CH ENERGY GROUP, INC.

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CENTRAL HUDSON GAS & ELECTRIC CORP.

QUARTERLY FINANCIAL REPORT

for the period ended

SEPTEMBER 30, 2022

QUARTER ENDED SEPTEMBER 30, 2022

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CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating Revenues				
Electric	$ 184,134	$ 158,630	$ 566,756	$ 450,387
Natural gas	24,417	20,037	159,741	121,784
Total Operating Revenues	208,551	178,667	726,497	572,171
Operating Expenses				
Operation:				
Purchased electricity	58,733	46,750	212,847	127,405
Purchased natural gas	5,077	3,267	59,132	34,139
Other expenses of operation - regulated activities	83,775	84,002	273,220	243,347
Other expenses of operation - non-regulated	32	37	101	121
Depreciation and amortization	20,099	18,132	60,525	53,916
Taxes, other than income tax	18,427	16,578	58,993	55,261
Total Operating Expenses	186,143	168,766	664,818	514,189
Operating Income	22,408	9,901	61,679	57,982
Other Income and Deductions				
Income from unconsolidated affiliates	655	496	1,913	1,446
Interest on regulatory assets and other interest income	684	586	2,217	2,313
Regulatory adjustments for interest costs	(49)	(190)	(408)	(553)
Non-service cost components of pension and other post-employment benefits ("OPEB")	9,791	5,226	29,373	15,677
Other - net	(584)	837	539	1,888
Total Other Income	10,497	6,955	33,634	20,771
Interest Charges				
Interest on long-term debt	9,711	8,491	28,671	25,437
Interest on regulatory liabilities and other interest	368	470	1,324	2,090
Total Interest Charges	10,079	8,961	29,995	27,527
Income Before Income Taxes	22,826	7,895	65,318	51,226
Income Tax Expense	4,665	1,120	13,682	8,557
Net Income	$ 18,161	$ 6,775	$ 51,636	$ 42,669

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Net Income	$ 18,161	$ 6,775	$ 51,636	$ 42,669
Other Comprehensive Income:				
Employee future benefits - net of tax expense	3	36	11	107
Comprehensive Income	$ 18,164	$ 6,811	$ 51,647	$ 42,776

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30, 2022	2021
Operating Activities:		
Net income	$ 51,636	$ 42,669
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	47,131	44,056
Amortization	13,394	9,860
Deferred income taxes - net	13,642	7,268
Uncollectible expense	6,008	5,305
Undistributed equity in earnings of unconsolidated affiliates	18	(1,366)
Pension expense	(5,306)	1,583
OPEB credit	(5,341)	(4,332)
Regulatory liability - rate moderation	(1,322)	(9,224)
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	(35)	23,566
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	(61,333)	(8,328)
Fuel, materials and supplies	(5,904)	(475)
Special deposits and prepayments	(13,155)	(5,218)
Income and other taxes	(21)	1,085
Accounts payable	(8,562)	(299)
Accrued interest	3,533	2,836
Customer advances	(737)	(405)
Other advances	(8,320)	8,648
Pension plan contribution	(1,106)	(1,106)
OPEB contribution	(528)	(812)
Regulatory asset - RDM refunded	(3,230)	(27,090)
Regulatory asset - major storm	(32,890)	(8,573)
Regulatory asset - site investigation and remediation ("SIR")	5,315	3,819
Regulatory asset - arrears management program and uncollectible write offs	(5,010)	-
Regulatory liability - energy efficiency programs including clean energy fund	(7,674)	(13,124)
Regulatory asset - rate adjustment mechanisms ("RAM")	10,182	7,700
Regulatory asset - deferred natural gas and electric costs	(43,126)	(7,841)
Other - net	3,772	19,550
Net cash provided from operating activities	(48,969)	89,752
Investing Activities:		
Additions to utility plant	(165,539)	(167,093)
Proceeds from sale of assets	4,574	-
Other - net	(3,475)	(7,790)
Net cash used in investing activities	(164,440)	(174,883)
Financing Activities:		
Repayment of long-term debt	(24,366)	(45,053)
Proceeds from issuance of long-term debt	220,000	75,000
Net change in short-term borrowings	3,000	55,000
Capital contribution	55,168	9,396
Other - net	(1,159)	(416)
Net cash provided from financing activities	252,643	93,927
Net Change in Cash, Cash Equivalents and Restricted Cash	39,234	8,796
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	18,129	12,807
Cash, Cash Equivalents and Restricted Cash at End of Period	$ 57,363	$ 21,603
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	$ 24,555	$ 21,664
Federal and state income taxes paid (refunded), net	$ 1,750	$ 231
Non-Cash Operating Activities:		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 85	$ 387
Non-Cash Investing Activities:		
Accrued capital expenditures	$ 11,715	$ 18,964

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)
(In Thousands)

	September 30, 2022	December 31, 2021	September 30, 2021
ASSETS			
Utility Plant (Note 3)			
Electric	$ 1,751,050	$ 1,687,291	$ 1,667,406
Natural gas	765,906	734,165	718,892
Common	447,653	425,970	407,384
Gross Utility Plant	2,964,609	2,847,426	2,793,682
Less: Accumulated depreciation	691,858	649,513	645,948
Net	2,272,751	2,197,913	2,147,734
Construction work in progress	137,502	118,182	120,574
Net Utility Plant	2,410,253	2,316,095	2,268,308
Non-utility property & plant	524	524	524
Net Non-Utility Property & Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	52,560	7,339	9,726
Accounts receivable from customers - net of allowance for uncollectible accounts of $9.5 million, $9.7 million and $10.1 million, respectively (Note 2)	175,762	120,600	87,312
Accounts receivable - affiliates (Note 17)	150	1,390	598
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $1.7 million, $1.5 million and $1.1 million, respectively (Note 2)	19,367	25,378	19,125
Other receivables	24,835	17,421	12,895
Fuel, materials and supplies (Note 1)	30,020	24,116	24,152
Regulatory assets (Note 4)	125,323	78,849	55,953
Income tax receivable	721	671	-
Fair value of derivative instruments (Note 15)	5,444	1,768	13,708
Special deposits and prepayments	49,363	36,208	37,429
Total Current Assets	483,545	313,740	260,898
Deferred Charges and Other Assets			
Regulatory assets - deferred pension costs (Note 4)	-	-	1,434
Regulatory assets - other (Note 4)	186,147	174,483	171,083
Prefunded pension costs (Note 11)	74,673	70,222	-
Prefunded OPEB costs (Note 11)	33,964	30,480	9,317
Investments in unconsolidated affiliates (Note 6)	21,498	15,252	12,940
Other investments (Note 16)	54,074	56,875	57,549
Other	12,441	18,988	20,474
Total Deferred Charges and Other Assets	382,797	366,300	272,797
Total Assets	$ 3,277,119	$ 2,996,659	$ 2,802,527

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (CONT'D) (UNAUDITED)
(In Thousands, except share amounts)

	September 30, 2022	December 31, 2021	September 30, 2021
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 9)			
CH Energy Group Common Shareholders' Equity			
Common Stock (30,000,000 shares authorized: $0.01 par value; 15,961,400 shares issued and outstanding)	$ 160	$ 160	$ 160
Paid-in capital	488,970	433,802	433,802
Retained earnings	556,937	505,301	474,017
Accumulated other comprehensive income (loss)	30	19	(54)
Total Equity	1,046,097	939,282	907,925
Long-term debt (Note 10)			
Principal amount	1,125,113	906,146	852,144
Unamortized debt issuance costs	(5,959)	(5,139)	(4,927)
Net long-term debt	1,119,154	901,007	847,217
Total Capitalization	2,165,251	1,840,289	1,755,142
Current Liabilities			
Current maturities of long-term debt (Note 10)	2,031	25,364	25,300
Short-term borrowings (Note 8)	110,000	107,000	70,000
Accounts payable	46,990	64,722	58,489
Accounts payable - affiliates (Note 17)	437	-	-
Accrued interest	11,718	8,185	10,450
Accrued vacation and payroll	11,364	11,590	12,072
Customer advances	17,368	18,105	14,888
Customer deposits	7,145	7,539	7,714
Regulatory liabilities (Note 4)	77,924	63,456	90,133
Fair value of derivative instruments (Note 15)	6,822	7,563	-
Accrued environmental remediation costs (Note 13)	2,415	5,900	9,032
Accrued income and other taxes	-	-	620
Other current liabilities	32,644	37,294	41,512
Total Current Liabilities	326,858	356,718	340,210
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	92,038	90,934	-
Regulatory liabilities - deferred OPEB costs (Note 4)	28,610	31,032	11,542
Regulatory liabilities - other (Note 4)	271,341	272,555	286,219
Operating reserves	4,071	5,006	5,250
Accrued environmental remediation costs (Note 13)	70,004	65,753	63,395
Accrued pension costs (Note 11)	-	-	23,283
Other liabilities	35,934	48,373	50,612
Total Deferred Credits and Other Liabilities	501,998	513,653	440,301
Accumulated Deferred Income Tax	283,012	285,999	266,874
Commitments and Contingencies			
Total Capitalization and Liabilities	$ 3,277,119	$ 2,996,659	$ 2,802,527

The accompanying notes are an integral part of these condensed financial statements.

CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)
(In Thousands, except share amounts)

	Nine Months Ended September 30, 2022					
	Common Stock					
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2021	15,961,400	$ 160	$ 433,802	$ 505,301	$ 19	$ 939,282
Net income				25,576		25,576
Capital contribution			29,300			29,300
Employee future benefits, net of tax					4	4
Balance at March 31, 2022	15,961,400	$ 160	$ 463,102	$ 530,877	$ 23	$ 994,162
Net income				7,899		7,899
Contribution from Parent - tax sharing agreement			868			868
Capital contribution			25,000			25,000
Employee future benefits, net of tax					4	4
Balance at June 30, 2022	15,961,400	$ 160	$ 488,970	$ 538,776	$ 27	$ 1,027,933
Net income				18,161		18,161
Employee future benefits, net of tax					3	3
Balance at September 30, 2022	15,961,400	$ 160	$ 488,970	$ 556,937	$ 30	$ 1,046,097

	Nine Months Ended September 30, 2021					
	Common Stock					
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2020	15,961,400	$ 160	$ 424,406	$ 431,348	$ (161)	$ 855,753
Net income				31,093		31,093
Contribution from Parent - tax sharing agreement			4,996			4,996
Employee future benefits, net of tax					35	35
Balance at March 31, 2021	15,961,400	$ 160	$ 429,402	$ 462,441	$ (126)	$ 891,877
Net income				4,801		4,801
Employee future benefits, net of tax					36	36
Balance at June 30, 2021	15,961,400	$ 160	$ 429,402	$ 467,242	$ (90)	$ 896,714
Net income				6,775		6,775
Capital contribution			4,400			4,400
Employee future benefits, net of tax					36	36
Balance at September 30, 2021	15,961,400	$ 160	$ 433,802	$ 474,017	$ (54)	$ 907,925

*Accumulated other comprehensive income (loss)

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED STATEMENT OF INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating Revenues				
Electric	$ 184,134	$ 158,630	$ 566,756	$ 450,387
Natural gas	24,417	20,037	159,741	121,784
Total Operating Revenues	208,551	178,667	726,497	572,171
Operating Expenses				
Operation:				
Purchased electricity	58,733	46,750	212,847	127,405
Purchased natural gas	5,077	3,267	59,132	34,139
Other expenses of operation	83,775	84,002	273,220	243,347
Depreciation and amortization	20,099	18,132	60,525	53,916
Taxes, other than income tax	18,412	16,568	58,947	55,234
Total Operating Expenses	186,096	168,719	664,671	514,041
Operating Income	22,455	9,948	61,826	58,130
Other Income and Deductions				
Interest on regulatory assets and other interest income	684	586	2,217	2,313
Regulatory adjustments for interest costs	(49)	(190)	(408)	(553)
Non-service cost components of pension and OPEB	9,798	5,233	29,394	15,699
Other - net	(589)	861	478	1,901
Total Other Income	9,844	6,490	31,681	19,360
Interest Charges				
Interest on long-term debt	9,580	8,327	28,246	24,917
Interest on regulatory liabilities and other interest	368	470	1,325	2,090
Total Interest Charges	9,948	8,797	29,571	27,007
Income Before Income Taxes	22,351	7,641	63,936	50,483
Income Tax Expense	4,486	944	13,155	8,046
Net Income	$ 17,865	$ 6,697	$ 50,781	$ 42,437

CENTRAL HUDSON
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net Income	$ 17,865	$ 6,697	$ 50,781	$ 42,437
Other Comprehensive Income:				
Employee future benefits - net of tax expense	3	36	11	107
Comprehensive Income	$ 17,868	$ 6,733	$ 50,792	$ 42,544

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)
(In Thousands)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Operating Activities:		
Net income	$ 50,781	$ 42,437
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation	47,131	44,056
Amortization	13,394	9,860
Deferred income taxes - net	13,232	6,975
Uncollectible expense	6,008	5,305
Pension expense	(5,306)	1,583
OPEB credit	(5,341)	(4,332)
Regulatory liability - rate moderation	(1,322)	(9,224)
Regulatory asset - RDM recorded	(35)	23,566
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	(62,682)	(8,954)
Fuel, materials and supplies	(5,904)	(475)
Special deposits and prepayments	(13,155)	(5,218)
Income and other taxes	69	1,071
Accounts payable	(8,809)	752
Accrued interest	3,404	2,673
Customer advances	(737)	(405)
Other advances	(8,320)	8,648
Pension plan contribution	(1,106)	(1,106)
OPEB contribution	(528)	(812)
Regulatory asset - RDM refunded	(3,230)	(27,090)
Regulatory asset - major storm	(32,890)	(8,573)
Regulatory asset - SIR	5,315	3,819
Regulatory asset - arrears management program and uncollectible write offs	(5,010)	-
Regulatory liability - energy efficiency programs including clean energy fund	(7,674)	(13,124)
Regulatory asset - RAM	10,182	7,700
Regulatory asset - deferred natural gas and electric costs	(43,126)	(7,841)
Other - net	6,964	20,229
Net cash provided from operating activities	(48,695)	91,520
Investing Activities:		
Additions to utility plant	(165,539)	(167,093)
Proceeds from sale of assets	4,574	-
Other - net	2,677	(5,550)
Net cash used in investing activities	(158,288)	(172,643)
Financing Activities:		
Repayment of long-term debt	(23,400)	(44,150)
Proceeds from issuance of long-term debt	220,000	75,000
Net change in short-term borrowings	3,000	55,000
Capital contribution	46,000	6,000
Other - net	(1,159)	(416)
Net cash provided from financing activities	244,441	91,434
Net Change in Cash, Cash Equivalents and Restricted Cash	37,458	10,311
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	14,541	5,194
Cash, Cash Equivalents and Restricted Cash - End of Period	$ 51,999	$ 15,505
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	$ 24,258	$ 21,306
Federal and state income taxes paid/(refunded), net	$ 1,496	$ 604
Non-Cash Operating Activities:		
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ 85	$ 387
Non-Cash Investing Activities:		
Accrued capital expenditures	$ 11,715	$ 18,964

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED BALANCE SHEET (UNAUDITED)
(In Thousands)

	September 30, 2022	December 31, 2021	September 30, 2021
ASSETS			
Utility Plant (Note 3)			
Electric	$ 1,751,050	$ 1,687,291	$ 1,667,406
Natural gas	765,906	734,165	718,892
Common	447,653	425,970	407,384
Gross Utility Plant	2,964,609	2,847,426	2,793,682
Less: Accumulated depreciation	691,858	649,513	645,948
Net	2,272,751	2,197,913	2,147,734
Construction work in progress	137,502	118,182	120,574
Net Utility Plant	2,410,253	2,316,095	2,268,308
Non-Utility Property and Plant	524	524	524
Net Non-Utility Property and Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	47,196	3,751	3,628
Accounts receivable from customers - net of allowance for uncollectible accounts of $9.5 million, $9.7 million and $10.1 million, respectively (Note 2)	175,762	120,600	87,312
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of $1.7 million, $1.5 million and $1.1 million, respectively (Note 2)	19,367	25,378	19,125
Other receivables	24,985	17,493	12,958
Fuel, materials and supplies (Note 1)	30,020	24,116	24,152
Regulatory assets (Note 4)	125,323	78,849	55,953
Fair value of derivative instruments (Note 15)	5,444	1,768	13,708
Special deposits and prepayments	49,363	36,208	37,429
Total Current Assets	477,460	308,163	254,265
Deferred Charges and Other Assets			
Regulatory assets - deferred pension costs (Note 4)	-	-	1,434
Regulatory assets - other (Note 4)	186,147	174,483	171,083
Prefunded pension costs (Note 11)	74,873	70,454	-
Prefunded OPEB costs (Note 11)	33,964	30,480	9,317
Other investments	53,201	55,896	56,557
Other	12,440	18,988	20,473
Total Deferred Charges and Other Assets	360,625	350,301	258,864
Total Assets	$ 3,248,862	$ 2,975,083	$ 2,781,961

