Brandon Shores Power Plant and the continued operation of the Calvert Cliffs Nuclear Power Plant, which generated a record level of electricity during 1995.

Gas revenues changed during 1995 and 1994 because of the following factors:

	1995	1994
	(In millions)	
Sales volumes	$ 0.2	$ 3.6
Base rates	6.4	2.4
Gas cost adjustment revenues	(27.4)	(16.1)
Other revenues	0.1	(1.8)
Total gas revenues	$(20.7)	$(11.9)

The changes in gas sales volumes compared to the year before were:

	1995	1994
Residential	(0.2)%	0.6%
Commercial	1.3	(3.4)
Industrial	4.7	4.2
Total	1.9	0.7

Total gas sales increased during 1995 as a result of higher sales to commercial and industrial customers, while sales to residential customers were essentially the same as last year. Sales to commercial customers increased compared to last year due to an increase in the number of customers, increased usage per customer, and the colder fall weather in 1995, offset partially by milder weather during the first half of the year. Sales to industrial customers increased compared to last year due to greater usage of gas per customer. Total gas sales increased during 1994 because of higher sales to residential and industrial customers, offset partially by lower sales to commercial customers. Sales to industrial customers reflect primarily greater usage of natural gas by Bethlehem Steel. Sales to commercial and industrial customers were negatively impacted because delivery service customers either voluntarily switched their fuel source from natural gas to alternate fuels, or were involuntarily interrupted by BGE as a result of extreme winter weather conditions in the first quarter of 1994. Interruptible customers maintain alternate fuel sources and pay reduced rates in exchange for BGE's right to interrupt service during periods of peak demand.

Base rates increased slightly during 1995 and 1994 due to an increased recovery of eligible gas conservation program costs through the energy conservation surcharge. In addition, base rates increased slightly during 1995 as a result of the PSC's November 1995 rate order, which increased annual base rate revenues by $19.3 million, including $2.4 million to recover higher depreciation expense. Future gas base rate revenues are expected to be impacted favorably as a result of this order.

Changes in gas cost adjustment revenues result primarily from the operation of the purchased gas adjustment clause, commodity charge adjustment clause, and the actual cost adjustment clause, which are designed to recover actual gas costs (see Note 1). Changes in gas cost adjustment revenues normally do not affect earnings. Gas cost adjustment revenues decreased during 1995 and 1994 because of lower gas prices for purchased gas and lower sales volumes subject to gas cost adjustment clauses. Delivery service sales volumes are not subject to gas cost adjustment clauses because delivery service customers purchase their gas directly from third parties.

BGE Utility Fuel and Energy Expenses

Electric fuel and purchased energy expenses were as follows:

	1995	1994	1993
		(In millions)	
Actual costs	$554.5	$541.2	$483.9
Net recovery of costs under electric fuel rate clause (see Note 1)	24.3	1.1	50.7
Total expense	$578.8	$542.3	$534.6

Total electric fuel and purchased energy expenses increased in 1995 as a result of the operation of the electric fuel rate clause and increased actual electric costs. Actual electric fuel and purchased energy costs increased during 1995 primarily due to a higher net output of electricity and higher purchased energy and capacity costs, offset partially by a less costly generation mix resulting primarily from a shorter refueling and maintenance outage at the Calvert Cliffs Nuclear Power Plant as compared to the prior year.

Total electric fuel and purchased energy expenses increased in 1994 as a result of increased actual electric costs and the operation of the electric fuel rate clause. Actual electric fuel and purchased energy costs increased during 1994 as a result of a more costly generation mix and an increase in the net output of electricity generated to meet the demand of BGE's system and the PJM system. The cost of the generation mix increased due to higher purchased energy costs and scheduled outages at the Calvert Cliffs Nuclear Power Plant in 1994.

Purchased gas expenses were as follows:

	1995	1994	1993
		(In millions)	
Actual costs	$205.9	$222.7	$246.4
Net (deferral) recovery of costs under purchased gas adjustment clause (see Note 1)	(7.8)	1.9	(3.7)
Total expense	$198.1	$224.6	$242.7

Total purchased gas expenses decreased in 1995 due to significantly lower actual purchased gas costs and the operation of the purchased gas adjustment clause. Actual purchased gas costs

decreased in 1995 due to lower gas prices which reflect market conditions. This decrease would have been greater except for a take-or-pay refund which reduced actual costs in 1994.

Total purchased gas expenses decreased in 1994 due to significantly lower actual purchased gas costs, offset partially by the operation of the purchased gas adjustment clause. Actual purchased gas costs decreased during 1994 for two reasons: lower gas prices and lower output associated with the decreased demand for BGE gas. The lower gas prices reflect market conditions and take-or-pay and other supplier refunds, offset by higher costs related to the implementation of Federal Energy Regulatory Commission (FERC) Order 636 and higher demand charges.

Purchased gas costs exclude gas purchased by delivery service customers, including Bethlehem Steel, who obtain gas directly from third parties.

Other Operating Expenses

Operations and maintenance expenses were essentially unchanged in 1995 as compared to the prior year. Operations expense decreased during 1994 primarily due to labor savings achieved as a result of the Company's employee reduction programs discussed in Note 7 and continuing cost control efforts. These savings offset $18.1 million of expense from the amortization of the cost of the 1993 and 1992 Voluntary Special Early Retirement Programs (VSERP) and a $10.0 million charge for a bonus paid to employees in lieu of a general wage increase. In addition, operations expense for 1994 decreased because operations expense for 1993 included a $17.2 million charge for certain employee reduction programs, offset partially by a credit to expense equivalent to the $9.8 million cost of termination benefits associated with the Company's 1992 VSERP. Operations and maintenance expenses are expected to decline in 1996 due to ongoing cost control efforts of the Company. Maintenance expense decreased during 1994 due primarily to lower costs at the Calvert Cliffs Nuclear Power Plant.

Depreciation and amortization expense increased during 1995 because of higher levels of depreciable plant in service and energy conservation program costs, and the completion of a facility-specific study of the cost to decommission the Calvert Cliffs Nuclear Power Plant. The higher level of depreciable plant in service, which is primarily due to certain capital additions at the Calvert Cliffs Nuclear Power Plant, resulted in an increase of approximately $12.9 million in depreciation and amortization expense during 1995. The facility-specific study resulted in a $9 million increase in depreciation expense. Depreciation and amortization expense increased during 1994 because of higher levels of depreciable plant in service and energy conservation program costs. The increase in depreciable plant in service resulted from the addition of electric transmission and distribution plant and certain capital additions at the Calvert Cliffs Nuclear Power Plant during 1994. Additionally, as discussed below, depreciation and amortization expense during 1995 and 1994 reflected the write-off of certain Perryman costs.

Initially, BGE had planned to build two combined cycle generating units at its Perryman site with each unit consisting of two combustion turbines and a heat recovery steam generator. However, due to significant changes in the environment in which utilities operate, BGE decided in 1994 not to construct the second combined cycle unit and wrote off the construction work in progress costs associated with that unit. This write-off reduced after-tax earnings during 1994 by $11.0 million or 7 cents per share. As a result of the PSC's August 1995 Order requiring all new generation capacity needs to be competitively bid and BGE's September 1995 announcement that it will merge with Potomac Electric Power Company (PEPCO) which has some available generating capacity, BGE determined that it will not build the second combustion turbine for the first combined cycle unit. Therefore, during the third quarter of 1995, BGE wrote off the remaining work in progress costs associated with the first combined cycle unit. This write-off reduced after-tax earnings during 1995 by $9.7 million, or 7 cents per share. The construction of the first 140-megawatt combustion turbine at Perryman was completed, and the unit was placed in service, during June 1995.

Taxes other than income taxes increased slightly during 1995 and 1994 due primarily to higher property taxes resulting from higher levels of utility plant in service.

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

Other Income and Expenses

The allowance for equity funds used during construction (AFC) decreased during 1995 because of a lower level of construction work in progress resulting from a decrease in new construction activity and the placement of several projects in service. AFC increased during 1994 because of a higher level of construction work in progress which was offset partially by the lower AFC rate established by the PSC in the April 1993 rate order.

Net other income and deductions decreased in 1995 primarily due to approximately $12.1 million in lower other interest and finance charge income, and a decrease of $3.8 million in the gain on the sale of receivables and property. Net other income and deductions increased in 1994 primarily due to a lower level of charitable contributions and $3.9 million of gains on the sale of receivables.

Interest expense increased during 1995 due to a combination of higher levels of debt outstanding and higher short-term interest rates compared to 1994, offset partially by increased capitalized interest on the Constellation Companies' projects. Interest expense increased slightly during 1994 due primarily to lower capitalized interest on the Constellation Companies' power generation systems, offset partially by the accrual by BGE of carrying charges on electric deferred fuel costs excluded from rate base (see Note 5).

Income tax expense increased during 1995 and 1994 due to higher taxable income from utility operations and the Constellation Companies.

Diversified Businesses Earnings

Earnings per share from diversified businesses were:

	1995	1994	1993
Constellation Companies			
Power generation systems	**$ .13**	$ .10	$ .07
Financial investments	**.08**	.03	.10
Real estate development and senior living facilities	**(.02)**	(.03)	(.04)
Effect of 1993 Tax Act	**–**	–	(.04)
Other	**(.01)**	(.01)	(.01)
Total Constellation Companies	**.18**	.09	.08
BGE Home Products & Services, Inc. and Subsidiary	**.00**	.03	–
BGE Energy Projects & Services, Inc.	**.00**	–	–
Total diversified businesses	**$ .18**	$ .12	$ .08

The Constellation Companies' power generation systems business includes the development, ownership, management, and operation of wholesale power generating projects in which the Constellation Companies hold ownership interests, as well as the provision of services to power generation projects under operation and maintenance contracts. Power generation systems earnings increased during 1995 due primarily to higher equity earnings on the Constellation Companies' energy projects and a gain on the sale of certain operating and maintenance contracts. Power generation systems earnings increased in 1994 primarily due to payments for the curtailment of output at two wholesale power generating projects as discussed below.

The Constellation Companies' investment in wholesale power generating projects includes $197 million representing ownership interests in 16 projects which sell electricity in California under Interim Standard Offer No. 4 power purchase agreements. Under these agreements, the projects supply electricity to purchasing utilities at a fixed rate for the first ten years of the agreements and thereafter at fixed capacity payments plus variable energy rates based on the utilities' avoided cost for the remaining term of the agreements. Avoided cost generally represents a utility's next lowest cost generation to service the demands on its system. These power generation projects are scheduled to convert to supplying electricity at avoided cost rates in various years beginning in late 1996 through the end of 2000. As a result of declines in purchasing utilities' avoided costs subsequent to the inception of these agreements, revenues at these projects based on current avoided cost levels would be substantially lower than revenues presently being realized under the fixed price terms of the agreements. If current avoided cost levels were to continue into 1996 and beyond, the Constellation Companies could experience reduced earnings or incur losses associated with these projects, which could be significant. The Constellation Companies are investigating and pursuing alternatives for certain of these power generation projects including, but not limited to, repowering the projects to reduce operating costs, changing fuels, renegotiating the power purchase agreements, restructuring financings, and selling its ownership interests in the projects. Two of these wholesale power generating projects, in which the Constellation Companies' investment totals $30 million, have executed agreements with Pacific Gas & Electric (PG&E) providing for the curtailment of output through the end of the fixed price period in return for payments from PG&E. The payments from PG&E during the curtailment period will be sufficient to fully amortize the existing project finance debt. However, following the curtailment period, the projects remain contractually obligated to commence production of electricity at the avoided cost rates, which could result in reduced earnings or losses for the reasons described above. The Company cannot predict the impact that these matters regarding any of the 16 projects may have on the Constellation Companies or the Company, but the impact could be material.

