

# HOUSE BILL 696

C1, C5

9lr0470

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By: **Delegate McDonough**

Introduced and read first time: February 9, 2009

Assigned to: Economic Matters

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## A BILL ENTITLED

1 AN ACT concerning

2 **Constellation Energy Group Review Commission**

3 FOR the purpose of establishing the Constellation Energy Group Review Commission;  
4 providing for the membership and duties of the Commission; providing for the  
5 designation of a chair of the Commission; requiring the Public Service  
6 Commission, the Office of the People's Counsel, and the Office of the Attorney  
7 General to provide staff for the Commission; prohibiting members of the  
8 Commission from receiving compensation; authorizing a member to receive  
9 certain reimbursement; requiring the Commission to report its findings to the  
10 Governor and the General Assembly on or before a certain date; providing for  
11 the termination of this Act; and generally relating to the Constellation Energy  
12 Group Review Commission.

13 Preamble

14 WHEREAS, On September 19, 2008, the Board of Directors of Constellation  
15 Energy Group, Inc. (Constellation), a Maryland corporation and the parent company of  
16 Baltimore Gas and Electric Company, approved a deal to sell Constellation to  
17 MidAmerican Energy Holdings Company (MidAmerican) for \$26.50 per share, or  
18 approximately \$4.7 billion; and

19 WHEREAS, Constellation's stock was trading above \$100 per share in January  
20 2008, and above \$60 per share as recently as September 9, 2008; and

21 WHEREAS, Constellation shareholders and the public deserve to know what  
22 caused the financial troubles at Constellation that led to the company's sale to  
23 MidAmerican; and

24 WHEREAS, Constellation shareholders and the public deserve to know what  
25 role Constellation management played in the company's financial failure, including  
26 when management first realized that the company was in financial trouble, what steps

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 management took to address the company's financial problems, and what, if any, risk  
2 management policies were in place to avoid such a financial failure; and

3 WHEREAS, Constellation shareholders and the public deserve to know what  
4 role Constellation's commodities trading operations played in the company's financial  
5 troubles; and

6 WHEREAS, Constellation shareholders and the public deserve to know whether  
7 the company had any viable alternatives to the sale to MidAmerican, including a  
8 possible sale to another bidder or bankruptcy; and

9 WHEREAS, Constellation shareholders and the public deserve to know why  
10 Constellation management did not initially disclose a bid made by Electricite de  
11 France, Constellation's largest shareholder, to buy Constellation for \$35 per share;  
12 and

13 WHEREAS, Constellation executives reportedly sold large blocks of their  
14 personal stock in late 2007 and early 2008; and

15 WHEREAS, Constellation shareholders and the public deserve to know if  
16 Constellation executives were aware of Constellation's financial troubles when they  
17 sold their stock; and

18 WHEREAS, Constellation shareholders and the public deserve to know whether  
19 Constellation executives stand to benefit personally from the sale of Constellation to  
20 MidAmerican; now, therefore,

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
22 MARYLAND, That:

23 (a) There is a Constellation Energy Group Review Commission.

24 (b) The Commission consists of the following 13 members:

25 (1) two members of the Senate of Maryland, appointed by the  
26 President of the Senate;

27 (2) two members of the House of Delegates, appointed by the Speaker  
28 of the House;

29 (3) the Chairman of the Public Service Commission, or the Chairman's  
30 designee;

31 (4) the People's Counsel, or the designee of the People's Counsel;

32 (5) the Attorney General, or the Attorney General's designee; and

33 (6) the following six members, appointed by the Governor:

1 (i) two members with expertise in accounting and finance;

2 (ii) two members with expertise in business management; and

3 (iii) two members with expertise in the electric industry.

4 (c) The Governor shall designate the chair of the Commission.

5 (d) The Public Service Commission, the Office of the People's Counsel, and  
6 the Office of the Attorney General shall provide staff for the Commission.

7 (e) A member of the Commission:

8 (1) may not receive compensation as a member of the Commission; but

9 (2) is entitled to reimbursement for expenses under the Standard  
10 State Travel Regulations, as provided in the State budget.

11 (f) (1) The Commission shall review the details surrounding the pending  
12 sale of Constellation Energy Group, Inc. to MidAmerican Energy Holdings Company.

13 (2) The Commission's review shall include an examination of:

14 (i) the events leading up to the sale and the possible causes of  
15 Constellation's financial troubles;

16 (ii) management's efforts to prevent the financial failure;

17 (iii) the terms of the sale;

18 (iv) alternatives to the sale, including bankruptcy or a sale to  
19 another buyer;

20 (v) whether Constellation executives stand to benefit from the  
21 sale; and

22 (vi) the timing and value of any sales of Constellation stock by  
23 Constellation executives in the period leading up to the company's financial troubles  
24 and eventual pending sale to MidAmerican.

25 (g) On or before January 1, 2010, the Commission shall report its findings to  
26 the Governor and, in accordance with § 2-1246 of the State Government Article, the  
27 General Assembly.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
29 June 1, 2009. It shall remain effective for a period of 1 year and, at the end of May 31,

1 2010, with no further action required by the General Assembly, this Act shall be  
2 abrogated and of no further force and effect.