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED BALANCE SHEET (CONT'D) (UNAUDITED)
(In Thousands, except share amounts)

	September 30, 2022	December 31, 2021	September 30, 2021
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 9)			
Common Stock (30,000,000 shares authorized: $5 par value; 16,862,087 shares issued and outstanding)	$ 84,311	$ 84,311	$ 84,311
Paid-in capital	326,452	280,452	280,452
Accumulated other comprehensive income (loss)	30	19	(54)
Retained earnings	622,802	572,021	540,835
Capital stock expense	(4,633)	(4,633)	(4,633)
Total Equity	1,028,962	932,170	900,911
Long-term debt (Note 10)			
Principal amount	1,119,400	899,400	844,400
Unamortized debt issuance costs	(5,929)	(5,102)	(4,887)
Net long-term debt	1,113,471	894,298	839,513
Total Capitalization	2,142,433	1,826,468	1,740,424
Current Liabilities			
Current maturities of long-term debt (Note 10)	-	23,400	23,400
Short-term borrowings (Note 8)	110,000	107,000	70,000
Accounts payable	47,790	65,332	59,365
Accrued interest	11,564	8,160	10,258
Accrued vacation and payroll	11,364	11,590	12,072
Customer advances	17,368	18,105	14,888
Customer deposits	7,145	7,539	7,714
Regulatory liabilities (Note 4)	77,924	63,456	90,133
Fair value of derivative instruments (Note 15)	6,822	7,563	-
Accrued environmental remediation costs (Note 13)	2,415	5,900	9,032
Accrued income and other taxes	38	-	1,071
Other current liabilities	31,596	34,924	39,632
Total Current Liabilities	324,026	352,969	337,565
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	92,038	90,934	-
Regulatory liabilities - deferred OPEB costs (Note 4)	28,610	31,032	11,542
Regulatory liabilities - other (Note 4)	271,341	272,555	286,219
Operating reserves	4,071	5,006	5,250
Accrued environmental remediation costs (Note 13)	70,004	65,753	63,395
Accrued pension costs (Note 11)	-	-	23,051
Other liabilities	34,889	45,491	48,506
Total Deferred Credits and Other Liabilities	500,953	510,771	437,963
Accumulated Deferred Income Tax (Note 5)	281,450	284,875	266,009
Commitments and Contingencies			
Total Capitalization and Liabilities	$ 3,248,862	$ 2,975,083	$ 2,781,961

The accompanying notes are an integral part of these condensed financial statements.

CENTRAL HUDSON
CONDENSED STATEMENT OF EQUITY (UNAUDITED)
(In Thousands, except share amounts)

	Nine Months Ended September 30, 2022						
	Common Stock						
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2021	16,862,087	$ 84,311	$ 280,452	$ (4,633)	$ 572,021	$ 19	$ 932,170
Net income					25,290		25,290
Capital contribution			21,000				21,000
Employee future benefits, net of tax						4	4
Balance at March 31, 2022	16,862,087	$ 84,311	$ 301,452	$ (4,633)	$ 597,311	$ 23	$ 978,464
Net income					7,626		7,626
Capital contribution			25,000				25,000
Employee future benefits, net of tax						4	4
Balance at June 30, 2022	16,862,087	$ 84,311	$ 326,452	$ (4,633)	$ 604,937	$ 27	$ 1,011,094
Net income					17,865		17,865
Employee future benefits, net of tax						3	3
Balance at September 30, 2022	16,862,087	$ 84,311	$ 326,452	$ (4,633)	$ 622,802	$ 30	$ 1,028,962

	Nine Months Ended September 30, 2021						
	Common Stock						
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	AOCI*	Total Equity
Balance at December 31, 2020	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 498,398	$ (161)	$ 852,367
Net income					31,015		31,015
Employee future benefits, net of tax						35	35
Balance at March 31, 2021	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 529,413	$ (126)	$ 883,417
Net income					4,725		4,725
Employee future benefits, net of tax						36	36
Balance at June 30, 2021	16,862,087	$ 84,311	$ 274,452	$ (4,633)	$ 534,138	$ (90)	$ 888,178
Net income					6,697		6,697
Capital contribution			6,000				6,000
Employee future benefits, net of tax						36	36
Balance at September 30, 2021	16,862,087	$ 84,311	$ 280,452	$ (4,633)	$ 540,835	$ (54)	$ 900,911

*Accumulated other comprehensive income (loss)

The accompanying notes are an integral part of these condensed financial statements.

NOTE 1 – Summary of Significant Accounting Policies

Corporate Structure

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Electric Transmission LLC ("CHET"), Central Hudson Enterprises Corporation ("CHEC") and Central Hudson Gas Transmission LLC ("CHGT"). CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), which is a leader in the North American regulated electric and gas utility industry. Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its 6.1% ownership interest in New York Transco LLC ("Transco"). CHGT was formed to hold CH Energy Group's ownership stake in possible gas transmission pipeline opportunities in New York State. As of September 30, 2022, there has been no activity in CHGT. CHEC had ownership interests in certain non-regulated subsidiaries that are less than 100% owned; at September 30, 2022 the value of the investments is $0.

Basis of Presentation

This Quarterly Financial Report is a combined report of CH Energy Group and Central Hudson. The Notes to the Condensed Consolidated Financial Statements apply to both CH Energy Group and Central Hudson. CH Energy Group's Condensed Consolidated Financial Statements include the accounts of CH Energy Group and its wholly owned subsidiaries, which include Central Hudson, CHET, CHGT and CHEC. All intercompany balances and transactions have been eliminated in consolidation.

The Condensed Consolidated Financial Statements of CH Energy Group and Condensed Financial Statements of Central Hudson are unaudited but, in the opinion of management, reflect all normal recurring adjustments, necessary for a fair statement of the results for the interim periods presented. These unaudited Quarterly Condensed Financial Statements do not contain all footnote disclosures concerning accounting policies and other matters, which are included in the December 31, 2021 audited Financial Statements and, accordingly, should be read in conjunction with the Notes thereto. The balance sheets of CH Energy Group and Central Hudson as of September 30, 2021 are included for supplemental information.

The Quarterly Condensed Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which for regulated utilities, includes specific accounting guidance for regulated operations. The same accounting policies are used to prepare both the quarterly and the annual financial statements.

Preparation of the financial statements in accordance with GAAP includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities and the disclosures of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Current estimates as of and for the period ended September 30, 2022 reflect management's best assumptions at this time. As with all estimates, actual results may differ from those estimated.

Estimates are also reflected for certain commitments and contingencies where there is sufficient basis to project a future obligation. Disclosures related to these certain commitments and contingencies are included in Note 13 - "Commitments and Contingencies."

Regulatory Accounting Policies

Central Hudson is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Regulatory accounting guidance results in differences in the application of GAAP between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Regulated utilities, such as Central Hudson, defer costs and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those costs and revenues will be recoverable/refundable through the rate-making process in a period different from when they otherwise would have been reflected in income. For Central Hudson, these deferred regulatory assets and liabilities, and the related deferred taxes, are recovered from or reimbursed to customers either by offset as directed by the New York State Public Service Commission ("PSC" or "Commission"), through an approved surcharge mechanism or through incorporation in the determination of the revenue requirement used to set new rates. Changes in regulatory assets and liabilities are reflected in the Condensed Consolidated Statement of Income either in the period in which the amounts are recovered through a surcharge, are reflected in rates or when criteria for recording the revenues are met. Current accounting practices reflect the regulatory accounting authorized in Central Hudson's most recent Rate Orders. On June 14, 2018, the PSC issued an Order Approving Rate Plan in Cases 17-E-0459 and 17-G-0460 (the "2018 Rate Order") and on November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429 (the "2021 Rate Order"). See Note 4 – "Regulatory Matters" for additional information regarding regulatory accounting.