Earnings from the Constellation Companies' portfolio of financial investments include capital gains and losses, dividends, income from financial limited partnerships, and income from financial guaranty insurance companies. Financial investment earnings were higher in 1995 due to favorable earnings on the Companies' marketable securities, increased gains from financial partnerships, and higher earnings from financial guaranty insurance companies. Financial investment earnings decreased during 1994 due to reduced earnings from the investment portfolio. Additionally, 1993 results reflected a $6.1 million gain from the sale of a portion of an investment in a financial guaranty insurance company.

The Constellation Companies' real estate development business includes land under development; office buildings; retail projects; commercial projects; an entertainment, dining and retail complex in Orlando, Florida; a mixed-use planned-unit-development; and senior living facilities. The majority of these projects are in the Baltimore-Washington corridor. They have been affected adversely by the oversupply of and limited demand for land and office space due to modest economic growth and corporate downsizings.

Earnings from real estate development and senior living facilities in 1995 were essentially unchanged from the prior year. Earnings from real estate development increased slightly during 1994 due to gains recognized from the sale of two retail centers, an office building, and interests in two senior living facilities. The increases in diversified businesses' revenues and in selling, general, and administrative expenses during 1994 reflect the proceeds of these sales and the cost of the facilities sold, respectively.

The Constellation Companies' real estate portfolio has experienced continuing carrying costs and depreciation. Additionally, the Constellation Companies have been expensing rather than capitalizing interest on certain undeveloped land for which substantially all development activities have been suspended. These factors have affected earnings negatively and are expected to continue to do so until the levels of undeveloped land are reduced. Cash flow from real estate operations has been insufficient to cover the debt service requirements of certain of these projects. Resulting cash shortfalls have been satisfied through cash infusions from Constellation Holdings, Inc., which obtained the funds through a combination of cash flow generated by other Constellation Companies and its corporate borrowings. To the extent the real estate market continues to improve, earnings from real estate activities are expected to improve also.

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

BGE Home Products & Services' earnings decreased during 1995 and increased during 1994 primarily due to higher gains from receivables sales in 1994.

Environmental Matters

The Company is subject to increasingly stringent federal, state, and local laws and regulations relating to improving or maintaining the quality of the environment. These laws and regulations require the Company to remove or remedy the effect on the environment of the disposal or release of specified substances at ongoing and former operating sites, including Environmental Protection Agency Superfund sites. Details regarding these matters, including financial information, are presented in Note 12 and in the Company's Annual Report on Form 10-K under Item 1. Business - Environmental Matters.

Liquidity and Capital Resources

Capital Requirements

The Company's capital requirements reflect the capital-intensive nature of the utility business. Actual capital requirements for the years 1993 through 1995, along with estimated amounts for the years 1996 through 1998, are reflected below. Certain prior-year amounts have been restated to conform with the current year's presentation.

	1993	1994	1995	1996	1997	1998
			(In millions)			
Utility Business:						
Construction expenditures (excluding AFC)						
Electric	$ 365	$345	$223	$231	$205	$212
Gas	52	68	70	68	73	67
Common	41	42	51	41	47	46
Total construction expenditures	458	455	344	340	325	325
AFC	23	34	22	11	10	10
Nuclear fuel (uranium purchases and processing charges)	47	42	46	45	45	44
Deferred energy conservation expenditures	33	41	46	34	25	27
Deferred nuclear expenditures	14	8	–	–	–	–
Retirement of long-term debt and redemption of preference stock	907	203	279	98	164	125
Total utility business	1,482	783	737	528	569	531
Diversified Businesses:						
Retirement of long-term debt	222	37	55	49	135	138
Investment requirements	78	51	118	92	71	82
Total diversified businesses	300	88	173	141	206	220
Total	$1,782	$871	$910	$669	$775	$751

BGE Utility Capital Requirements

BGE's construction program is subject to continuous review and modification, and actual expenditures may vary from the estimates above. Electric construction expenditures include the installation of a 5,000 kilowatt diesel generator at the Calvert Cliffs Nuclear Power Plant which is scheduled to be placed in service in 1996, and improvements in BGE's existing generating plants and its transmission and distribution facilities. Future electric construction expenditures do not include additional generating units.

During 1995, 1994, and 1993, the internal generation of cash from utility operations provided 100%, 72%, and 71% respectively, of the funds required for BGE's capital requirements exclusive of retirements and redemptions of debt and preference stock. In addition, in 1994, $70 million of cash was provided by the sale of certain BGE and HP&S receivables (see Note 12). During the three-year period 1996 through 1998, the Company expects to provide through utility operations 115% of the funds required for BGE's capital requirements, exclusive of retirements and redemptions.

Utility capital requirements not met through the internal generation of cash are met through the issuance of debt and equity securities. During the three-year period ended December 31, 1995, BGE's issuances of long-term debt, preference stock, and common stock were $1,237 million, $190 million, and $92 million, respectively. During the same period, retirements and redemptions of BGE's long-term debt and preference stock totaled $1,148 million and $219 million, respectively, exclusive of any redemption premiums or discounts. The amount and timing of future issuances and redemptions will depend upon market conditions and BGE's actual capital requirements.

BGE's fixed income securities are rated by various independent credit rating agencies. The ratings assigned reflect the rating agencies' current assessment of BGE's ability to pay interest, dividends, and principal on these securities. The ratings impact BGE's cost of raising fixed income capital in the public markets. At the date of this Report, BGE's securities ratings were as follows:

Securities Ratings Table

	Standard & Poors Rating Group	Moody's Investors Service	Duff & Phelps Credit Rating Co.
Senior Secured Debt (First Mortgage Bonds)	A+	A1	AA-
Unsecured Debt	A	A2	A+
Preferred Stock	A	"a1"	A+
Preference Stock	A	"a2"	A

The Constellation Companies' capital requirements are discussed below in the section titled "Diversified Businesses Capital Requirements-Debt and Liquidity." The Constellation Companies are exploring expansion of their energy, real estate service, and senior living facility businesses. Expansion may be achieved in a variety of ways, including, without limitation, increased investment activity and acquisitions. The Constellation Companies plan to meet their capital requirements with a combination of debt and internal generation of cash from their operations. Additionally, from time to time, BGE may make loans to Constellation Holdings, Inc., or contribute equity to enhance the capital structure of Constellation Holdings, Inc.

Historically, Constellation's energy projects have been in the United States. As of December 31, 1995, one of the Constellation Companies had invested approximately $10 million in a Bolivian power generation company. In addition, $10 million has been committed, of which $1.2 million has been funded, to a fund that will invest in and develop power projects in Latin America. Constellation's energy business expansion may include domestic and international projects.

Diversified Businesses Capital Requirements

Debt and Liquidity

The Constellation Companies intend to meet capital requirements by refinancing debt as it comes due and through internally generated cash. These internal sources include cash that may be generated from operations, sale of assets, and cash generated by tax benefits earned by the Constellation Companies. In the event the Constellation Companies can obtain reasonable value for real estate properties, additional cash may become available through the sale of projects (for additional information see the discussion of the real estate business and market on pages 22 and 23). The ability of the Constellation Companies to sell or liquidate assets described above will depend on market conditions, and no assurances can be given that such sales or liquidations can be made. Also, to provide additional liquidity to meet interim financial needs, CHI has a $50 million revolving credit agreement.

Investment Requirements

The investment requirements of the Constellation Companies include its portion of equity funding to committed projects under development, as well as net loans made to project partnerships. Investment requirements for the years 1996 through 1998 reflect the Constellation Companies' estimate of funding for ongoing and anticipated projects and are subject to continuous review and modification. Actual investment requirements may vary significantly from the estimates on page 23 because of the type and number of projects selected for development, the impact of market conditions on those projects, the ability to obtain financing, and the availability of internally generated cash. The Constellation Companies have met their investment requirements in the past through the internal generation of cash and through borrowings from institutional lenders.

Response to Regulatory Change

Electric utilities presently face competition in the construction of generating units to meet future load growth and in the sale of electricity in the bulk power markets. Electric utilities also face the future prospect of competition for electric sales to retail customers. As previously disclosed, BGE regularly considered various strategies designed to enhance its competitive position and to increase its ability to adapt to and anticipate regulatory changes in its utility business. In September 1995, BGE concluded that a merger with PEPCO would enhance two key factors regarding its competitive position—maintaining low-cost production and increasing in size. The merger is discussed in Note 12. Although BGE believes the merger will have a positive effect on its competitive position in future years, it is not possible to predict currently the ultimate effect competition will have on BGE's earnings in future years, or after the merger, on the earnings of the new company. In response to the competitive forces and regulatory changes, as discussed in Part 1 of BGE's Reports on Form 10-K under the heading Regulatory Matters and Competition, BGE (and after the merger the new company) from time to time will consider various strategies designed to enhance its competitive position and to increase its ability to adapt to and anticipate regulatory changes in its utility business. These strategies may include internal restructurings involving the complete or partial separation of its generation, transmission and distribution businesses, acquisitions of related or unrelated businesses, business combinations, and additions to or dispositions of portions of its franchised service territories. BGE may from time to time be engaged in preliminary discussions, either internally or with third parties, regarding one or more of these potential strategies. No assurances can be given as to whether any potential transaction of the type described above may actually occur, or as to the ultimate effect thereof on the financial condition or competitive position of BGE.

Report of Management

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

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

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

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

C.H. Poindexter

Christian H. Poindexter
Chairman of the Board

C.W. Shivery

Charles W. Shivery
Chief Financial Officer

Report of Independent Accountants

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 as of December 31, 1995 and 1994, and the related consolidated statements of income, cash flows, common shareholders' equity, and income taxes for each of the three years in the period ended December 31, 1995. 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 as of December 31, 1995 and 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1995 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Coopers & Lybrand L.L.P.
Baltimore, Maryland
January 19, 1996

Consolidated Statements of Income

Year Ended December 31,	1995	1994	1993
	(In thousands, except per share amounts)		
Revenues			
Electric	$2,229,774	$2,126,581	$2,112,147
Gas	400,504	421,249	433,163
Diversified businesses	304,521	235,155	196,075
Total revenues	2,934,799	2,782,985	2,741,385
Expenses Other Than Interest and Income Taxes			
Electric fuel and purchased energy	578,801	542,314	534,623
Gas purchased for resale	198,069	224,590	242,685
Operations	550,811	552,817	574,073
Maintenance	168,269	164,892	181,208
Diversified businesses - selling, general, and administrative	220,573	167,430	143,654
Depreciation and amortization	317,417	295,950	253,913
Taxes other than income taxes	205,167	199,733	194,832
Total expenses other than interest and income taxes	2,239,107	2,147,726	2,124,993
Income from Operations	695,692	635,259	616,392
Other Income			
Allowance for equity funds used during construction	14,162	21,746	14,492
Equity in earnings of Safe Harbor Water Power Corporation	4,559	4,349	4,243
Net other income and deductions	(9,902)	6,270	1,575
Total other income	8,819	32,365	20,310
Income Before Interest and Income Taxes	704,511	667,624	636,702
Interest Expense			
Interest charges	219,689	214,347	212,971
Capitalized interest	(15,050)	(12,427)	(16,167)
Allowance for borrowed funds used during construction	(7,662)	(11,766)	(8,040)
Net interest expense	196,977	190,154	188,764
Income Before Income Taxes	507,534	477,470	447,938
Income Taxes	169,527	153,853	138,072
Net Income	338,007	323,617	309,866
Preferred and Preference Stock Dividends	40,578	39,922	41,839
Earnings Applicable to Common Stock	$ 297,429	$ 283,695	$ 268,027
Average Shares of Common Stock Outstanding	147,527	147,100	145,072
Earnings Per Share of Common Stock	$2.02	$1.93	$1.85

See Notes to Consolidated Financial Statements.

