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## MidAmerican Agrees to Buy Constellation for \$4.7 Billion

By DONNA KARDOS

[Berkshire Hathaway](#) Inc.'s MidAmerican Energy Holdings Co. has reached a tentative agreement to acquire [Constellation Energy Group](#) Inc. in a \$4.7 billion deal that would prevent the electricity company from becoming yet another casualty of the credit crisis.

The deal, with Warren Buffett again stepping in to buy distressed assets whose value he believes have gotten too cheap, comes as Constellation's joint-venture partner, French state-run power company Electricite de France SA, was considering raising its stake in Constellation or even taking it over.

But EdF decided against increasing its stake as "the conditions are not met to do so." The company said it still intends to "play a major role" in the nuclear revival in the U.S. and to invest in the construction and operation of European pressurized nuclear reactors. Last week, EDF reported it had increased its stake in Baltimore-based Constellation Energy to 9.5%.

MidAmerican, an energy-services provider 87%-owned by Berkshire, will pay \$26.50 for each Constellation share, a 6.9% premium to Wednesday's closing price. The stock fell 19% Wednesday after a 36% drop on Tuesday, and shares have lost more than half of their value the past week as concerns have grown over the liquidity needs of the company's commodities-trading business.

MidAmerican and Constellation expect to enter a definitive merger deal by close of business Friday, upon which Constellation will issue \$1 billion in preferred stock with an 8% yield to MidAmerican.

Announcement of the deal comes a day after Standard & Poor's said it believed discussions to sell the company were at an "advanced stage."

"MidAmerican has been a wonderful steward of its energy assets and the acquisition of Constellation Energy, when completed, will prove beneficial to all constituents," Buffett said in a statement.

MidAmerican Chief Executive Gregory E. Abel said "MidAmerican is very comfortable with, and committed to, Constellation Energy's current strategic plan," and intends to allow Constellation to operate "autonomously as it pursues its long-term goals."

Mr. Abel added that Constellation's fleet of nuclear assets and its joint venture with EdF "complements MidAmerican's ongoing commitment to environmental initiatives, including investments in hydro, wind and geothermal energy," and will accelerate its initiative to

develop and build energy infrastructure in North America.

EdF and Constellation recently formed a joint venture called UniStar to build nuclear-power plants in the U.S. As part of the deal, the French company had previously agreed to cap its investment in Constellation at below 10%.

In addition to a commodities-trading business that generates 20% of its profit, Constellation owns a large fleet of power plants in the eastern U.S. and Baltimore Gas & Electric Co.

Investors have feared Constellation's commodities-trading business might seize up if it loses important credit facilities. The trading business requires large sums of money to back contracts. Constellation's collateral requirements more than doubled to \$4.4 billion at the end of August from \$1.9 billion in July 2007, according to company filings.

Constellation has sought to reassure investors with little apparent success, first saying it had only limited exposure to brokerage Lehman Brothers Holdings Inc. -- which Monday filed for bankruptcy -- and adequate liquidity to meet its needs.

Fears of continued fallout from the credit crisis have dragged down shares of Constellation and several other U.S. firms with merchant power operations including Sempra Energy, Calpine Corp., Edison International and AES Corp. These stocks have fallen far less than Constellation, however.

—David Gauthier-Villars, Geraldine Amiel, Will Horobin and Rebecca Smith contributed to this article.

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