Management periodically assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders applicable to Central Hudson and other regulated entities, and the status of any pending or potential deregulation legislation. Based on this assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off, which would materially impact earnings. Additionally, the regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.

Seasonality

Central Hudson's operations are seasonal in nature and weather-sensitive and, as a result, financial results for interim periods are not necessarily indicative of trends for a twelve-month period. Demand for electricity typically peaks during the summer, while demand for natural gas typically peaks during the winter.

Restricted Cash

Restricted cash primarily consists of cash collected from developers and held in escrow related to a System Deliverability Upgrade project pursuant to terms and conditions of the New York Independent System Operator's ("NYISO") Open Access Transmission Tariff ("OATT").

The following tables provide a reconciliation of cash, cash equivalents and restricted cash reported on the Balance Sheets for CH Energy Group and Central Hudson that sum to the total of the same such amounts shown in the corresponding Statements of Cash Flows.

CH Energy Group

(In Thousands)

	September 30, 2022	September 30, 2021
Cash and cash equivalents	$ 52,560	$ 9,726
Restricted cash included in other long-term assets	4,803	11,877
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 57,363	$ 21,603

Central Hudson
(In Thousands)

	September 30, 2022	September 30, 2021
Cash and cash equivalents	$ 47,196	$ 3,628
Restricted cash included in other long-term assets	4,803	11,877
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 51,999	$ 15,505

Accounts Receivable and Allowance for Uncollectible Accounts

Receivables and unbilled utility revenues are carried at net realizable value based on the allowance for credit losses model. The accounts receivable balance also reflects Central Hudson’s purchase of receivables from energy service companies to support the retail choice programs. The allowance for uncollectible accounts reflects management’s best estimate of expected credit losses to reduce accounts receivable for amounts estimated to be uncollectible. Estimates for uncollectible accounts are based on accounts receivable aging data, as well as consideration of various quantitative and qualitative factors, including special collection issues and current and forecasted economic conditions. Interest can be charged on accounts receivable balances that have been outstanding for more than 20 days. See Note 2 – “Revenues and Receivables” for a discussion of the impact of the Coronavirus pandemic (“COVID-19”) on interest charges and other revenue.

Financial Instruments

CH Energy Group and Central Hudson use reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. At September 30, 2022, December 31, 2021, and September 30, 2021 there were no expected credit losses on financial instruments other than those on accounts receivable and unbilled utility revenues.

Fuel, Materials & Supplies

The following is a summary of CH Energy Group’s and Central Hudson’s inventory of Fuel, Materials & Supplies valued using the average cost method (In Thousands):

	September 30, 2022	December 31, 2021	September 30, 2021
Fuel used in electric generation	547	491	437
Materials and supplies	29,473	23,625	23,715
Total	$ 30,020	$ 24,116	$ 24,152

Effective August 1, 2020 Central Hudson entered into an Asset Management Agreement (“AMA”) with a third party related to its natural gas transport and storage capacity. Central Hudson continues to make purchases of natural gas in advance of the peak winter season to hedge against price volatility for its customers. However, based on the terms of the agreement, the third party will maintain control and title over the physical gas in storage until the end of the contract term. Amounts related to the AMA are recorded in “Special deposits and prepayments” in CH Energy Group’s and Central Hudson’s Balance Sheets.

Reclassification

Certain amounts shown in Note 4 – “Regulatory Matters” related to prior year, have been reclassified to conform to the 2022 presentation. These reclassifications had no effect on the reported results of operations.

Note 2 - Revenues and Receivables

Central Hudson disaggregates revenue by segment (electric and natural gas operations) and by revenue type (revenue from contract with customers, alternative revenue programs and other revenue).

Revenue from Contracts with Customers

Central Hudson records revenue as electricity and natural gas is delivered based on either the customers’ meter read or estimated usage for the month. For full-service customers, this includes delivery and supply of electricity and natural gas. For retail choice customers, this includes delivery only as these customers purchase supply from a retail marketer. Sales and usage-based taxes are excluded from revenues. Consideration received from customers on a billing schedule is not adjusted for the effect of a significant finance component because the period between a transfer of goods or services will be one year or less.

Alternative Revenues

Central Hudson’s alternative revenue programs include: electric and natural gas RDMs, the electric and natural gas make whole provision and lost finance charges as established in the 2021 Rate Order, Gas Merchant Function Charge lost revenue, revenue requirement effect for incremental Leak Prone Pipe (“LPP”) miles replaced above the PSC targets and the revenue requirement effect for Gas Safety Ruling compliance. In addition, Central Hudson records alternative revenues related to Positive Revenue Adjustments and Earnings Adjustment Mechanism (“EAMs”) related to New York State clean energy goals, when prescribed targets are met.

Other Revenues

Other revenues consist of pole attachment rents, finance charges, miscellaneous fees and other revenue adjustments. Included in other revenue adjustments are changes to regulatory deferral balances to reverse the impact of refunds (collections) of previously recognized deferrals and Negative Revenue Adjustments (“NRAs”) pursuant to PSC Orders.

The following summary presents CH Energy Group’s and Central Hudson’s operating revenues disaggregated by segment and revenue source (In Thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Electric	2022	2021	2022	2021
Revenues from Contracts with Customers (ASC 606)	$ 174,421	$ 156,676	$ 559,124	$ 441,322
Alternative Revenues (Non ASC 606)	7,142	(8,287)	436	(27,609)
Other Revenue Adjustments (Non ASC 606)	2,571	10,241	7,196	36,674
Total Operating Revenues Electric	$ 184,134	$ 158,630	$ 566,756	$ 450,387
Natural Gas				
Revenues from Contracts with Customers (ASC 606)	$ 21,404	$ 19,706	$ 160,923	$ 124,063
Alternative Revenues (Non ASC 606)	2,967	1,336	4,327	4,125
Other Revenue Adjustments (Non ASC 606)	46	(1,005)	(5,509)	(6,404)
Total Operating Revenues Natural Gas	$ 24,417	$ 20,037	$ 159,741	$ 121,784

The quarter and year over year increase in electric and natural gas revenues from contracts with customers was primarily driven by higher billed purchased commodity costs. Further impacting these increases were higher delivery rates effective July 1, 2022, and higher surcharges when compared to 2021 due to the delayed Rate Case increase that was not approved and effective until December 1, 2021. The increases in billed purchased electric and natural gas do not impact earnings due to Regulatory Mechanisms and full deferral of commodity costs. However, these increases have contributed to increases in accounts receivable balances from customers, which is further discussed below.

The increase in electric alternative revenue programs quarter and year over year is due to lower actual billed revenues compared to the Rate Order prescribed targets and the recovery of suspended finance charges as approved in the 2021 Rate Order.

The quarter and year over year decrease in other electric revenue adjustments is due to lower customer credits for previously deferred revenues in excess of prescribed targets. Further impacting the year over year decrease are bill credit surcharges in the first half of 2022 when compared to bill credits issued to customers in 2021.

The quarter and year over year increase in natural gas alternative revenue programs and other natural gas revenue adjustments is due to the delay in the 2021 Rate Order rates which were not approved and in effect until December 1, 2021.