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

Consolidated Balance Sheets

At December 31,	1995	1994
	(In thousands)	
Assets		
Current Assets		
Cash and cash equivalents	$ 23,443	$ 38,590
Accounts receivable (net of allowance for uncollectibles of $16,390 and $14,960, respectively)	400,005	314,842
Fuel stocks	59,614	70,627
Materials and supplies	145,900	149,614
Prepaid taxes other than income taxes	60,508	57,740
Deferred income taxes	36,831	43,358
Trading securities	47,990	24,337
Other	31,487	22,686
Total current assets	805,778	721,794
Investments and Other Assets		
Real estate projects	479,344	471,435
Power generation systems	358,629	311,960
Financial investments	205,841	224,340
Nuclear decommissioning trust fund	85,811	66,891
Safe Harbor Water Power Corporation	34,327	34,168
Senior living facilities	16,045	11,540
Net pension asset	60,077	–
Other	71,894	58,824
Total investments and other assets	1,311,968	1,179,158
Utility Plant		
Plant in service		
Electric	6,360,624	5,929,996
Gas	692,693	616,823
Common	522,450	511,016
Total plant in service	7,575,767	7,057,835
Accumulated depreciation	(2,481,801)	(2,305,372)
Net plant in service	5,093,966	4,752,463
Construction work in progress	247,296	506,030
Nuclear fuel (net of amortization)	130,782	134,012
Plant held for future use	25,552	24,320
Net utility plant	5,497,596	5,416,825
Deferred Charges		
Regulatory assets (net)	637,915	623,639
Other	63,406	96,086
Total deferred charges	701,321	719,725
Total Assets	$8,316,663	$8,037,502

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

Consolidated Balance Sheets

At December 31,	1995	1994
	(In thousands)	
Liabilities and Capitalization		
Current Liabilities		
Short-term borrowings	$ 279,305	$ 63,700
Current portions of long-term debt and preference stock	146,969	323,675
Accounts payable	177,092	181,931
Customer deposits	26,857	24,891
Accrued taxes	8,244	19,585
Accrued interest	56,670	60,348
Dividends declared	67,198	66,012
Accrued vacation costs	33,403	30,917
Other	39,417	30,857
Total current liabilities	835,155	801,916
Deferred Credits and Other Liabilities		
Deferred income taxes	1,311,530	1,199,787
Pension and postemployment benefits	148,594	138,835
Decommissioning of federal uranium enrichment facilities	43,695	45,836
Other	55,568	59,645
Total deferred credits and other liabilities	1,559,387	1,444,103
Capitalization		
Long-term debt	2,598,254	2,584,932
Preferred stock	59,185	59,185
Redeemable preference stock	242,000	279,500
Preference stock not subject to mandatory redemption	210,000	150,000
Common shareholders' equity	2,812,682	2,717,866
Total capitalization	5,922,121	5,791,483
Commitments, Guarantees, and Contingencies – See Note 12		
Total Liabilities and Capitalization	$8,316,663	$8,037,502

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

Consolidated Statements of Cash Flows

Year Ended December 31,	1995	1994	1993
		(In thousands)	
Cash Flows From Operating Activities			
Net income	$ 338,007	$ 323,617	$ 309,866
Adjustments to reconcile to net cash provided by operating activities			
Depreciation and amortization	378,977	351,064	314,027
Deferred income taxes	103,494	79,278	53,057
Investment tax credit adjustments	(8,088)	(8,192)	(8,444)
Deferred fuel costs	5,565	11,461	51,445
Accrued pension and postemployment benefits	(7,641)	(41,113)	(25,276)
Allowance for equity funds used during construction	(14,162)	(21,746)	(14,492)
Equity in earnings of affiliates and joint ventures (net)	(21,259)	(20,225)	(4,655)
Changes in current assets other than sale of accounts receivable	(107,392)	(10,536)	(37,252)
Changes in current liabilities, other than short-term borrowings	(7,293)	(24,447)	71,153
Other	2,837	13,070	(4,020)
Net cash provided by operating activities	663,045	652,231	705,409
Cash Flows From Financing Activities			
Proceeds from issuance of			
Short-term borrowings (net)	215,605	63,700	(11,900)
Long-term debt	184,422	207,169	1,206,350
Preference stock	59,329	–	128,776
Common stock	318	33,869	57,379
Proceeds from sale of receivables	2,000	70,000	–
Reacquisition of long-term debt	(315,105)	(240,853)	(1,012,514)
Redemption of preference stock	(73,000)	(4,406)	(144,310)
Common stock dividends paid	(227,192)	(220,152)	(211,137)
Preferred and preference stock dividends paid	(40,087)	(39,950)	(42,425)
Other	13	(437)	(7,094)
Net cash used in financing activities	(193,697)	(131,060)	(36,875)
Cash Flows From Investing Activities			
Utility construction expenditures (including AFC)	(366,037)	(488,976)	(480,501)
Allowance for equity funds used during construction	14,162	21,746	14,492
Nuclear fuel expenditures	(46,330)	(42,089)	(47,329)
Deferred nuclear expenditures	–	(8,393)	(13,791)
Deferred energy conservation expenditures	(45,503)	(40,440)	(32,909)
Contributions to nuclear decommissioning trust fund	(9,780)	(9,780)	(9,699)
Purchases of marketable equity securities	(18,447)	(52,099)	(46,820)
Proceeds from sales of marketable equity securities	49,788	40,585	33,754
Other financial investments	9,423	2,469	19,589
Real estate projects	(15,599)	14,926	(30,330)
Power generation systems	(37,446)	(1,116)	(26,841)
Other	(18,726)	(3,650)	8,965
Net cash used in investing activities	(484,495)	(566,817)	(611,420)
Net Increase (Decrease) in Cash and Cash Equivalents	(15,147)	(45,646)	57,114
Cash and Cash Equivalents at Beginning of Year	38,590	84,236	27,122
Cash and Cash Equivalents at End of Year	$ 23,443	$ 38,590	$ 84,236
Other Cash Flow Information			
Cash paid during the year for:			
Interest (net of amounts capitalized)	$ 198,001	$ 184,441	$ 183,266
Income taxes	$ 132,274	$ 112,923	$ 126,034

See Notes to Consolidated Financial Statements.

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

Consolidated Statements of Common Shareholders' Equity

Years Ended December 31, 1995, 1994, and 1993	Common Stock Shares	Common Stock Amount	Retained Earnings	Unrealized Gain (Loss) on Available For Sale Securities	Pension Liability Adjustment	Total Amount
			(In thousands)			
Balance at December 31, 1992	143,784	$1,335,002	$1,199,637	$ –	$ –	$2,534,639
Net income			309,866			309,866
Dividends declared						
Preferred and preference stock			(41,839)			(41,839)
Common stock ($1.47 per share)			(213,407)			(213,407)
Common stock issued	2,250	57,379				57,379
Other		(917)	(3,117)			(4,034)
Pension liability adjustment					(33,990)	(33,990)
Deferred taxes on pension liability adjustment					11,897	11,897
Balance at December 31, 1993	146,034	1,391,464	1,251,140	–	(22,093)	2,620,511
Net income			323,617			323,617
Dividends declared						
Preferred and preference stock			(39,922)			(39,922)
Common stock ($1.51 per share)			(222,180)			(222,180)
Common stock issued	1,493	33,869				33,869
Other		45				45
Net unrealized loss on securities				(5,609)		(5,609)
Deferred taxes on net unrealized loss on securities				1,963		1,963
Pension liability adjustment					8,573	8,573
Deferred taxes on pension liability adjustment					(3,001)	(3,001)
Balance at December 31, 1994	147,527	1,425,378	1,312,655	(3,646)	(16,521)	2,717,866
Net income			338,007			338,007
Dividends declared						
Preferred and preference stock			(40,578)			(40,578)
Common stock ($1.55 per share)			(228,667)			(228,667)
Common stock issued		318				318
Other		109				109
Net unrealized gain on securities				14,010		14,010
Deferred taxes on net unrealized gain on securities				(4,904)		(4,904)
Pension liability adjustment					25,417	25,417
Deferred taxes on pension liability adjustment					(8,896)	(8,896)
Balance at December 31, 1995	147,527	$1,425,805	$1,381,417	$ 5,460	$ –	$2,812,682

See Notes to Consolidated Financial Statements.

Consolidated Statements of Capitalization

At December 31,	1995	1994
	(In thousands)	
Long-Term Debt		
First Refunding Mortgage Bonds of BGE		
9⅛% Series, due October 15, 1995	$ –	$ 188,014
5⅛% Series, due April 15, 1996	26,187	26,454
6⅛% Series, due August 1, 1997	24,935	24,935
Floating rate series, due April 15, 1999	125,000	125,000
8.40% Series, due October 15, 1999	91,200	96,225
5½% Series, due July 15, 2000	125,000	125,000
8⅜% Series, due August 15, 2001	122,427	122,430
7⅛% Series, due January 1, 2002	39,698	49,957
7¼% Series, due July 1, 2002	124,609	124,850
5½% Installment Series, due July 15, 2002	11,045	11,650
6½% Series, due February 15, 2003	124,882	124,947
6⅛% Series, due July 1, 2003	124,925	124,925
5½% Series, due April 15, 2004	124,995	125,000
7½% Series, due January 15, 2007	123,667	125,000
6⅝% Series, due March 15, 2008	124,985	125,000
7½% Series, due March 1, 2023	124,973	124,998
7½% Series, due April 15, 2023	100,000	100,000
Total First Refunding Mortgage Bonds of BGE	1,538,528	1,744,385
Other long-term debt of BGE		
Term bank loan due March 29, 2001	50,000	–
Medium-term notes, Series A	10,500	10,500
Medium-term notes, Series B	100,000	100,000
Medium-term notes, Series C	200,000	173,050
Medium-term notes, Series D	28,000	–
Pollution control loan, due July 1, 2011	36,000	36,000
Port facilities loan, due June 1, 2013	48,000	48,000
Adjustable rate pollution control loan, due July 1, 2014	20,000	20,000
5.55% Pollution control revenue refunding loan, due July 15, 2014	47,000	47,000
Economic development loan, due December 1, 2018	35,000	35,000
6.00% Pollution control revenue refunding loan, due April 1, 2024	75,000	75,000
Total other long-term debt of BGE	649,500	544,550
Long-term debt of Constellation Companies		
Revolving credit agreement		
Variable rates based on LIBOR, due December 9, 1998	1,000	–
Mortgage and construction loans and other collateralized notes		
7.6675%, due October 1, 1995	–	13,000
7.50%, due October 9, 2005	9,989	–
Variable rates, due through 2009	110,018	116,613
7.357%, due March 15, 2009	5,896	6,152
Unsecured notes	420,000	440,000
Total long-term debt of Constellation Companies	546,903	575,765
Unamortized discount and premium	(15,708)	(17,593)
Current portion of long-term debt	(120,969)	(262,175)
Total long-term debt	$2,598,254	$2,584,932

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See Notes to Consolidated Financial Statements.

