Reese K. Feuerman Vice President & Controller

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Letter of Comment No: File Reference: FSP123R-D

January 31, 2006

Mr. Lawrence Smith
Director, Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

VIA ELECTRONIC MAIL

RE: Proposed FASB Staff Position (FSP) 123R-d
Classification of Options and Similar Instruments Issued as Employee
Compensation That Allow for Cash Settlement upon the Occurrence of a
Contingent Event

Dear Mr. Smith:

Constellation Energy Group, Inc. (Constellation Energy) appreciates the opportunity to respond to the Financial Accounting Standards Board's (FASB) request for comments on the Proposed FASB Staff Position (FSP) 123R-d, "Classification of Options and Similar Instruments Issued as Employee Compensation That Allow for Cash Settlement upon the Occurrence of a Contingent Event."

ISSUE 1

The proposed FSP provides amended classification guidance for options and similar instruments issued as employee compensation that allow for cash settlement upon the occurrence of contingent events. This FSP stipulates that entities must assess the probability of the contingent cash settlement event occurring in determining the classification of the option or similar instrument. Do you think the Board should restrict the guidance in this FSP only to specific types of contingent events (for example, a change in control)?

In our opinion, the Board should not restrict the guidance in this FSP only to specific types of contingent events. We believe that the facts and circumstances

surrounding potential contingent events need to be evaluated as part of the determination of liability versus equity award treatment and we would hesitate to create a bright line rule that would restrict companies from evaluating the terms of awards and their individual situation. It may be appropriate to require companies to disclose the nature of any contingent events that would require liability classification if and when they were determined to be probable of occurring.

ISSUE 2

As part of the process of issuing this proposed FSP, the Board considered an alternate approach of grandfathering existing options and similar instruments under pre-existing accounting standards while maintaining the existing requirement of paragraphs 32 and A229 of Statement 123(R) for options or similar instruments granted in the future. Do you believe the grandfathering approach more appropriately addresses this issue?

While we acknowledge that implementing a grandfathering approach would cure the concern companies have expressed over the issue, we believe the probability approach aligns consistency between the accounting for options and the accounting for shares issued to employees as compensation, and as such is supported by both prior and current accounting guidance. However, if the FASB should ultimately choose the grandfathering approach over the probability approach, Constellation Energy would support that approach as opposed to the FASB providing no relief at all.

We appreciate and strongly support the FASB's efforts in promptly addressing and providing clarification on this issue that was raised so late in the FAS 123R implementation process.

Sincerely,

/S/

Reese Feuerman Vice President & Controller