Allowance for Uncollectible Accounts

Accounts receivable are recorded net of an allowance for uncollectible accounts based on the allowance for credit losses model. A summary of all changes in the allowance for uncollectible accounts receivable and accrued unbilled utility revenue balance is as follows (In Thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at Beginning of Period	$ (11,200)	$ (11,200)	$ (11,200)	$ (10,400)
Uncollectible expense	(1,808)	(1,417)	(6,008)	(5,305)
Uncollectible write-off deferral	(2,350)	-	(2,350)	-
Uncollectible write-offs (recoveries) - net	4,158	1,417	8,358	4,505
Balance at End of Period	$ (11,200)	$ (11,200)	$ (11,200)	$ (11,200)

Accounts receivable balances from customers overall have continued to increase in the current period, not only in the current and 30-day past due categories, but also during the third quarter within arrears that are greater than 60 days past due. Growth in arrears began with the suspension of collection efforts required during COVID, which impacted customers' payment behavior. This has been further compounded by increased commodity prices, higher seasonal winter energy usage in the first quarter and a significant effort to bill customers to current after billing delays initially experienced following the implementation of a new Customer Information System ("CIS"). Management conducted quantitative and qualitative assessments of the allowance including consideration of the differences in the current customers with arrears compared to past history, differences in payment behaviors of customers, including past economic factors impacting payment behavior compared to the current economic environment, as well as legislative and governmental actions taken to provide relief and assistance to customers financially impacted by the COVID-19 pandemic. Central Hudson continues to proactively contact customers regarding past due balances to advise them of financial assistance programs available and is also working with local agencies and municipalities to obtain funding for its customers which have been made available through federal and state programs. On June 16, 2022, the PSC approved Phase 1 of an Arrears Management Program in which residential utility customers who receive income-qualified government assistance for utility bills and other expenses and have past-due balances for service through May 1, 2022, will have those balances forgiven. For further details of this program see Note 4 – “Regulatory Matters-PSC Proceedings.” New York Joint Utilities are working with PSC Staff regarding a Phase 2 of the program which will apply to customers that were not eligible in Phase 1. Central Hudson has begun collection efforts for certain customers with large arrears balances through communications, urging payment and notifying customers that finance charges and termination efforts will be forthcoming. These efforts have generated some success with payments or payment arrangements. Central Hudson will continue its collections outreach, expanding the number of customers and commencing finance charges and termination efforts. Under the terms of the 2021 Rate Order, Central Hudson is authorized to defer bad debt write-offs if they exceed 10 basis points above the amounts billed to customers through delivery rates and applicable surcharges. Accounts written off as uncollectible in the quarter totaled $4.2 million, which exceeded 10 basis points above the amounts provided in rates and, as such, Central Hudson has deferred $2.4 million in uncollectible write offs and recorded $1.8 million as uncollectible bad debt expense in 2022. Based on the analysis and taking all qualitative factors into consideration, the Company concluded that the reserve level of $11.2 million should be maintained as of September 30, 2022. Clarity on Phase 2 arrears relief, along with the continued collection efforts, particularly termination for non-payment, will provide visibility as to the timeframe over which the arrears growth will be resolved. The increase in arrears has a corresponding growth in working capital needs to support the business which has resulted in additional borrowings as further discussed in Note 8 - "Short-Term Borrowing Arrangements" and Note 10 - "Capitalization - Long-Term Debt".

NOTE 3 – Utility Plant - Central Hudson

The following summarizes the type and amount of assets included in the electric, natural gas, and common categories of Central Hudson’s utility plant balances (In Thousands):

	Estimated Depreciable Life in Years	Utility Plant September 30, 2022	Utility Plant December 31, 2021	Utility Plant September 30, 2021
Electric:				
Production	25-95	$ 43,656	$ 43,719	$ 43,323
Transmission	30-90	466,608	449,054	445,550
Distribution	8-80	1,233,772	1,187,608	1,171,623
Other	40	7,014	6,910	6,910
Total		$ 1,751,050	$ 1,687,291	$ 1,667,406
Natural Gas:				
Transmission	19-85	$ 64,753	$ 63,284	$ 61,769
Distribution	28-95	700,711	670,439	656,681
Other	N/A	442	442	442
Total		$ 765,906	$ 734,165	$ 718,892
Common:				
Land and Structures	50	$ 113,715	$ 113,200	$ 108,774
Office and Other Equipment, Radios and Tools	8-35	89,878	85,404	85,651
Transportation Equipment	10-12	80,630	78,349	79,265
Other	3-15	163,430	149,017	133,694
Total		$ 447,653	$ 425,970	$ 407,384
Gross Utility Plant		$ 2,964,609	$ 2,847,426	$ 2,793,682

For the three months ended September 30, 2022 and 2021, the borrowed component of funds used during construction and recorded as a reduction of interest expense was $1.2 and $0.4 million and the equity component reported as other (expense) income was ($0.7) million and $0.8 million, respectively. For the nine months ended September 30, 2022 and 2021, the borrowed component of funds used during construction and recorded as a reduction of interest expense was $1.9 million and $1.2 million, respectively. For 2022, the Allowance for Funds Used During Construction ("AFUDC") rate was updated for the nine months ended September 30, 2022. As a result, the allocation of AFUDC is being funded through short-term borrowings, rather than funding through both equity and debt. The equity component reported as other income was $2.7 million for the nine months ended September 30, 2021.

Included in the Net Utility Plant balances of $2.4 billion at September 30, 2022, and $2.3 billion at December 31, 2021 and September 30, 2021 was $194.1 million, $181.0 million and $167.9 million of intangible utility plant assets, comprised primarily of computer software costs, land, transmission and water rights and the related accumulated amortization of $91.9 million, $78.5 million and $74.6 million, respectively.

As of September 30, 2022, December 31, 2021 and September 30, 2021, Central Hudson has reclassified from utility plant assets $47.0 million, $42.8 million and $42.7 million, respectively, of cost of removal recovered through the rate-making process in excess of amounts incurred to date as a regulatory liability.

Asset Retirement Obligations ("AROs") for Central Hudson were approximately $3.1 million as of September 30, 2022, and at December 31, 2021 and $1.9 million at September 30, 2021. These amounts have been classified in the above chart under "Electric - Other" and "Common - Other" based on the nature of the ARO and are reflected as "Other - long-term liabilities" in the CH Energy Group and Central Hudson Balance Sheets.

NOTE 4 – Regulatory Matters

Summary of Regulatory Assets and Liabilities

Based on previous, existing or expected regulatory orders or decisions, the following table sets forth amounts that are expected to be recovered from, or refunded to customers in future periods (In Thousands):

	September 30, 2022	December 31, 2021	September 30, 2021
Regulatory Assets:			
Deferred purchased electric costs (Note 1)	$ 61,481	$ 17,319	$ 13,742
Deferred purchased natural gas costs (Note 1)	7,021	8,057	2,022
Deferred unrealized losses on derivatives - electric and natural gas (Note 15)	6,822	7,563	-
RAM - electric and carrying charges	7,717	15,258	7,100
RAM - natural gas and carrying charges	1,285	3,397	2,876
EAMs - electric	2,303	3,570	2,860
SC 8 Street Lighting and carrying charges	-	-	2,413
RDM and carrying charges - electric	3,413	-	-
RDM and carrying charges - natural gas	2,903	2,942	1,468
Energy efficiency programs and carrying charges	25,288	16,819 (2)	11,572 (2)
Revenue requirement of LPP replacement and carrying charges	930	-	4,204
Deferred pension costs (Note 11)	-	-	1,434
Demand management programs and carrying charges	7,832	8,809	9,678
Deferred and accrued costs - SIR (Note 13) and carrying charges	71,551	76,032	78,416
Deferred storm costs and carrying charges	48,393	13,742	29,474
Deferred vacation pay accrual	9,579	9,753	10,593
Income taxes recoverable through future rates	13,665	35,784	27,981
Tax reform - unprotected impacts	23,733	23,733	13,464
COVID lost finance charge revenue and carrying charges	4,001	- (4)	-
Arrears management program and carrying charges	2,680	-	-
Uncollectible write offs and carrying charges	2,356	-	-
Other	8,517 (1)	10,554 (1)	9,173 (1)
Total Regulatory Assets	$ 311,470	$ 253,332	$ 228,470
Less: Current Portion of Regulatory Assets	$ 125,323	$ 78,849	$ 55,953

Total Long-term Regulatory Assets	$ 186,147	$ 174,483	$ 172,517	
Regulatory Liabilities:				
Rate moderator - electric and carrying charges	$ 19,638	$ 19,371	$ 9,631	
Rate moderator - natural gas and carrying charges	9,885	10,115	4,823	
RDM and carrying charges - electric	-	-	16,226	
Deferred unrealized gains on derivatives - electric and natural gas (Note 15)	5,444	1,768	13,708	
Clean Energy Fund and carrying charges	52,841	52,584	55,489	(2)
Tax reform - protected deferred tax liability	176,461	179,900	179,718	
Deferred cost of removal (Note 3)	47,005	42,794	42,664	
Deferred pension costs (Note 11)	92,038	90,934	-	
Deferred property taxes and carrying charges	4,017	-	1,320	
Income taxes refundable through future rates	7,067	9,027	13,648	
Deferred OPEB costs	28,610	31,032	11,542	
Low income program and carrying charges	4,546	5,289	6,816	
Net plant and depreciation targets	413	-	13,924	
Fast charging infrastructure program and carrying charges	5,450	5,455	5,385	
NRAs	2,597	-	1,638	(3)
Deferred unbilled revenue	5,082	5,082	5,082	
Utility Asset Sale to Transco and carrying charges	4,391	-	-	
Other	4,428 (1)	4,626 (1)	6,280	(1) (3)
Total Regulatory Liabilities	$ 469,913	$ 457,977	$ 387,894	
Less: Current Portion of Regulatory Liabilities	$ 77,924	$ 63,456	$ 90,133	
Total Long-term Regulatory Liabilities	$ 391,989	$ 394,521	$ 297,761	
Net Regulatory Liabilities	$ (158,443)	$ (204,645)	$ (159,424)	

(1) Other includes estimated netting on the balance sheet of certain regulatory asset carrying charges to be offset against regulatory liabilities and collected through Rate Case offset/RAM.