Consolidated Statements of Capitalization

At December 31,	1995	1994
	(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, 6,500,000 shares authorized		
Redeemable preference stock		
7.50%, 1986 Series, 425,000 and 455,000 shares outstanding. Callable at $105 per share prior to October 1, 1996 and at lesser amounts thereafter	42,500	45,500
6.75%, 1987 Series, 455,000 shares outstanding. Callable at $104.50 per share prior to April 1, 1997 and at lesser amounts thereafter	45,500	45,500
6.95%, 1987 Series, 500,000 shares redeemed at par on October 1, 1995	-	50,000
7.80%, 1989 Series, 500,000 shares outstanding	50,000	50,000
8.25%, 1989 Series, 300,000 and 500,000 shares outstanding	30,000	50,000
8.625%, 1990 Series, 650,000 shares outstanding	65,000	65,000
7.85%, 1991 Series, 350,000 shares outstanding	35,000	35,000
Current portion of redeemable preference stock	(26,000)	(61,500)
Total redeemable preference stock	242,000	279,500
Preference stock not subject to mandatory redemption		
7.78%, 1973 Series, 200,000 shares outstanding, callable at $101 per share	20,000	20,000
7.125%, 1993 Series, 400,000 shares outstanding, not callable prior to July 1, 2003	40,000	40,000
6.97%, 1993 Series, 500,000 shares outstanding, not callable prior to October 1, 2003	50,000	50,000
6.70%, 1993 Series, 400,000 shares outstanding, not callable prior to January 1, 2004	40,000	40,000
6.99%, 1995 Series, 600,000 shares outstanding, not callable prior to October 1, 2005	60,000	-
Total preference stock not subject to mandatory redemption	210,000	150,000
Common Shareholders' Equity		
Common stock without par value, 175,000,000 shares authorized; 147,527,114 shares issued and outstanding at December 31, 1995 and 1994. (At December 31, 1995, 166,893 shares were reserved for the Employee Savings Plan and 3,277,656 shares were reserved for the Dividend Reinvestment and Stock Purchase Plan.)	1,425,805	1,425,378
Retained earnings	1,381,417	1,312,655
Unrealized gain (loss) on available for sale securities	5,460	(3,646)
Pension liability adjustment	-	(16,521)
Total common shareholders' equity	2,812,682	2,717,866
Total Capitalization	$5,922,121	$5,791,483

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income Taxes

Year Ended December 31,	1995	1994	1993
		(Dollar amounts in thousands)	
Income Taxes			
Current	$ 74,121	$ 82,767	$ 93,459
Deferred			
Change in tax effect of temporary differences	118,300	88,896	63,972
Change in income taxes recoverable through future rates	(1,006)	(8,580)	(30,086)
Deferred taxes credited (charged) to shareholders' equity	(13,800)	(1,038)	11,897
Deferred taxes charged to expense	103,494	79,278	45,783
Effect on deferred taxes of enacted change in federal corporate income tax rate			
Increase in deferred tax liability	–	–	20,105
Income taxes recoverable through future rates	–	–	(12,831)
Deferred taxes charged to expense	–	–	7,274
Investment tax credit adjustments	(8,088)	(8,192)	(8,444)
Income taxes per Consolidated Statements of Income	$169,527	$153,853	$138,072
Reconciliation of Income Taxes Computed at Statutory Federal Rate to Total Income Taxes			
Income before income taxes	$507,534	$477,470	$447,938
Statutory federal income tax rate	35%	35%	35%
Income taxes computed at statutory federal rate	177,637	167,115	156,778
Increases (decreases) in income taxes due to			
Depreciation differences not normalized on regulated activities	10,953	9,791	9,253
Allowance for equity funds used during construction	(4,957)	(7,611)	(5,072)
Amortization of deferred investment tax credits	(8,088)	(8,164)	(8,444)
Tax credits flowed through to income	(521)	(1,754)	(9,736)
Change in federal corporate income tax rate charged to expense	–	–	7,274
Amortization of deferred tax rate differential on regulated activities	(2,013)	(1,885)	(5,789)
Other	(3,484)	(3,639)	(6,192)
Total income taxes	$169,527	$153,853	$138,072
Effective federal income tax rate	33.4%	32.2%	30.8%

At December 31,	1995	1994
	(Dollar amounts in thousands)	
Deferred Income Taxes		
Deferred tax liabilities		
Accelerated depreciation	$ 878,470	$ 840,376
Allowance for funds used during construction	210,928	208,726
Income taxes recoverable through future rates	94,305	93,952
Deferred termination and postemployment costs	49,591	53,749
Deferred fuel costs	39,559	41,507
Leveraged leases	29,842	31,948
Percentage repair allowance	38,295	36,630
Energy conservation expenditures	28,121	–
Other	151,231	148,064
Total deferred tax liabilities	1,520,342	1,454,952
Deferred tax assets		
Alternative minimum tax	32,626	71,074
Accrued pension and postemployment benefit costs	31,707	51,163
Deferred investment tax credits	49,512	52,288
Capitalized interest and overhead	39,439	34,071
Contributions in aid of construction	34,404	32,707
Nuclear decommissioning liability	16,708	14,870
Other	41,247	42,350
Total deferred tax assets	245,643	298,523
Deferred tax liability, net	$1,274,699	$1,156,429

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Note 1. Significant Accounting Policies

Nature of the Business

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

Principles of Consolidation

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

Regulation of Utility Operations

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

Utility Revenues

BGE recognizes utility revenues as service is rendered to customers.

Fuel and Purchased Energy Costs

Subject to the approval of the PSC, the cost of fuel used in generating electricity, net of revenues from interchange sales, and the cost of gas sold may be recovered through zero-based electric fuel rate (see Note 12) and purchased gas adjustment clauses, respectively. The difference between actual fuel costs and fuel revenues is deferred on the balance sheet to be recovered from or refunded to customers in future periods.

The electric fuel rate formula is based upon the latest twenty-four-month generation mix and the latest three-month average fuel cost for each generating unit. The fuel rate does not change unless the calculated rate is more than 5% above or below the rate then in effect. The purchased gas adjustment is based on recent annual volumes of gas and the related current prices charged by BGE's gas suppliers. Any deferred underrecoveries or overrecoveries of purchased gas costs for the twelve months ended November 30 each year are charged or credited to customers over the ensuing calendar year.

Income Taxes

The deferred tax liability represents the tax effect of temporary differences between the financial statement and tax bases of assets and liabilities. It is measured using presently enacted tax rates. The portion of BGE's deferred tax liability applicable to utility operations which has not been reflected in current service rates represents income taxes recoverable through future rates. It has been recorded as a regulatory asset on the balance sheet. Deferred income tax expense represents the net change in the deferred tax liability and regulatory asset during the year, exclusive of amounts charged or credited to common shareholders' equity.

Current tax expense consists solely of regular tax less applicable tax credits. In certain prior years, tax expense included an alternative minimum tax (AMT) that can be carried forward indefinitely as tax credits to future years in which the regular tax liability exceeds the AMT liability. Current income tax for the year ended December 31, 1995 reflects utilization of AMT credits of $40 million. Deferred income taxes related to the remaining AMT credit carryforward of $33 million have been classified as current assets at December 31, 1995. Prior-year amounts have been reclassified to conform with the current year's presentation.

The investment tax credit (ITC) associated with BGE's regulated utility operations has been deferred (see Note 5) and is amortized to income ratably over the lives of the subject property. ITC and other tax credits associated with nonregulated diversified businesses other than leveraged leases are flowed through to income.

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

Inventory Valuation

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

Real Estate Projects

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

Investments and Other Assets

Investments in debt and equity securities subject to the requirements of Statement of Financial Accounting Standards No. 115 (Statement No. 115) are reported at fair value. Certain of Constellation Companies' marketable equity securities and financial partnerships are classified as trading securities. Unrealized gains and losses on these securities are included in diversified businesses revenues. The investments comprising the nuclear decommissioning trust fund and certain marketable equity securities of CHI are classified as available for sale. Unrealized gains and losses on these securities, as well as CHI's portion of unrealized gains and losses on securities of equity-method investees, are recorded in shareholders' equity. The Company utilizes specific identification to determine the cost of these securities in computing realized gains or losses.

Utility Plant, Depreciation and Amortization, and Decommissioning

Utility plant is stated at original cost, which includes material, labor, and, where applicable, construction overhead costs and an allowance for funds used during construction. Additions to utility plant and replacements of units of property are capitalized to utility plant accounts. Utility plant retired or otherwise disposed of is charged to accumulated 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. Vehicles are depreciated based on their estimated useful lives. As a result of the PSC's November 1995 gas rate order, BGE revised its gas utility plant depreciation rates to reflect the results of a detailed depreciation study. The new rates are expected to result in an increase in depreciation accruals of approximately $2.4 million annually.

Depreciation expense for 1995 and 1994 includes the write-off of certain costs at BGE's Perryman site. Initially, BGE had planned to build two combined cycle generating units at its Perryman site with each unit consisting of two combustion turbines. However, due to significant changes in the environment in which utilities operate, BGE decided in 1994 not to construct the second combined cycle generating unit and wrote off the construction work in progress costs associated with that unit. This write-off reduced after-tax earnings during 1994 by $11.0 million or 7 cents per share. As a result of the PSC's August 1995 Order requiring all new generation capacity needs to be competitively bid and BGE's September 1995 announcement that it will merge with Potomac Electric Power Company (PEPCO), BGE determined that it will not build the second combustion turbine for the first combined cycle unit. Therefore, during the third quarter of 1995, BGE wrote off the remaining construction work in progress costs associated with the first combined cycle unit. This write-off reduced after-tax earnings during 1995 by $9.7 million, or 7 cents per share. The construction of the first 140-megawatt combustion turbine at Perryman was completed, and the unit was placed in service, during June 1995.

BGE owns an undivided interest in the Keystone and Conemaugh electric generating plants located in western Pennsylvania, as well as in the transmission line which transports the plants' output to the joint owners' service territories. BGE's ownership interest in these plants is 20.99% and 10.56%, respectively, and represents a net investment of $150 million as of December 31, 1995. Financing and accounting for these properties are the same as for wholly owned utility plant.

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

Nuclear decommissioning costs are accrued by and recovered through a sinking fund methodology. In a 1995 order, the PSC authorized BGE to record decommissioning expense based on a facility-specific cost estimate in order to accumulate a decommissioning reserve of $521 million in 1993 dollars by the end of Calvert Cliffs' service life in 2016, adjusted to reflect expected inflation, to decommission the radioactive portion of the plant. The total decommissioning reserve of $136.7 million and $109.8 million at December 31, 1995 and 1994, respectively, is included in accumulated depreciation in the Consolidated Balance Sheets.

In accordance with Nuclear Regulatory Commission (NRC) regulations, BGE has established an external decommissioning trust to which a portion of accrued decommissioning costs have been contributed. The NRC requires utilities to provide financial assurance that they will accumulate sufficient funds to pay for the cost of nuclear decommissioning based upon either a generic NRC formula or a facility-specific decommissioning cost estimate. The Company plans to use the facility-specific cost estimate for funding these costs and providing the requisite financial assurance.

Allowance for Funds Used During Construction and Capitalized Interest

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

Prior to April 23, 1993, the Company accrued AFC at a pre-tax rate of 9.94%. Effective April 24, 1993, a rate order of the PSC reduced the pre-tax AFC rate to 9.40%. Effective November 20, 1995, a rate order of the PSC reduced the pre-tax gas plant and common plant AFC rates to 9.04% and 9.36%, respectively. AFC is compounded annually.

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

Long-Term Debt

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

Cash Flows

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

Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates involve judgments with respect to, among other things, various future economic factors which are difficult to predict and are beyond the control of the Company. Therefore, actual amounts could differ from these estimates.

Accounting Standards Issued

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 121, regarding accounting for asset impairments, effective January 1, 1996. Adoption of this statement is not expected to have a material impact on the Company's financial statements.

