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April 25, 2011

Technical Director
Financial Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

File Reference: 2011-175 Selected Issues about Hedge Accounting

Dear Board Members and FASB Staff:

Constellation Energy Group, Inc. (“Constellation Energy”) respectfully submits comments on the Financial Accounting Standards Board (“FASB”) Discussion Paper – *Selected Issues about Hedge Accounting* (“DP”). Constellation Energy is a leading supplier of energy products and services to wholesale and retail electric and natural gas customers in the United States (U.S.). In addition, we own a diversified fleet of generating units located throughout the U.S. and Canada. A FORTUNE 500 company headquartered in Baltimore, Maryland, Constellation Energy had revenues of \$14.3 billion in 2010.

We use hedging strategies extensively in conducting our business and believe that hedge accounting provides the most transparent reporting to our investors. We strive to achieve hedge accounting for our risk management strategies when permissible under the current requirements although certain complexities limit this ability. Thus, we strongly support the FASB and International Accounting Standards Board (“IASB”) efforts to simplify hedge accounting. The rules and bright lines contained in the current standards provide challenges to preparers and users and should be replaced with principles and objectives. We are encouraged by the Boards joint deliberation of the comment letters as we believe a converged solution for hedge accounting will benefit users as hedge accounting can have a significant impact on an entity’s financial statements.

Comments

Constellation Energy participated in drafting the comment letters submitted by the Edison Electric Institute (EEI) on each Board’s Exposure Draft as well as the DP and supports the recommendations communicated in each of those letters.

In particular, we strongly urge the Boards to develop a hedge accounting framework to guide the Boards decisions in moving towards a more principles-based standard by:

- acknowledging that hedge accounting can improve the usefulness of financial statements for investors, and
- linking an entity's ability to qualify for and discontinue hedge accounting with its risk management strategy.

Constellation Energy also previously submitted its own comment letters to the FASB and IASB on each Board's Exposure Draft. We will not repeat our detailed comments but will reemphasize our prior recommendations to the Boards which we believe will better align hedge accounting with risk management:

- Retain the current ability to voluntarily dedesignate a hedging relationship
- Retain the current ability to redesignate a previous hedging instrument into a subsequent hedging relationship
- Eliminate bright lines for effectiveness testing in assessing whether hedge accounting can be applied to contracts entered into for risk management purposes
- Permit component hedging for non-financial risks to eliminate the unnecessary distinction from financial risk components
- Permit entities to hedge net positions, whether they are net positions comprised of offsetting exposures or exposures with derivatives
- Permit an entity to continue hedge accounting (rebalancing or modification rather than dedesignating) when the hedging relationship is adjusted

From Constellation Energy's perspective, the current abilities to voluntarily dedesignate a hedging relationship and redesignate hedging instrument into subsequent hedging relationship are critical provisions in the hedge accounting model. Eliminating these provisions will limit hedge accounting to static hedging and deprive users of transparent financial reporting for many risk management strategies. To address the FASB's concern that an entity can discontinue hedge accounting even when such action is contrary to its risk management objective, we recommend the FASB amend 815-30-40-1c. as follows: "the entity removes the designation in accordance with its risk management strategy." We believe this amendment will make it clear that dedesignations (and potentially redesignations) are permitted under the framework of hedge accounting but only when such action is consistent with the entity's risk management strategy.

Conclusion

Constellation Energy appreciates the opportunity to provide comments on these important issues. Hedging activities are significant to our business and we want to ensure the accounting continues to faithfully represent our risk management policy and strategy as well as the underlying economics of the transactions.

Very truly yours,

/s/ Bryan P. Wright

Vice President, Chief Accounting Officer and Controller for Constellation Energy