(2) In accordance with Order 18-M-0084, during 2021, accumulated Clean Energy Fund carrying charges of $4.7 million were transferred to fund Energy Efficiency Programs.

(3) Certain amounts included in Other related to prior periods, have been reclassified to conform to the September 30, 2022 presentation.

(4) The COVID Lost Finance Charges are recorded as a regulatory asset and are collected and transferred to the RAM on an annual basis.

Significant new regulatory assets and liabilities for 2022 include:

COVID Lost Finance Charge Revenue: This regulatory asset represents finance charge and reconnection fee revenues below the levels included in rates due to the impacts of the COVID-19 pandemic as prescribed in the 2021 Rate Order.

Arrears Reduction Program: This regulatory asset represents the deferral of amounts credited to low-income customers, net of funding from New York State, which is being collected through a surcharge effective August 1, 2022, as approved by the PSC in the under Case 20-M-0479.

Uncollectible Write Offs: This regulatory asset represents the deferral of uncollectible write offs above levels included in rates as they exceeded the threshold prescribed in the 2021 Rate Order.

Utility Asset Sale to Transco: This regulatory liability for the benefit of customers represents the proceeds recovered from the sale of a utility asset to Transco in accordance with Case 22-E-0077.

PSC Proceedings

2018 Rate Order / 2021 Rate Order

The 2018 Rate Order was effective July 1, 2018, with Rate Year ("RY") 1 through 3, when used in connection with the 2018 Rate Order, defined as the twelve months ending June 30, 2019, June 30, 2020, and June 30, 2021, respectively.

On June 11, 2020, the Commission issued an Order Postponing Approved Electric and Gas Delivery Rate Increases, which approved Central Hudson's petition to ease the financial impact on customers during the critical months of the COVID-19 pandemic. The Order postponed for three months Central Hudson's approved RY3 electric and natural gas delivery rate increase scheduled to take effect on July 1 to October 1, 2020, with the forgone revenues recovered over the remaining nine months of the rate year ending June 30, 2021. The Order also stated that no carrying charges would be applied to the delayed recovery of these revenues and that Central Hudson would adjust the RDM targets to be consistent with the delayed electric and natural gas delivery rate increase implementation.

The 2021 Rate Order adopts the terms set forth in the August 24, 2021 Joint Proposal. The 2021 Rate Order also fully resolves all issues associated with the Sales Tax Refund Proceeding (Case 20-M-0134). The 2021 Rate Order was effective December 1, 2021 and includes a make-whole provision that provides new rates to become effective retroactive to July 1, 2021, with RY1, RY2, and RY3 defined as the twelve months ending June 30, 2022, June 30, 2023, and June 30, 2024, respectively.

A summary of the key terms of the 2018 and 2021 Rate Orders are as follows:

	2018 Rate Order (dollars in millions)			2021 Rate Order (dollars in millions)		
Description	RY1	RY2	RY3	RY1	RY2	RY3
Electric delivery rate increase/(decrease)	$19.7	$18.6	$25.1	($3.1)	$19.5	$20.7
Natural gas delivery rate increases	$6.7	$6.7	$8.2	$4.7	$6.3	$6.4
Return on Equity	8.80%	8.80%	8.80%	9.00%	9.00%	9.00%
Earnings sharing	Yes(1)	Yes(1)	Yes(1)	Yes(2)	Yes(2)	Yes(2)
Capital structure – common equity	48%	49%	50%	50%	49%	48%
Bill Credits/(surcharge) - Electric	$6.0	$9.0	$11.0	($2.0)	$9.5	$21.5
Bill Credits - Natural Gas	$3.5	$4.0	$4.0	$0.8	$3.2	$5.6
RDMs – electric and natural gas	Yes	Yes	Yes	Yes	Yes	Yes

(1) Return on equity ("ROE") > 9.3% and up to 9.8%, is shared 50% to customers, > 9.8% and up to 10.3%, is shared 80% to customers, and > 10.3% is shared 90% to customers.

(2) ROE > 9.5% and up to 10.0%, is shared 50% to customers, > 10.0% and up to 10.5%, is shared 75% to customers, and > 10.5% is shared 90% to customers.

The 2021 Rate Order utilizes existing regulatory balances to reduce bill impacts for customers during the term of the agreement. The 2021 Rate Order also reflects a postponement of certain capital projects, as well as reductions to operations and maintenance ("O&M") costs to help manage customer bill impacts. The total electric revenue (decrease)/increase (after bill credits) is (0.2%), 1.2%, and 1.2% for RY1 through RY3, respectively, and the total natural gas revenue increase (after bill credits) is 1.9%, 1.8%, and 1.8% for RY1 through RY3, respectively. The rate plan also includes an allowed ROE of 9.0% and an equity ratio of 50%, 49% and 48% for RY1 through RY3, respectively.

The 2021 Rate Order:

- establishes the Company's future energy infrastructure investments, programs and operations;
- stabilizes electric delivery rates in the first year with a slight decrease for residential customers;

- reflects modest increases in gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson's Energy Affordability Program;
- reflects investments in clean energy efficiency ground and air-source electric heat pumps, electric vehicle charging, and system upgrades that support utilization of renewable sources;
- implements ten EAMs which reflect a maximum earnings potential of 100 basis points;
- maintains the current Customer Average Interruption Duration Index metric and reflects increasingly stringent System Average Interruption Frequency Index targets, continues and further enhances existing gas safety performance metrics and public safety programs, and includes higher performance requirements for Customer Service Performance Indicators with a net increase in total potential NRAs;
- provides Central Hudson with necessary resources to support ongoing O&M and necessary investments to reinforce electric and gas system reliability and resiliency through storm hardening, expanded vegetation management/tree trimming, continued investment for LPP replacement or elimination, and deployment of new technologies, as well as information technology systems to further protect against cyber security risks and;
- includes several deferrals that provide the Company authorization to defer COVID-19 Incremental O&M Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

<u>Agway Energy Services LLC ("Agway")</u>

On February 25, 2022, Agway filed a Petition for Declaratory Ruling and Corrective Action Plan Concerning Failure of Central Hudson Gas and Electric Corporation to provide accurate Electronic Data Interchange information or provide accurate client bills ("Petition"). Agway is a licensed Energy Service Company that supplies energy for approximately 1,035 customers in Central Hudson's service territory. The Petition alleges impacts to Agway's business related to Central Hudson's billing system transition and alleges violations of the Uniform Billing Practices ("UBP") and that Central Hudson breached the Billing Services Agreement ("BSA"). Agway requested that the PSC investigate these issues, declare violations, order that Central Hudson resolve these violations in a timely manner, appoint an independent monitor to oversee the resolution, disgorge incurred fees, and award compensatory damages.

On March 18, 2022, Central Hudson filed its Verified Motion to Dismiss and Opposition to the Petition of Agway for a Declaratory Ruling ("Motion"). The Motion argues that the Petition should be dismissed because it is not a proper Petition for Declaratory Ruling because it fails to seek a PSC interpretation to a statute or rule and is deficient because it fails to allege a specific violation of either the UBP or BSA. Central Hudson's Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC's jurisdiction to provide. Agway has submitted a filing requesting to enter mediation on this matter, including recurring meetings with both parties and Department of Public Service ("DPS") Staff. On June 24, 2022 the Company entered mediation with Agway and continues to hold bi-weekly meetings to discuss, investigate, and resolve issues.