Note 2. Segment Information

	1995	1994	1993
		(In thousands)	
Electric			
Nonaffiliated revenues	**$2,229,774**	$2,126,581	$2,112,147
Affiliated revenues	**1,337**	840	–
Total revenues	**2,231,111**	2,127,421	2,112,147
Income from operations	**574,299**	539,739	534,185
Depreciation and amortization	**276,285**	252,273	219,735
Construction expenditures (including AFC)	**288,509**	412,885	421,923
Identifiable assets at December 31	**6,195,722**	5,981,634	5,867,725
Gas			
Total revenues (nonaffiliated)	**$ 400,504**	$ 421,249	$ 433,163
Income from operations	**48,104**	27,801	34,738
Depreciation and amortization	**29,637**	32,478	23,875
Construction expenditures (including AFC)	**77,528**	76,091	58,578
Identifiable assets at December 31	**748,462**	726,759	677,857
Diversified Businesses			
Nonaffiliated revenues	**$ 304,521**	$ 235,155	$ 196,075
Affiliated revenues	**6,609**	8,245	6,825
Total revenues	**311,130**	243,400	202,900
Income from operations	**73,289**	67,719	47,469
Depreciation and amortization	**11,495**	11,199	10,303
Identifiable assets at December 31	**1,266,049**	1,200,551	1,166,997
Total			
Nonaffiliated revenues	**$2,934,799**	$2,782,985	$2,741,385
Affiliated revenues	**7,946**	9,085	6,825
Intercompany eliminations	**(7,946)**	(9,085)	(6,825)
Total revenues	**2,934,799**	2,782,985	2,741,385
Income from operations	**695,692**	635,259	616,392
Depreciation and amortization	**317,417**	295,950	253,913
Construction expenditures (including AFC)	**366,037**	488,976	480,501
Identifiable assets at December 31	**8,210,233**	7,908,944	7,712,579
Other assets at December 31	**106,430**	128,558	117,034
Total assets at December 31	**8,316,663**	8,037,502	7,829,613

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

Note 3. Subsidiary Information

Diversified businesses consist of the operations of the Constellation Companies, HP&S, EP&S, and BNG, Inc.

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

HP&S is a wholly owned subsidiary which engages predominantly in the businesses of appliance and consumer electronics sales and service; heating, ventilation, and air conditioning system sales, installation and service; as well as, home improvements and services, primarily in Central Maryland.

Effective November 1, 1995, BGE formed a wholly owned subsidiary, EP&S, which provides a broad range of customized energy services to major customers, including industrial, institutional, and government customers in commercial office buildings, warehouses, educational, healthcare, and retail facilities. These energy services include customer electrical system improvements, lighting and mechanical engineering services, campus and multi-building systems, brokering and associated financial contracts, and district chilled water systems.

BNG, Inc. is a wholly owned subsidiary which engages in natural gas brokering.

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

The following is condensed financial information for Constellation Holdings, Inc. and its subsidiaries. The condensed financial information does not reflect the elimination of intercompany balances or transactions which are eliminated in the Company's consolidated financial statements.

	1995	1994	1993
	(In thousands, except per share amounts)		
Income Statements			
Revenues			
Real estate projects	$ 108,414	$ 106,915	$ 77,598
Power generation systems	57,734	41,301	24,971
Financial investments	25,201	12,126	21,195
Total revenues	191,349	160,342	123,764
Expenses other than interest and income taxes	114,479	107,267	80,427
Income from operations	76,870	53,075	43,337
Minority interest	(2,348)	–	(280)
Interest expense	(46,673)	(45,782)	(47,845)
Capitalized interest	13,582	10,776	14,702
Income tax benefit (expense)	(14,355)	(4,305)	1,984
Net income	$ 27,076	$ 13,764	$ 11,898
Contribution to the Company's earnings per share of common stock	$ .18	$ .09	$ .08
Balance Sheets			
Current assets	$ 98,526	$ 92,814	$ 54,039
Noncurrent assets	1,102,528	1,055,056	1,036,507
Total assets	$1,201,054	$1,147,870	$1,090,546
Current liabilities	$ 70,393	$ 70,670	$ 24,201
Noncurrent liabilities	778,505	758,626	759,048
Shareholder's equity	352,156	318,574	307,297
Total liabilities and shareholder's equity	$1,201,054	$1,147,870	$1,090,546

Note 4. Real Estate Projects and Financial Investments

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

At December 31,	1995	1994
	(In thousands)	
Properties under development	$270,678	$267,483
Rental and operating properties (net of accumulated depreciation)	207,666	203,000
Other real estate ventures	1,000	952
Total	$479,344	$471,435

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

At December 31,	1995	1994
	(In thousands)	
Insurance companies	$ 77,792	$ 87,700
Marketable equity securities	41,475	51,175
Financial limited partnerships	51,023	48,014
Leveraged leases	35,551	37,451
Total	$205,841	$224,340

The Constellation Companies' marketable equity securities and BGE's investments comprising the nuclear decommissioning trust fund are classified as available for sale. The fair values, gross unrealized gains and losses, and amortized cost bases for available for sale securities, exclusive of $3.2 million of unrealized net gains on securities of equity-method investees, are as follows:

At December 31, 1995	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
		(In thousands)		
Marketable equity securities	$ 38,520	$2,998	$ (43)	$ 41,475
U.S. government agency	14,177	141	–	14,318
State municipal bonds	50,411	2,056	(74)	52,393
Total	$103,108	$5,195	$ (117)	$108,186

At December 31, 1994	Amortized Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value
		(In thousands)		
Marketable equity securities	$ 51,758	$1,276	$(1,859)	$ 51,175
U.S. government agency	5,215	–	(113)	5,102
State municipal bonds	59,704	929	(2,599)	58,034
Total	$116,677	$2,205	$(4,571)	$114,311

Gross and net realized gains and losses on available for sale securities were as follows:

	1995	1994	1993
		(In thousands)	
Gross realized gains	$5,470	$ 1,108	$2,437
Gross realized losses	(2,446)	(3,150)	(1,389)
Net realized gains (losses)	$3,024	$(2,042)	$1,048

Contractual maturities of debt securities:

	Amount
	(In thousands)
Less than 1 year	$ –
1-5 years	10,975
5-10 years	52,920
More than 10 years	4,850
Total	$68,745

Note 5. Regulatory Assets (net)

As discussed in Note 1, BGE's utility operations are subject to regulation by the PSC. Except for differences in the timing of the recognition of certain utility expenses and credits, the ratemaking process utilized by the PSC generally is based upon the same accounting principles applied by nonregulated entities. Under the PSC's ratemaking process, these utility expenses and credits are deferred on the balance sheet as regulatory assets and liabilities and are recognized in income as the related amounts are included in service rates and recovered from or refunded to customers in utility revenues. The following table sets forth BGE's regulatory assets and liabilities:

At December 31,	1995	1994
	(In thousands)	
Income taxes recoverable through future rates	$269,442	$268,436
Deferred fuel costs	113,026	118,591
Deferred nuclear expenditures	86,519	90,937
Deferred postemployment benefit costs	81,616	73,591
Deferred energy conservation expenditures	73,297	45,534
Deferred termination benefit costs	60,073	79,979
Deferred cost of decommissioning federal uranium enrichment facilities	51,104	52,748
Deferred environmental costs	38,371	35,015
Deferred investment tax credits	(141,463)	(149,394)
Other	5,930	8,202
Total	$637,915	$623,639

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

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

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

At December 31,	1995	1994
	(In thousands)	
Electric		
Costs deferred	**$130,399**	$152,815
Reserve for possible disallowance of replacement energy costs (see Note 12)	**(35,000)**	(35,000)
Net electric	**95,399**	117,815
Gas	**17,627**	776
Total	**$113,026**	$118,591

Deferred nuclear expenditures represent the net unamortized balance of certain operations and maintenance costs which are being amortized over the remaining life of the Calvert Cliffs Nuclear Power Plant in accordance with orders of the PSC. These expenditures consist of costs incurred from 1979 through 1982 for inspecting and repairing seismic pipe supports, expenditures incurred from 1989 through 1994 associated with nonrecurring phases of certain nuclear operations projects, and expenditures incurred during 1990 for investigating leaks in the pressurizer heater sleeves.

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

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

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

Deferred cost of decommissioning federal uranium enrichment facilities represents the unamortized portion of BGE's required contributions to a fund for decommissioning and decontaminating the Department of Energy's (DOE) uranium enrichment facilities. The Energy Policy Act of 1992 requires domestic utilities to make such contributions, which are generally payable over a 15-year period with escalation for inflation and are based upon the amount of uranium enriched by DOE for each utility. These costs are being amortized over the contribution period as a cost of fuel.

Deferred environmental costs represent the estimated costs of investigating contamination and performing certain remediation activities at contaminated Company-owned sites (see Note 12). In November 1995, the PSC issued a rate order in the Company's gas base rate proceeding which authorized the Company to amortize over a 10-year period $21.6 million of these costs, the amount which had been incurred through October 1995.

Deferred investment tax credits represents investment tax credits associated with BGE's regulated utility operations as discussed in Note 1. Previously, the Company reported deferred investment tax credits on the Consolidated Balance Sheets as Deferred Credits and Other Liabilities. In 1995, the Company reclassified those credits as a reduction of Regulatory Assets because they are deferred solely because of the regulatory treatment. Prior year amounts have been reclassified to conform with the current year's presentation.

Electric deferred fuel costs in excess of $72.8 million are excluded from rate base by the PSC for ratemaking purposes. Effective April 24, 1993, BGE has been authorized by the PSC to accrue carrying charges on deferred fuel costs in excess of $72.8 million, net of related deferred income taxes. These carrying charges are accrued prospectively at the 9.40% authorized rate of return. The income effect of the equity funds portion of the carrying charges is being deferred until such amounts are recovered in utility service rates subsequent to the completion of the fuel rate proceeding examining the 1989-1991 outages at Calvert Cliffs Nuclear Power Plant as discussed in Note 12. Deferred investment tax credits are not deducted from rate base in accordance with federal income tax normalization requirements.

The foregoing regulatory assets and liabilities are recorded on BGE's Consolidated Balance Sheets in accordance with Statement of Financial Accounting Standards (SFAS) No. 71. If BGE were required to terminate application of SFAS No. 71 for all of its regulated operations, all such amounts deferred would be recognized in the income statement at that time, resulting in a charge to earnings, net of applicable income taxes.

Note 6. Pension and Postemployment Benefits

Pension Benefits

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

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

The Company's funding policy is to contribute at least the minimum amount required under Internal Revenue Service regulations using the projected unit credit cost method. Plan assets at December 31, 1995 consisted primarily of marketable equity and fixed income securities, and group annuity contracts.

The following tables set forth the combined funded status of the plans and the composition of total net pension cost. At December 31, 1994, the accumulated benefit obligation was greater than the fair value of the Pension Plan's assets. As a result, the Company recorded an additional pension liability, a portion of which was charged to shareholders' equity.

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

At December 31,	1995	1994
	(In thousands)	
Vested benefit obligation	$688,084	$622,445
Nonvested benefit obligation	15,668	8,838
Accumulated benefit obligation	703,752	631,283
Projected benefits related to increase in future compensation levels	122,539	82,815
Projected benefit obligation	826,291	714,098
Plan assets at fair value	(744,645)	(614,284)
Projected benefit obligation less plan assets	81,646	99,814
Unrecognized prior service cost	(24,357)	(23,863)
Unrecognized net loss	(118,361)	(112,546)
Pension liability adjustment	–	52,177
Unamortized net asset from adoption of FASB Statement No. 87	995	1,586
Accrued pension (asset) liability	$(60,077)	$ 17,168

Year Ended December 31,	1995	1994	1993
		(In thousands)	
Components of net pension cost			
Service cost-benefits earned during the period	$11,407	$15,015	$11,645
Interest cost on projected benefit obligation	58,433	58,723	51,183
Actual return on plan assets	(150,510)	7,932	(56,225)
Net amortization and deferral	94,674	(60,071)	6,591
Total net pension cost	14,004	21,599	13,194
Amount capitalized as construction cost	(1,422)	(2,578)	(1,800)
Amount charged to expense	$12,582	$19,021	$11,394

The Company also sponsors a defined contribution savings plan covering all eligible BGE employees and certain employees of its subsidiaries. Under this plan, the Company makes contributions on behalf of participants. Company contributions to this plan totaled $8.5 million, $8.7 million, and $9.0 million in 1995, 1994, and 1993, respectively.

