

Constellation Energy settled its dispute with French utility giant Electricite de France on Tuesday, selling its half of a joint venture to develop new nuclear power plants and dropping its threat to exercise an option to force EDF to buy a dozen aging fossil fuel plants.

Under the accord, EDF agreed to pay Constellation \$140 million and to give up 3.5 million of the Constellation shares it owns, which at Tuesday's closing price would be worth about \$110 million. Sources close to the negotiations said that the first sum covered the sale of Constellation's stake in the Unistar joint venture, while the 3.5 million shares represented a settlement of the dispute over the aging fossil fuel plants.

In addition, Constellation gave EDF four tracts of land at existing nuclear plants that could accommodate new reactors. Two are at the Calvert Cliffs, Md., site, and the others are at Nine Mile Point and R. E. Ginna in New York..

EDF gave up its seat on the Constellation board.

The deal opens the way for EDF to press ahead with plans to build a third nuclear reactor at the Calvert Cliffs nuclear power plant and to seek federal loan guarantees that could help reduce financing costs. Sources familiar with the negotiations said that the French electricity giant, which operates more than 80 nuclear plants worldwide, would probably seek a U.S. partner for the Calvert Cliffs project to ease the political road for a U.S. government loan guarantee.

The dispute between Constellation and EDF and the fate of the Calvert Cliffs project has been the center of attention in Maryland, where politicians have been doing whatever they can to promote the project, which could bring 4,000 jobs to the state.

But the plan was thrown into doubt just as the Obama administration was preparing to offer a \$7.5 billion loan guarantee because Constellation declared the terms "unworkable." In addition, Constellation threatened to exercise a clause that it said entitled it to force EDF to pay \$2 billion for a dozen aging fossil fuel plants. EDF responded with a threat to file suit.

House Majority Leader Steny H. Hoyer (D-Md.) said late Tuesday that he was "pleased" about the agreement and added that the Maryland governor and congressional delegation "look forward to working with the parties and the administration to move this project forward."

EDF still owns 13.5 million shares of Constellation stock, or 6 percent of the company. The new accord releases EDF from a standstill agreement that prevented it from selling the shares until July 20, 2012. It is now free to do so.

The two firms also renegotiated the terms under which EDF buys power from existing nuclear plants that the two companies own jointly. That change was worth only a few million dollars, according to sources.

The agreement effectively removes Constellation from the business of developing new nuclear power. The Baltimore-based firm is continuing to expand, however. It recently bought two Texas natural gas fired electricity generation plants at a cost of \$365 million.

Constellation is also bidding on five New England plants.

One factor in Constellation's calculations has been the changing economics of nuclear power.

The failure of Congress to adopt a climate bill, which would have phased in a price for carbon dioxide emissions, and the sharp drop in the price of natural gas because of shale gas exploitation have made the development of nuclear power less attractive.

Sources familiar with Constellation's thinking said that cash payment and the return of shares combined with avoided costs of litigation was roughly in line with what the company would have received - after taxes - if it had pushed ahead with its plan to force EDF to buy the aging gas and coal-fired power plants. EDF, meanwhile, avoided a significant write-down.

Sources familiar with EDF's thinking said that the French nuclear utility was happy to receive

the tracts of land in upstate New York, which it thinks could be valuable in future years when the existing Indian Point nuclear power plant, located near New York City, comes up for license renewal.

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