<u>Low Income Energy Affordability & COVID-19 Proceeding</u>

On June 11, 2020, the PSC established a new proceeding, Case 20-M-0266, to identify and address the effects of the COVID-19 pandemic on utility service in New York State, including all entities subject to PSC jurisdiction or permitting authority. The proceeding included, but is not limited to, impacts on rate-setting, rate design, utility financial strength, low-income programs, collections, and termination of service ensuring the provision of safe and adequate service at just and reasonable rates in recognition of the ramifications from the COVID-19 pandemic and the extent to which the PSC's clean energy programs should be maintained or accelerated.

On April 7, 2022, $250 million was approved in the New York State budget to provide funding for utility arrears relief for customers eligible for energy affordability programs. The New York State Energy Affordability Policy ("EAP") Working Group developed and filed a report on May 23, 2022, which proposed a comprehensive arrears relief program for customers to be rolled out in two phases. Phase 1 would address all existing low-income customer's arrears and Phase 2 would be a broader program focused on arrears relief for residential customers that do not meet the definition of low-income, as well as some non-residential customers. On June 16, 2022, the PSC approved the "Phase 1" Bill Relief Program ("BRP"), whereby residential utility customers who receive income-qualified government assistance for utility bills and other expenses and have past-due balances for service through May 1, 2022, will have those balances forgiven. The Phase 1 program was funded in part through the $250 million in New York State relief, $2.9 million of which was dispersed to Central Hudson. The remainder of the program cost is being recovered through a temporary surcharge on utility bills through July 2023, not to exceed a 0.5% bill impact for residential customers. In August 2022, Central Hudson distributed approximately $5.9M in relief via bill credits to roughly 4,800 eligible customers. Additional bill credits will be processed as new customers become eligible for relief throughout the remainder of 2022. The EAP Working Group continues to work towards a Phase 2 Program proposal.

Central Hudson 2021 Financing Order

On November 18, 2021, the Commission approved the Company's request under Section 69 of the Public Service Law authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed $250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed $445.7 million, including $412 million for traditional utility purposes and up to $33.7 million to refinance its variable interest debt. Central Hudson filed a letter indicating its unconditional acceptance of the November 18, 2021 Order on December 6, 2021.

August 2020 Tropical Storm Isaias

On August 5, 2020, the New York State Governor instituted proceeding 20-01633 directing the Commission to initiate an investigation of certain New York State utilities' responses to Tropical Storm Isaias, which impacted Central Hudson's service territory on August 4, 2020. On November 19, 2020, DPS issued an interim Storm Report setting forth preliminary findings, including purported failures by the identified utilities to comply with their respective Commission approved Emergency Response Plans and Show Cause ("Show Cause Order") that initiated proceedings against Central Hudson and the other utilities. The Show Cause Order identified 32 apparent violations by Central Hudson, which, if established, could have resulted in up to $16 million of penalties. Central Hudson filed its response to the Show Cause Order on December 21, 2020. The Company performed a thorough investigation and, as indicated in its response, believed no penalty should be issued because the facts demonstrated that Central Hudson fully complied with its Commission-approved Emergency Response Plan, which served as the standard against which Central Hudson should be evaluated. On February 23, 2021, Central Hudson filed a Notice of Impending Settlement Negotiations. On July 7, 2021, Central Hudson and New York State DPS entered into a Settlement Agreement, which included a commitment by Central Hudson to establish a $1.5 million regulatory liability to be used by Central Hudson to support or advance storm restoration and/or electric system resiliency and reliability in excess of amounts funded by customers. The Commission approved the Settlement Agreement within the Order Granting Motion and Adopting Settlement Agreement on July 15, 2021. The Settlement Agreement does not include any finding or admission of any violation by Central Hudson, and it specifies that the settlement amount is not a penalty.

Federal Energy Regulatory Commission ("FERC") System Deliverability Upgrades Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for System Deliverability Upgrades ("SDU") being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, operation and maintenance of the SDU and a reasonable return on its investment. Project costs to be recovered by Central Hudson and allocated to the Load Serving Entities ("LSEs") pursuant to Rate Schedule 12 of the NYISO OATT are expected to be approximately $2.6 million plus operation, maintenance and other applicable costs and will be updated annually. Parties submitted an Offer of Settlement with the FERC on June 30, 2021, which included an updated ROE of 9.4% plus a 50 basis point adder for a total ROE of 9.9%. The settlement was certified as uncontested by the designated settlement judge on August 3, 2021 and was subsequently approved by FERC on October 4, 2021.

Sale of Utility Asset to Transco

On June 21, 2022, the PSC issued Order Authorizing the Transfer of Transmission Property and Easement Interest under Case 22-E-0077 and the recognition of any gains realized upon the transfer for the benefits of customers. The Order was approved to increase the power transfer capability from upstate to downstate New York. In the Order, the PSC authorized the transfer of easement interest covering real property associated with a 12-mile overhead 115 kV electric transmission line ("SL Line") and certain transmission property and equipment related to the Sugarloaf Switching Station and the SL Line, from Central Hudson to New York Transco LLC. On July 11, 2022, Central Hudson completed the sale of transmission property and easement interest for approximately $4.6 million with a realized gain of $4.4 million which was deferred as a regulatory liability for the benefit of customers with carrying charges at the Company's pre-tax weighted average cost of capital as prescribed by the Order.

NOTE 5 – Income Tax

Uncertain Tax Positions

In September of 2010, Central Hudson filed a request with the Internal Revenue Service ("IRS") to change its tax accounting method related to costs to repair and maintain utility assets. The change was effective for the tax year ended December 31, 2009. This change allows Central Hudson to take a current tax repair deduction for a significant amount of repair costs that were previously capitalized for tax purposes.

IRS guidance, with respect to repair deductions taken on Gas Transmission and Distribution repairs is still pending. Therefore, tax reserves related to the gas repair deduction continue to be shown as "Tax Reserve" under the Deferred Credits and Other Liabilities section of the CH Energy Group and Central Hudson Balance Sheets.

Changes in the tax reserve reflect the ongoing uncertainty related to gas transmission and distribution repair deductions taken in the current period.

The following is a summary of CH Energy Group's and Central Hudson's activity related to the uncertain tax position (In Thousands):

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Tax reserve balance at the beginning of the period	$ -	$ -	$ -	$ -
Change in natural gas transmission and distribution repair deduction	(915)	181	(592)	542
Change in tax benefit offset [(1)]	(161)	(181)	(484)	(542)
Deductions related to tax depreciation compared to repair deduction	1,076	-	1,076	-
Tax reserve balance at the end of the period	$ -	$ -	$ -	$ -

(1) Amounts are classified as a deferred tax asset per ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists.*

Coronavirus Aid, Relief, and Economic Security ("CARES") Act

The CARES Act was signed into law on March 27, 2020. As permitted under the CARES Act, Central Hudson deferred payment of the employer share of the Social Security tax on its payroll during 2020. The deferred payroll tax is to be paid over two years; with half of the required amount paid by December 31, 2021 and the other half by December 31, 2022. There was no impact on earnings or on the effective tax rate resulting from the delayed payment of employer payroll tax under the CARES Act. As of September 30, 2022, and December 31, 2021, the liability for the deferred payment of the employer's portion of Social Security tax on payroll was $2.6 million reflected in "Other current liabilities" in the CH Energy Group and Central Hudson Balance Sheets and will be paid in December 2022. As of September 30, 2021, the liability for the deferred payment of the employer's portion of Social Security tax on payroll was $5.2 million, with $2.6 million reflected in "Other current liabilities" and $2.6 million in "Other long-term liabilities" in the CH Energy Group and Central Hudson Balance Sheets.

New York State 2022 Budget Bill

On April 6, 2021 the New York State fiscal year 2022 budget bill was enacted. The budget bill included an increase in the corporate tax rate for businesses with taxable income over $5 million from 6.5% to 7.25% for tax years beginning on or after January 1, 2021 and before January 1, 2024 and extended the capital base tax, which was set to phase out in 2021. For tax years beginning on or after January 1, 2021 and before January 1, 2024, the business capital tax rate would be 0.1875% and would phase out for tax years beginning on and after January 1, 2024. CH Energy Group and Central Hudson have state net operating losses that are expected to reduce taxable income below the $5 million threshold for the duration of the increased tax rate period and; therefore, that tax increase is not expected to have an impact on the Company's earnings or cash flows. Both CH Energy Group and Central Hudson expect to be subject to the capital base tax during this period. For the three and nine months ended September 30, 2022, Central Hudson recorded $0.5 million and $1.4 million of capital base tax, respectively. For the three and nine months ended September 30, 2021, Central Hudson recorded $0.5 million and $1.3 million of capital base tax, respectively. Capital base tax is included in "Taxes, other than income tax" in the CH Energy Group and Central Hudson Statements of Income. The increase in capital base tax is included in the tax calculation used to set rates in the 2021 Rate Order.