Postretirement Benefits

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

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 106, which requires a change in the method of accounting for postretirement benefits other than pensions from the pay-as-you-go method used prior to 1993 to the accrual method. The transition obligation existing at the beginning of 1993 is being amortized over a 20-year period.

In April 1993, the PSC issued a rate order authorizing BGE to recognize in operating expense one-half of the annual increase in PRB costs applicable to regulated operations as a result of the adoption of Statement No. 106 and to defer the remainder of the annual increase in these costs for inclusion in BGE's next base rate proceeding. In accordance with the April 1993 Order, the increase in annual PRB costs applicable to regulated operations for the period January through April 1993, net of amounts capitalized as construction cost, has been deferred. This amount, which totaled $5.7 million, as well as all amounts to be deferred prior to completion of BGE's next base rate proceeding, will be amortized over a 15-year period beginning in 1998 in accordance with the PSC's Order. In November 1995, the PSC issued a rate order in BGE's gas base rate proceeding providing for full recognition in operating expense of PRB and other postemployment benefits (discussed below) costs attributable to gas operations, and affirming its previous decision on amortization of deferred PRB costs. This phase-in approach meets the guidelines established by the Emerging Issues Task Force of the Financial Accounting Standards Board for deferring PRB costs as a regulatory asset. Accrual-basis PRB costs applicable to nonregulated operations are charged to expense.

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

At December 31,	1995		1994	
	Health Care	Life Insurance	Health Care	Life Insurance
		(In thousands)		
Accumulated postretirement benefit obligation:				
Retirees	**$157,804**	**$44,769**	$161,134	$45,146
Fully eligible active employees	**20,942**	**84**	15,777	101
Other active employees	**63,782**	**18,515**	44,371	12,597
Total accumulated postretirement benefit obligation	**242,528**	**63,368**	221,282	57,844
Unrecognized transition obligation	**(149,907)**	**(43,521)**	(158,725)	(46,081)
Unrecognized net gain (loss)	**(12,767)**	**(5,764)**	1,238	(2,141)
Accrued postretirement benefit liability	**$ 79,854**	**$ 14,083**	$ 63,795	$ 9,622

The following table sets forth the composition of net PRB cost. Such cost does not include the cost of termination benefits described in Note 7.

Year ended December 31,	1995	1994
	(In thousands)	
Net postretirement benefit cost:		
Service cost—benefits earned during the period	**$ 3,918**	$ 5,035
Interest cost on accumulated postretirement benefit obligation	**21,203**	23,037
Amortization of transition obligation	**11,378**	11,700
Net amortization and deferral	**(86)**	646
Total net postretirement benefit cost	**36,413**	40,418
Amount capitalized as construction cost	**(5,299)**	(5,773)
Amount deferred	**(8,025)**	(10,213)
Amount charged to expense	**$23,089**	$24,432

Other Postemployment Benefits

The Company provides health and life insurance benefits to employees of BGE and certain employees of its subsidiaries who are determined to be disabled under BGE's Disability Insurance Plan. The Company also provides pay continuation payments for employees determined to be disabled before November 1995. Such payments for employees determined to be disabled after that date are paid by an insurance company, and the cost of such insurance is paid by employees. The Company adopted Statement of Financial Accounting Standards No. 112, which requires a change in the method of accounting for these benefits from the pay-as-you-go method to an accrual method, as of December 31, 1993. The liability for these benefits totaled $52 million and $48 million as of December 31, 1995 and 1994, respectively. The portion of the December 31, 1993 liability attributable to regulated activities was deferred. Consistent with the PSC's November 1995 order, the amounts deferred will be amortized over a 15-year period beginning in 1998. The adoption of Statement No. 112 did not have a material impact on net income.

Assumptions

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

At December 31,	1995	1994
Assumptions:		
Discount rate		
Pension and postretirement benefits	**7.5%**	8.5%
Other postemployment benefits	**6.0%**	8.5%
Average increase in future compensation levels	**4.0%**	4.0%
Expected long-term rate of return on assets	**9.0%**	9.0%

The health care inflation rates for 1995 are assumed to be 8.7% for Medicare-eligible retirees and 11.8% for retirees not covered by Medicare. The health care inflation rates for 1996 are assumed to be 8.0% for Medicare-eligible retirees and 10.5% for retirees not covered by Medicare. After 1996, both rates are assumed to decrease by 0.5% annually to an ultimate rate of 5.5% in the years 2001 and 2006, respectively. A one percentage point increase in the health care inflation rate from the assumed rates would increase the accumulated postretirement benefit obligation by approximately $40 million as of December 31, 1995 and would increase the aggregate of the service cost and interest cost components of postretirement benefit cost by approximately $4 million annually.

Note 7. Termination Benefits

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

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

Note 8. Short-Term Borrowings

Information concerning short-term borrowings is set forth below. Short-term borrowings include bank loans, commercial paper notes, and bank lines of credit. The Company pays commitment fees in support of lines of credit. Borrowings under the lines are at the banks' prime rates, base interest rates, or at various money market rates.

	1995	1994	1993
		(Dollar amounts in thousands)	
BGE's Bank Loans			
Borrowings outstanding at December 31	$ 3,845	$ –	$ –
Weighted average interest rate of borrowings outstanding at December 31	4.74%	– %	– %
Maximum borrowings during the year	$ 3,845	$ –	$ –
BGE's Commercial Paper Notes			
Borrowings outstanding at December 31	$275,300	$ 63,700	$ –
Weighted average interest rate of notes outstanding at December 31	5.92%	6.10%	– %
Unused lines of credit supporting commercial paper notes at December 31*	$238,000	$148,000	$208,000
Maximum borrowings during the year	$339,100	$187,500	$ 96,900
Constellation Companies' Lines of Credit			
Borrowings outstanding at December 31	$ 160	$ –	$ –
Weighted average interest rate of borrowings outstanding at December 31	– %	– %	– %
Unused lines of credit at December 31	$ –	$ –	$ 20,000
Maximum borrowings during the year	$ 160	$ –	$ –

**Exclusive of $150 million of revolving credit agreements undrawn at year-end (see Note 9).*

Note 9. Long-Term Debt

First Refunding Mortgage Bonds of BGE

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

On August 1 of each year, BGE is required to pay to the mortgage trustee an annual sinking fund payment equal to 1% of the largest principal amount of Mortgage Bonds outstanding under the mortgage during the preceding twelve months. Such funds are to be used, as provided in the mortgage, for the purchase and retirement by the trustee of Mortgage Bonds of any series other than the 5½% Installment Series of 2002, the 8.40% Series of 1999, the 5⅝% Series of 2000, the 8⅜% Series of 2001, the 7¼% Series of 2002, the 6½% Series of 2003, the 6⅛% Series of 2003, the 5½% Series of 2004, the 7½% Series of 2007, and the 6⅝% Series of 2008.

Other Long-Term Debt of BGE

BGE maintains revolving credit agreements that expire at various times during 1998. Under the terms of the agreements, BGE may, at its option, obtain loans at various interest rates. A commitment fee is paid on the daily average of the unborrowed portion of the commitment. At December 31, 1995, BGE had no borrowings under these revolving credit agreements and had available $150 million of unused capacity under these agreements.

On December 29, 1995 BGE entered into a $50 million term bank loan which matures on March 29, 2001. Under the terms of the loan, the bank has a one-time option to cancel the loan on December 29, 1997. Until that date, the interest rate on the loan is 5.22%. If the bank does not cancel the loan on December 29, 1997, the interest rate for the remaining term will reset to 6.11%.

Following is information regarding BGE's Medium-term Notes outstanding at December 31, 1995:

Series	Weighted-Average Interest Rate	Maturity Dates
A	8.22%	1996
B	8.43%	1998-2006
C	7.04%	1996-2003
D	6.12%	1998-2005

The principal amounts of the 5½% Installment Series Mortgage Bonds payable each year are as follows:

Year	
	(In thousands)
1996 through 1997	$ 605
1998 and 1999	690
2000 and 2001	865
2002	6,725

Long-Term Debt of Constellation Companies

The Constellation Companies entered into an unsecured revolving credit agreement on December 9, 1994 in the amount of $50 million. This agreement matures December 9, 1998 and will be used to provide liquidity for general corporate purposes. As of December 31, 1995, the Constellation Companies had $1 million outstanding under this agreement.

The mortgage and construction loans and other collateralized notes have varying terms. The $9.9 million, 7.50% mortgage note requires monthly principal and interest payments through October 9, 2005. The $110 million of variable rate mortgage notes require periodic payment of principal and interest with various maturities from January 1996 through July 2009. The $5.9 million, 7.357% mortgage note requires quarterly principal and interest payments through March 15, 2009.

The unsecured notes outstanding as of December 31, 1995 mature in accordance with the following schedule:

	Amount
	(In thousands)
8.71%, due August 28, 1996	$ 23,000
6.19%, due September 9, 1996	10,000
8.93%, due August 28, 1997	52,000
6.65%, due September 9, 1997	15,000
8.23%, due October 15, 1997	30,000
7.05%, due April 22, 1998	25,000
7.06%, due September 9, 1998	20,000
8.48%, due October 15, 1998	75,000
7.30%, due April 22, 1999	90,000
8.73%, due October 15, 1999	15,000
7.55%, due April 22, 2000	35,000
7.43%, due September 9, 2000	30,000
Total	$420,000

Weighted Average Interest Rates for Variable Rate Debt

The weighted average interest rates for variable rate debt during 1995 and 1994 were as follows:

	1995	1994
BGE		
Floating rate series mortgage bonds	**6.30%**	4.91%
Pollution control loan	**3.79**	2.80
Port facilities loan	**4.06**	3.02
Adjustable rate pollution control loan	**3.75**	3.13
Economic development loan	**4.01**	3.00
Constellation Companies		
Mortgage and construction loans and other collateralized notes	**8.99**	7.27
Loans under credit agreements	**6.74**	–

Aggregate Maturities

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

Year	BGE	Constellation Companies
	(In thousands)	
1996	$ 71,659	$ 49,310
1997	80,657	134,970
1998	92,328	138,351
1999	246,420	118,175
2000	251,441	85,521

Note 10. Redeemable Preference Stock

The 7.80%, 1989 Series is subject to mandatory redemption in full at par on July 1, 1997. The following series are subject to an annual mandatory redemption of the number of shares shown below at par beginning in the year shown below. At BGE's option, an additional number of shares, not to exceed the same number as are mandatory, may be redeemed at par in any year, commencing in the same year in which the mandatory redemption begins. The 8.25%, 1989 Series, the 8.625%, 1990 Series, and the 7.85%, 1991 Series listed below are not redeemable except through operation of a sinking fund.

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

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

Year	*(In thousands)*
1996	$26,000
1997	83,000
1998	33,000
1999	23,000
2000	23,000

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

Note 11. Leases

The Company, as lessee, contracts for certain facilities and equipment under lease agreements with various expiration dates and renewal options. Consistent with the regulatory treatment, lease payments for utility operations are charged to expense. Lease expense, which is comprised primarily of operating leases, totaled $12.2 million, $12.7 million, and $13.8 million for the years ended 1995, 1994, and 1993, respectively.

