

# Concern, along with some hope

## *Business leaders want state's 2nd biggest company to keep its substantial presence*

BY LIZ FARMER

*liz.farmer@mddailyrecord.com*

As Baltimore's last Fortune 500 company is on the verge of being absorbed by a larger energy firm headquartered 1,000 miles away, the business community is hoping **Constellation Energy Group Inc.** can maintain its corporate presence here but is concerned about the potential financial effects for the city and state.

"We've lost another one — or we think that we have," said **Maryland Chamber of Commerce** President Kathleen T. Snyder. "Hopefully we will retain some components of Constellation Energy that will keep some jobs here, but surely if the headquarters of the buyer is located out of state, Maryland takes a hit on its tax revenue."

Some of the worst-case-scenarios predicted by economists entail Constellation's executive offices relocating to future parent company **MidAmerican Energy Holdings Co.**'s headquarters in Iowa, only leaving behind a branch office for **Baltimore Gas & Electric Co.**, a Constellation subsidiary.

"They've indicated they want to keep [Constellation] as a standalone business, but who's to say?" said Daraius Irani, director of applied economics at **Towson University's RESL**. He pointed to the 2006 acquisition of Baltimore's **Mercantile Bankshares Corp.** by Pittsburgh-based **PNC Financial Services Group** as a

cautionary tale.

"Often times, upon scrutiny, they make decisions later on, which is their right to do as the owner of Constellation Energy," he said. "It may mean...we would lose one more Fortune 500 company out of Baltimore."

That scenario is what has some in the state and local business community concerned. Constellation is one of six Fortune 500 companies in the state, ranking second behind **Lockheed Martin** in Bethesda, and employs 6,768 people in Maryland, making it one of the largest companies in the state. Members of the Baltimore business community pointed out Constellation's presence is felt not just in jobs but in its corporate philanthropy.

"Constellation has been one of our best corporate citizens," said J. Kirby Fowler Jr., president of **Downtown Partnership of Baltimore Inc.** "It has been very philanthropic and supportive of improvements downtown, and it has one of the most talented pools of labor in the city. We hope whatever happens Constellation maintains its presence in the community."

In 2007, the company gave nearly \$8.2 million to charitable groups like the **BG&E Community Assistance Fund**, the **CollegeBound Foundation** and the **Alliance for the Chesapeake Bay**, according to its Web site. Last year it was

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the largest corporate giver to United Ways in central Maryland and Calvert County.

Constellation is also the title sponsor of the Senior Players Championship, one of the majors on the PGA's Champions tour, which is scheduled to tee off in less than three weeks at the **Baltimore Country Club**. The event draws thousands of visitors and media attention to the area and last year raised \$400,000 for local charities.

Many details, however, have yet to be ironed out. For the state's part, Karen Glenn Hood, a spokesperson for the **Department of Business and Economic Development**, said DBED would do everything it can to keep jobs here in Maryland.

The business community is hoping to gain insight by looking at **PacifiCorp**, an Oregon-based energy company acquired by MidAmerican in 2006.

"When you look at PacifiCorp, there's some evidence of autonomy and corporate commitment there," said Donald C. Fry, president and CEO of the **Greater Baltimore Committee**. "So it seems as if it's not uncommon to let a company micromanage itself. So you sort of hope for the best and that Constellation and the successor to Constellation maintains its corporate presence."

Economist Anirban Basu, chairman and CEO of the **Sage Policy Group**, said the acquisition could benefit Baltimore in the end. Noting Constellation's recent tailspin on Wall Street, Basu said the financial backing from MidAmerican and owner Warren E. Buffett could help righten what was looking to be a sinking ship — provided it stayed in town.

"Many potential counterparties have been unwilling to work with Constellation, and that's not good for business," he said. "Now all of a sudden you're doing business with Warren Buffett — I can't think of many people that aren't amenable to doing that."

But others hold a more skeptical view about the ramifications.

The chamber's Snyder noted Maryland's ranking on Forbes magazine's "Best States for Business" list slipped from 12 to 14 this year, and that it placed 40th in business costs. She added that the loss of several corporate headquarters, which has taken high-paying jobs out of the state in recent years, has not helped.

"Over the years, particularly in Baltimore, that does have an impact on the state of Maryland and the image of Maryland as a corporate headquarters," she said.