



Department of Energy

Washington, DC 20585

June 30, 2010

Baltimore Gas & Electric Company
Attn: Mr. Mark D. Case, Senior Vice President
Strategy and Regulatory Affairs
110 West Fayette Street
2 Center Plaza
Baltimore, MD 21201-3940

RE: Award No. DE-OE0000216

Dear Mr. Case:

The Department of Energy's (DOE) Smart Grid Investment Grant (SGIG) Program is designed to accelerate the modernization of the nation's electric transmission and distribution systems and promote investments in smart grid technologies, tools, and techniques. As part of the SGIG Program, DOE awarded a Financial Assistance Agreement (Grant) to Baltimore Gas and Electric (BG&E) in the amount of \$200 million, with a cost share required from BG&E in the amount of \$251,814,234.

Your application was selected as a result of a highly competitive process based on DOE's assessment of the merits of the application. The scope of the grant is to implement Smart Grid technologies across your service territory. We recognized that selected projects, like yours, would require regulatory or other governing body approval for the project to proceed. Provision 29 of your grant states that if a recipient fails to obtain approval by a regulatory body, project work will be halted immediately and DOE will undertake a review of the project to determine whether to allow the project to proceed, to be modified, or to be terminated.

On June 21, 2010, the Maryland Public Service Commission (PSC) issued an Order that denied your application to deploy your Smart Grid Initiative. You informed DOE of this decision on June 22, 2010. As contemplated under Provision 29, we met with you to review the impact of the Maryland PSC decision on the project. It is our understanding that you are reviewing the Commission's Order and evaluating options on how to proceed. You have indicated there is an opportunity for the PSC Order to be reheard or reconsidered and the project to proceed, if the Commission's concerns can be addressed. We understand that you will not go forward with the Smart Grid deployment absent cost-recovery approval by the PSC.

The grant with BG&E is funded by the American Reinvestment and Recovery Act, (ARRA). The Act requires that all funds be obligated, such as being placed on a grant or contract, by September 30, 2010, and therefore time is of the essence. It is DOE's paramount responsibility to maximize the value and impact of the funds provided under ARRA. If you will not be able to carry out your project due to the



lack of regulatory approval, we will de-obligate money from your grant and utilize it on other Smart Grid projects.

This letter is to inform you that the DOE will render a final decision on whether to proceed with, modify, or terminate BG&E's project by July 30, 2010. Our decision will be based on the facts available to us at the time. Therefore, please keep us informed of the status of your actions. If you conclude before July 30, 2010 that you wish to terminate the grant, please notify us promptly. DOE is not providing any direction to BG&E as to how to proceed. You are responsible to make decisions on how best to manage your project under the grant agreement and to secure the appropriate regulatory approvals for the project to satisfy the requirements of the grant agreement.

With Regards,

A handwritten signature in black ink, appearing to read "Donna C. Williams". The signature is fluid and cursive, with a long horizontal stroke at the end.

Donna C. Williams

Contracting Officer

Office of Headquarters Procurement Services