The future minimum lease payments at December 31, 1995 for long-term noncancelable operating leases are as follows:

Year	*(In thousands)*
1996	$ 4,485
1997	4,398
1998	3,681
1999	1,712
2000	1,537
Thereafter	4,214
Total minimum lease payments	$20,027

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 21 years, with options to renew. The net book value of property under operating leases was $147 million at December 31, 1995. The future minimum rentals to be received under operating leases in effect at December 31, 1995 are as follows:

Year	*(In thousands)*
1996	$ 14,412
1997	12,134
1998	10,883
1999	10,130
2000	9,459
Thereafter	66,660
Total minimum rentals	$123,678

Note 12. Commitments, Guarantees, and Contingencies

Commitments

BGE has made substantial commitments in connection with its construction program for 1995 and subsequent years. In addition, BGE has entered into three long-term contracts for the purchase of electric generating capacity and energy. The contracts expire in 2001, 2013, and 2023. Total payments under these contracts were \$68.4, \$69.4, and \$68.7 million during 1995, 1994, and 1993, respectively. At December 31, 1995, the estimated future payments for capacity and energy that BGE is obligated to buy under these contracts are as follows:

Year	*(In thousands)*
1996	\$ 62,989
1997	60,355
1998	78,950
1999	90,224
2000	91,365
Thereafter	902,432
Total payments	\$1,286,315

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, 1995, the total amount of investment requirements committed to by the Constellation Companies is \$44 million.

In December, 1994, BGE and HP&S entered into agreements with a financial institution whereby BGE and HP&S can sell on an ongoing basis up to an aggregate of \$40 million and \$50 million, respectively, of an undivided interest in a designated pool of customer receivables. Under the terms of the agreements, BGE and HP&S have limited recourse on the receivables and have recorded a reserve for credit losses. At December 31, 1995, BGE and HP&S had sold \$30 million and \$42 million of receivables, respectively, under these agreements.

Guarantees

BGE has agreed to guarantee two-thirds of certain indebtedness of Safe Harbor Water Power Corporation. The total amount of indebtedness that can be guaranteed is \$45 million, of which \$30 million represents BGE's share of the guarantee. As of December 31, 1995, outstanding indebtedness of Safe Harbor Water Power Corporation was \$33 million, of which \$22 million is guaranteed by BGE. BGE has also agreed to guarantee up to \$20 million of obligations and indebtedness of BNG, Inc. As of December 31, 1995, there were no outstanding obligations under this guarantee. BGE assesses that the risk of material loss on the loans guaranteed is minimal.

As of December 31, 1995, the total outstanding loans and letters of credit of certain power generation and real estate projects guaranteed by the Constellation Companies were \$35 million. Also, the Constellation Companies have agreed to guarantee certain other borrowings of various power generation and real estate projects. The Company has assessed that the risk of material loss on the loans guaranteed and performance guarantees is minimal.

Pending Merger With Potomac Electric Power Company

BGE, Potomac Electric Power Company, a District of Columbia and Virginia corporation (PEPCO) and Constellation Energy Corporation (formerly named "RH Acquisition Corp."), a Maryland corporation which will also be incorporated in Virginia (CEC), have entered into an Agreement and Plan of Merger, dated as of September 22, 1995. CEC was formed to accomplish the merger and its outstanding capital stock is owned 50% by BGE and 50% by PEPCO. The Agreement and Plan of Merger provides for a strategic business combination that will be accomplished by merging both BGE and PEPCO into CEC (the Transaction). The Transaction, which was unanimously approved by the Boards of Directors of BGE and PEPCO, is expected to close during 1997 after shareholder approval is obtained and all other conditions to the consummation of the Transaction, including obtaining applicable regulatory approvals, are met or waived. In connection with the Transaction, BGE common shareholders will receive one share of CEC common stock for each BGE share and PEPCO common shareholders will receive 0.997 share of CEC common stock for each PEPCO share. Further details about the proposed merger are provided in the report on Form 8-K dated September 22, 1995 and the Registration Statement on Form S-4 (Registration No. 33-64799).

Environmental Matters

The Clean Air Act of 1990 (the Act) contains two titles designed to reduce emissions of sulfur dioxide and nitrogen oxide (NO_x) from electric generating stations. Title IV contains provisions for compliance in two separate phases. Phase I of Title IV became effective January 1, 1995, and Phase II of Title IV must be implemented by 2000. BGE met the requirements of Phase I by installing flue gas desulfurization systems and fuel switching and through unit retirements. BGE is currently examining what actions will be required in order to comply with Phase II of the Act. However, BGE anticipates that compliance will be attained by some combination of fuel switching, flue gas desulfurization, unit retirements, or allowance trading.

At this time, plans for complying with NO_x control requirements under Title I of the Act are less certain because all implementation regulations have not yet been finalized by the government. It is expected that by the year 1999 these regulations will require additional NO_x controls for ozone attainment at BGE's generating plants and at other BGE facilities. The controls will result in additional expenditures that are difficult to predict prior to the issuance of such regulations. Based on existing and proposed ozone nonattainment regulations, BGE currently estimates that the NO_x controls at BGE's generating plants will cost approximately \$90 million. BGE is currently unable to predict the cost of compliance with the additional requirements at other BGE facilities.

BGE has been notified by the Environmental Protection Agency and several state agencies that it is being considered a potentially responsible party (PRP) with respect to the cleanup of certain

environmentally contaminated sites owned and operated by third parties. In addition, a subsidiary of Constellation Holdings, Inc. has been named as a defendant in a case concerning an alleged environmentally contaminated site owned and operated by a third party. Cleanup costs for these sites cannot be estimated, except that BGE's 15.79% share of the possible cleanup costs at one of these sites, Metal Bank of America, a metal reclaimer in Philadelphia, could exceed amounts recognized by up to approximately $7 million based on the highest estimate of costs in the range of reasonably possible alternatives. Although the cleanup costs for certain of the remaining sites could be significant, BGE believes that the resolution of these matters will not have a material effect on its financial position or results of operations.

Also, BGE is coordinating investigation of several former gas manufacturing plant sites, including exploration of corrective action options to remove coal tar. However, no formal legal proceedings have been instituted. BGE has recognized estimated environmental costs at these sites totaling $38.6 million as of December 31, 1995. These costs, net of accumulated amortization, have been deferred as a regulatory asset (see Note 5). The technology for cleaning up such sites is still developing, and potential remedies for these sites have not been identified. Cleanup costs in excess of the amounts recognized, which could be significant in total, cannot presently be estimated.

Nuclear Insurance

An accident or an extended outage at either unit of the Calvert Cliffs Nuclear Power Plant could have a substantial adverse effect on BGE. The primary contingencies resulting from an incident at the Calvert Cliffs plant would involve the physical damage to the plant, the recoverability of replacement power costs, and BGE's liability to third parties for property damage and bodily injury. BGE maintains various insurance policies for these contingencies. The costs that could result from a major accident or an extended outage at either of the Calvert Cliffs units could exceed the coverage limits.

In addition, in the event of an incident at any commercial nuclear power plant in the country, BGE could be assessed for a portion of any third party claims associated with the incident. Under the provisions of the Price Anderson Act, the limit for third party claims from a nuclear incident is $8.92 billion. If third party claims relating to such an incident exceed $200 million (the amount of primary insurance), BGE's share of the total liability for third party claims could be up to $159 million per incident, that would be payable at a rate of $20 million per year.

BGE and other operators of commercial nuclear power plants in the United States are required to purchase insurance to cover claims of certain nuclear workers. Other non-governmental commercial nuclear facilities may also purchase such insurance. Coverage of up to $400 million is provided for claims against BGE or others insured by these policies for radiation injuries. If certain claims were made under these policies, BGE and all policyholders could be assessed, with BGE's share being up to $6.08 million in any one year.

For physical damage to Calvert Cliffs, BGE has $2.75 billion of property insurance from industry mutual insurance companies. If an outage at Calvert Cliffs is caused by an insured physical damage loss and lasts more than 21 weeks, BGE has up to $473.2 million per unit of insurance, provided by an industry mutual insurance company, for replacement power costs. This amount can be reduced by up to $94.6 million per unit if an outage to both units at Calvert Cliffs is caused by a singular insured physical damage loss. If accidents at any insured plants cause a short-fall of funds at the industry mutuals, BGE and all policyholders could be assessed, with BGE's share being up to $44.1 million.

Recoverability of Electric Fuel Costs

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

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

In October 1988, BGE filed its first fuel rate application for a change in its electric fuel rate under the GUPP program. The resultant case before the PSC covers BGE's operating performance in calendar year 1987, and BGE's filing demonstrated that it met the system-wide and individual nuclear plant performance targets for 1987. In November 1989, testimony was filed on behalf of Maryland People's Counsel alleging that seven outages

at the Calvert Cliffs plant in 1987 were due to management imprudence and that the replacement energy costs associated with those outages should be disallowed by the PSC. Total replacement energy costs associated with the 1987 outages were approximately $33 million. On January 23, 1995, the Hearing Examiner issued his decision in the 1987 fuel rate proceeding and found that the Company had met the GUPP standard which establishes a presumption that BGE had operated the Plant at a reasonably productive capacity level. However, the Order found that the presumption of reasonableness would be overcome by a showing of mismanagement and that such a showing was made with respect to the environmental qualifications outage time. In mitigation for meeting the GUPP standard, the Hearing Examiner disallowed replacement energy costs recovery for 15.5 days of the 66-day outage time. The Hearing Examiner's Order was appealed to the PSC by both BGE and People's Counsel. If the PSC upholds the Hearing Examiner, the Company's earnings would be impacted by approximately $4.5 million.

In May 1989, BGE filed its fuel rate case in which 1988 performance was to be examined. BGE met the system-wide and nuclear plant performance targets in 1988. People's Counsel alleges that BGE imprudently managed several outages at Calvert Cliffs, and BGE estimates that the total replacement energy costs associated with these 1988 outages were approximately $2 million. On November 14, 1991, a Hearing Examiner at the PSC issued a proposed Order, which became final on December 17, 1991 and concluded that no disallowance was warranted. The Hearing Examiner found that BGE maintained the productive capacity of the Plant at a reasonable level, noting that it produced a near record amount of power and exceeded the GUPP standard. Based on this record, the Order concluded there was sufficient cause to excuse any avoidable failures to maintain productive capacity at higher levels.

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

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

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

Note 13. Fair Value of Financial Instruments

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

At December 31,	1995 Carrying Amount	1995 Fair Value	1994 Carrying Amount	1994 Fair Value
	(In thousands)			
Cash and cash equivalents	$ 23,443	$ 23,443	$ 38,590	$ 38,590
Net accounts receivable	400,005	400,005	314,842	314,842
Other current assets	54,070	54,070	29,344	29,344
Investments and other assets for which it is:				
Practicable to estimate fair value	149,645	150,170	138,978	137,782
Not practicable to estimate fair value	73,042	–	69,514	–
Short-term borrowings	279,305	279,305	64,205	64,205
Current portions of long-term debt and preference stock	146,969	146,969	323,675	323,675
Accounts payable	177,092	177,092	181,931	181,931
Other current liabilities	193,992	193,992	191,121	191,121
Long-term debt	2,598,254	2,694,858	2,584,932	2,417,625
Redeemable preference stock	242,000	254,809	279,500	281,478

Financial instruments included in other current assets include trading securities and miscellaneous loans receivable of the Constellation Companies. Financial instruments included in other current liabilities represent total current liabilities from the Consolidated Balance Sheets excluding short-term borrowings, current portions of long-term debt and preference stock, accounts payable, and accrued vacation costs. The carrying amount of current assets and current liabilities approximates fair value because of the short maturity of these instruments.

Investments and other assets include investments in common and preferred securities, which are classified as financial investments in the Consolidated Balance Sheets, and the nuclear decommissioning trust fund. The fair value of investments and other assets is based on quoted market prices where available. It was not practicable to estimate the fair value of the Constellation Companies' investments in 23 financial partnerships which invest in nonpublic debt and equity securities or investments in four partnerships which own solar powered energy production facilities because the timing and magnitude of cash flows from these investments are difficult to predict. These investments are carried at their original cost in the Consolidated Balance Sheets. The investments in financial partnerships totaled $50 million and $47 million at December 31, 1995 and 1994, respectively, representing ownership interests up to 10%. The aggregate assets of these partnerships totaled $6.3 billion at December 31, 1994. The investments in solar powered energy production facility partnerships totaled $23 million at December 31, 1995 and 1994, representing ownership interests up to 12%. The aggregate assets of these partnerships totaled $83 million at December 31, 1994.

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

BGE and the Constellation Companies have loan guarantees on outstanding indebtedness totaling $22 million and $35 million, respectively, at December 31, 1995 and $23.3 million and $17.0 million, respectively, at December 31, 1994 for which it is not practicable to determine fair value. It is not anticipated that these loan guarantees will need to be funded.

Note 14. Quarterly Financial Data (Unaudited)

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

	Quarter Ended				Year Ended
	March 31	June 30	September 30	December 31	December 31
	(In thousands, except per-share amounts)				
1995					
Revenues	**$717,806**	**$642,500**	**$848,781**	**$725,712**	**$2,934,799**
Income from operations	**148,222**	**120,920**	**299,744**	**126,806**	**695,692**
Net income	**70,854**	**50,889**	**163,335**	**52,929**	**338,007**
Earnings applicable to common stock	**60,902**	**40,937**	**153,104**	**42,486**	**297,429**
Earnings per share of common stock	**0.41**	**0.28**	**1.04**	**0.29**	**2.02**
1994					
Revenues	$767,686	$651,152	$753,878	$610,2[illegible]	$2,782,985
Income from operations	162,559	136,778	232,472	103,[illegible]	635,259
Net income	82,145	66,708	126,616	[illegible]	323,617
Earnings applicable to common stock	72,114	56,687	116,714	[illegible],180	283,695
Earnings per share of common stock	0.49	0.39	0.79	0.26	1.93

Results for the first quarter of 1994 reflect a $10.0 million one-time bonus paid to employees in lieu of a general increase.

Results for the third quarters of 1995 and 1994 reflect the $9.7 and $11.0 million write offs, respectively, of certain Perryman costs (see Note 1).

Certain prior-quarter amounts have been reclassified to conform with the current presentation.

Directors and Officers

Baltimore Gas and Electric Company

Directors

Christian H. Poindexter, 57
Chairman of the Board and
Chief Executive Officer, BGE

H. Furlong Baldwin, 64
Chairman of the Board and
Chief Executive Officer,
Mercantile Bankshares Corporation

Beverly B. Byron, 63
Former Congresswoman,
U. S. House of Representatives

J. Owen Cole, 66
Chairman of the Board,
Blue Cross and Blue Shield
of Maryland, Inc.

Dan A. Colussy, 64
Chairman of the Board and
Chief Executive Officer,
UNC, Incorporated

Edward A. Crooke, 57
President and
Chief Operating Officer, BGE

James R. Curtiss, Esq., 42
Partner, Winston & Strawn

Jerome W. Geckle, 66
Retired Chairman of the Board,
PHH Corporation

Martin L. Grass, 42
President and
Chief Operating Officer,
Rite Aid Corporation

Freeman A. Hrabowski III, 45
President, University of Maryland,
Baltimore County

Nancy Lampton, 53
Chairman and Chief
Executive Officer,
American Life and Accident
Insurance Company of Kentucky

George V. McGowan, 68
Former Chairman of the Board and
Chief Executive Officer, BGE

George L. Russell, Jr., Esq., 66
Partner, Piper & Marbury

Michael D. Sullivan, 56
Chairman of the Board,
Lombardi Research Group

Officers

Christian H. Poindexter, 57
Chairman of the Board and Chief
Executive Officer

Edward A. Crooke, 57
President and
Chief Operating Officer

George C. Creel, 61
Executive Vice President

Robert E. Denton, 52
Senior Vice President, Generation

Thomas F. Brady, 46
Vice President, Customer Service
& Distribution

Herbert D. Coss, Jr., 61
Vice President, Gas

Charles H. Cruse, 51
Vice President, Nuclear Power

Carserlo Doyle, 53
Vice President, Electric
Interconnection & Transmission

Jon M. Files, 60
Vice President,
Management Services

Sharon S. Hostetter, 51
Vice President,
Marketing & Sales

Ronald W. Lowman, 51
Vice President, Fossil Energy

G. Dowell Schwartz, Jr., 59
Vice President, General Services

Charles W. Shivery, 50
Vice President,
Finance & Accounting
Chief Financial Officer and Secretary

Joseph A. Tiernan, 57
Vice President, Corporate Affairs

Richard M. Bange, Jr., 51
Controller and
Assistant Secretary

Thomas E. Ruszin, Jr., 41
Treasurer and Assistant Secretary

John R. Collins, 38
Assistant Treasurer

Directors and Officers

Constellation Holdings, Inc.

Directors

Edward A. Crooke
Chairman of the Board, Constellation Holdings; President and Chief Operating Officer, BGE

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

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

Roger W. Gale
President, Washington International Energy Group

Jerome W. Geckle
Retired Chairman of the Board, PHH Corporation

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

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

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

Mayo A. Shattuck III
President and Chief Operating Officer, Alex. Brown, Inc.

Officers

Edward A. Crooke
Chairman of the Board, Constellation Holdings

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

Randall M. Griffin
President, Constellation Real Estate Group

James W. Jeffcoat
President, Constellation Health Services

Steven D. Kesler
President, Constellation Investments

John F. Walter
President, Constellation Power

Robert E. Windham
President, Church Street Station

BGE Energy Projects & Services, Inc.

Officers

Edward A. Crooke
Chairman of the Board

Stephen F. Wood
President and Chief Executive Officer

BGE Home Products & Services, Inc.

Officers

Edward A. Crooke
Chairman of the Board

William H. Munn
President and Chief Executive Officer

Changes in Officers and Directors

Effective January 1, 1996, the following changes took place:

- George Creel, former Senior Vice President-Generation, was elected Executive Vice President. Mr. Creel assumed the responsibilities of Chief Operating Officer of BGE until the completion of the merger.
- Robert E. Denton, former Vice President-Nuclear Power, was elected Senior Vice President-Generation, replacing Mr. Creel.
- Charles H. Cruse, former General Manager-Calvert Cliffs Nuclear Power Plant Department, was elected Vice President-Nuclear Power, replacing Mr. Denton.

Effective November 1, 1995, the following changes took place:

- Stephen F. Wood, former Vice President-Marketing & Sales, was elected President and Chief Executive Officer of BGE Energy Projects & Services, Inc.
- Sharon S. Hostetter, former Manager-Marketing, was elected to replace Mr. Wood as Vice President of Marketing & Sales.
- Thomas E. Ruszin, Jr., was elected Treasurer and Assistant Secretary, replacing Lynne H. Church, who took a position with another company.
- John R. Collins was elected Assistant Treasurer, replacing Mr. Ruszin.

Effective January 1, 1996, Edward A. Crooke was elected Chairman of the Board of Constellation Holdings, Inc.

Effective September 14, 1995, John F. Walter was elected President, Constellation Power, Inc.

Bernard C. Trueschler retired from the Board of Constellation Holdings, Inc., on March 31, 1995.

Five-Year Statistical Summary

	1995	1994	1993	1992	1991
Common Stock Data					
Quarterly Earnings Per Share					
First Quarter	**$ .41**	$ .49	$ .38	$ .37	$ .40
Second Quarter	**.28**	.39	.31	.20	.38
Third Quarter	**1.04**	.79	1.01	.84	.84
Fourth Quarter	**.29**	.26	.14	.22	.05
Total	**$2.02**	$1.93	$1.85	$1.63	$1.67
Dividends					
Dividends Declared Per Share	**$1.55**	$1.51	$1.47	$1.43	$1.40
Dividends Paid Per Share	**1.54**	1.50	1.46	1.42	1.40
Dividend Payout Ratio	**76.7%**	78.2%	79.5%	87.7%	83.8%
Market Prices					
High	**$29**	$25½	$27½	$24⅜	$22¼
Low	**22**	20⅛	22⅜	19¼	17⅛
Close	**28½**	22⅛	25⅜	23⅜	22⅞
Capital Structure					
Consolidated					
Long-Term Debt	**42.8%**	46.1%	47.4%	46.1%	47.8%
Short-Term Debt	**4.4**	1.0	–	0.2	3.8
Preferred and Preference Stock	**8.5**	8.9	9.2	9.8	10.1
Common Shareholders' Equity	**44.3**	44.0	43.4	43.9	38.3
Utility Only					
Long-Term Debt	**40.4%**	43.6%	44.5%	42.9%	45.6%
Short-Term Debt	**5.2**	1.2	–	0.3	3.4
Preferred and Preference Stock	**10.0**	10.5	10.9	11.6	12.1
Common Shareholders' Equity	**44.4**	44.7	44.6	45.2	38.9

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

Shareholder Information

Common Stock Dividends and Price Ranges

	1995			1994		
	Dividend Declared	Price High	Price Low	Dividend Declared	Price High	Price Low
First Quarter	$ .38	$ 25	$ 22	$ .37	$ 25½	$ 22⅜
Second Quarter	.39	26½	23⅛	.38	24⅜	20½
Third Quarter	.39	26⅝	24⅜	.38	23¾	20¾
Fourth Quarter	.39	29	25½	.38	23⅝	21¼
Total	$ 1.55			$ 1.51		

Dividend Policy

The common stock is entitled to dividends when and as declared by the Board of Directors. There are no limitations in any indenture or other agreements on payment of dividends. Holders of preferred stock (first) and holders of preference stock (next), however, are entitled to receive, when and as declared from the surplus or net profits, cumulative yearly dividends at the fixed preferential rate specified for each series and no more, payable quarterly. They are also entitled 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 1995 and 1994 in the amounts shown above.

Common Stock Dividend Dates

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

Dividend Reinvestment and Stock Purchase Plan

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

Stock Trading

The company's common stock, which is traded under the ticker symbol BGE, is listed on the New York, Chicago, and Pacific stock exchanges, and has unlisted trading privileges on the Boston, Cincinnati, and Philadelphia exchanges. As of December 31, 1995, there were 79,811 common shareholders of record.

Transfer Agent and Registrar

Harris Trust and Savings Bank
Chicago, Illinois

Annual Meeting

The annual meeting of shareholders will be held at 10:00 a.m. on Tuesday, April 23, 1996, at the Sheraton Inner Harbor Hotel, 300 South Charles Street, Baltimore, Maryland.

Form 10-K

Upon written request, the company will furnish, without charge, a copy of its Form 10-K annual report, including financial statements, after it is filed with the Securities and Exchange Commission in March 1996. Requests should be addressed to Charles W. Shivery, Chief Financial Officer and Secretary, Vice President–Finance & Accounting, P. O. Box 1475, Baltimore, Maryland 21203-1475.

Auditors

Coopers & Lybrand L.L.P.

Executive Offices

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

Shareholders' Inquiries and Assistance

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

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

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

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

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