CH Energy Group

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Effective tax rate - federal	14.2%	9.3%	14.9%	12.0%
Effective tax rate - state	6.2%	4.9%	6.1%	4.7%
Effective tax rate - combined	20.4%	14.2%	21.0%	16.7%

Central Hudson

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Effective tax rate - federal	14.1%	7.9%	14.6%	11.4%
Effective tax rate - state	6.0%	4.4%	6.0%	4.5%
Effective tax rate - combined	20.1%	12.3%	20.6%	15.9%

For the three and nine months ended September 30, 2022, the higher combined effective tax rate was driven by higher income before taxes which is subjected to the statutory rate. The combined effective tax rate for CH Energy Group and Central Hudson is lower than the statutory rate due to tax normalization rules and the timing of flow through tax items related to capital expenditures.

NOTE 6 – Investments in Unconsolidated Affiliates

In April 2019, National Grid and Transco were awarded the Segment B portion of one of their proposals related to the AC Transmission Order with NYISO for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid (“AC Project”). Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of $600 million plus interconnection costs, and CHET’s equity funding requirement of this cost as a 6.1% owner of this project in Transco is expected to be $19.4 million. As of September 30, 2022, CHET has made capital contributions of $14.5 million to Transco to fund a portion of the Segment B project costs. At September 30, 2022, December 31, 2021 and September 30, 2021, CHET's investment in Transco was approximately $21.5 million, $15.0 million and $12.7 million, respectively.

During the first quarter of 2022, CHEC received a final distribution from one of its remaining investments following termination of the partnership. The value of CHEC's equity investments at September 30, 2022 was $0, and at December 31, 2021 and September 30, 2021 was approximately $0.2 million.

NOTE 7 – Research and Development

Central Hudson’s research and development (“R&D”) expenditures for the three months ended September 30, 2022 and 2021 were $0.5 million and $0.8 million, respectively. For the nine months ended September 30, 2022 and 2021, Central Hudson’s R&D expenditures were $2.5 million and $2.8 million, respectively. These expenditures were for internal research programs and for contributions to research administered by the New York State Energy Research and Development Authority (“NYSERDA”), the Electric Power Research Institute and other industry organizations.

NOTE 8 – Short-Term Borrowing Arrangements

Committed Credit Facilities

On April 4, 2022, Central Hudson entered into a first amendment and increasing lender supplement to the March 2020 Central Hudson credit agreement with five commercial banks. The amendment replaces LIBOR with a benchmark replacement interest rate and increases the aggregate commitment by the lenders by $50 million, making the aggregate amount of total commitments equal to $250 million. The credit agreement as amended has a five-year term, maturing in March 2025. Proceeds received from the revolving credit agreement are used for working capital needs and for general corporate purposes. Letters of credit are available up to $15 million from three participating banks.

The Central Hudson credit agreement includes a covenant that its total funded debt to total capital will not exceed 0.65 to 1.00. The credit agreement is also subject to certain restrictions and conditions, including that there will be no event of default, and subject to certain exceptions, that Central Hudson will not sell, lien, or otherwise encumber its assets or enter into certain transactions including certain transactions with affiliates. Central Hudson is also required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's or Moody's rating on the average daily unused portion of the credit facility. At September 30, 2022, Central Hudson was in compliance with all financial debt covenants.

Uncommitted Credit

At September 30, 2022, December 31, 2021, and September 30, 2021, Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling $30 million. Proceeds from these credit arrangements are used to diversify cash sources and provide competitive options to minimize Central Hudson's cost of short-term debt.

Balances outstanding under the various credit arrangements are as follows (Dollars in Thousands):

	CH Energy Group			Central Hudson		
	September 30, 2022	December 31, 2021	September 30, 2021	September 30, 2022	December 31, 2021	September 30, 2021
Committed Credit	$ 110,000	$ 100,000	$ 65,000	$ 110,000	$ 100,000	$ 65,000
Uncommitted Credit	-	7,000	5,000	-	7,000	5,000
Total	$ 110,000	$ 107,000	$ 70,000	$ 110,000	$ 107,000	$ 70,000
Weighted Average Interest Rate	3.78%	0.99%	0.99%	3.78%	0.99%	0.99%

NOTE 9 – Capitalization – Common and Preferred Stock

Capitalization

During the nine months ended September 30, 2022, CH Energy Group received capital contributions of $55.2 million from its parent FortisUS, inclusive of a $0.9 million contribution under a tax sharing agreement with FortisUS. During the nine months ended September 30, 2021, CH Energy Group received a contribution of approximately $5.0 million under the tax sharing agreement with FortisUS. Additionally, during the nine months ended September 30, 2021, CH Energy Group received capital contributions of $4.4 million from FortisUS.

During the nine months ended September 30, 2022 and September 30, 2021, Central Hudson received capital contributions of $46.0 million and $6.0 million, respectively, from its parent CH Energy Group.

During the nine months ended September 30, 2022 and September 30, 2021, CHET received capital contributions of $6.4 million and $2.1 million from its parent CH Energy Group in order to fund capital expenditures related to the Transco AC Project.

These contributions were recorded as paid-in capital, see CH Energy Group and Central Hudson's Condensed Consolidated Statement of Equity.

Common Stock Dividends

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of annual dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group, which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation, Central Hudson was restricted to a maximum annual payment of $75.7 million and $67.2 million in dividends to CH Energy Group for the periods ended September 30, 2022 and 2021, respectively. Central Hudson's ability to pay dividends would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below "BBB+" by more than one rating agency, if the stated reason for the downgrade is related to any of CH Energy Group's or Central Hudson's affiliates. Further restrictions are imposed for rating downgrades below this level. In addition, Central Hudson would not be allowed to pay dividends if its average common equity ratio for the 13 months prior to a proposed dividend was more than 200 basis points below the ratio used in setting rates. CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

During 2022, CHET paid dividends to its parent CH Energy Group of $1.0 million. There were no dividends paid during 2021.

Preferred Stock

Other than one share of Junior Preferred Stock, Central Hudson had no outstanding preferred stock as of September 30, 2022, December 31, 2021, and September 30, 2021.

NOTE 10 – Capitalization – Long-Term Debt

As of September 30, 2022, CH Energy Group and Central Hudson were in compliance with all covenants under their long-term debt instruments. Most of these instruments are redeemable at the discretion of CH Energy Group and Central Hudson, at any time, at the greater of par or a specified price as defined in the respective long-term debt agreements, together with accrued and unpaid interest.

On September 28, 2022, Central Hudson issued $100 million of Series Y, 10-year Senior Notes with an interest rate of 5.07% per annum and a maturity date of September 28, 2032 and $10 million of Series Z, 30-year Senior Notes with an interest rate of 5.42% per annum and a maturity date of September 28, 2052. Central Hudson will use the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term debt.

On January 27, 2022, Central Hudson issued $50 million of Series W, 5-year Senior Notes with an interest rate of 2.37% per annum and a maturity date of January 27, 2027 and $60 million of Series X, 7-year Senior Notes with an interest rate of 2.59% per annum and a maturity date of January 27, 2029. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of $23.4 million of maturing debt on April 1, 2022.

During 2021, Central Hudson issued $130 million in unsecured Senior Notes, with various interest rates and maturities of 30 years. Central Hudson used the proceeds from the sale of the Senior Notes to repay $44.2 million of maturing debt and for general corporate purposes, including the repayment of short-term borrowings.

At September 30, 2022, Central Hudson had $30 million of 2014 Series E 10-year notes with a floating interest rate of 3-month LIBOR plus 1%. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates, Central Hudson purchased a four-year interest rate cap that will expire on March 26, 2024. The rate cap has a notional amount equal to the outstanding principal amount of the 2014 Series E notes and is based on the quarterly reset of LIBOR on the quarterly interest payment dates. Central Hudson would receive a payout if LIBOR exceeds 3% at the start of any quarterly interest period during the term of the cap. There have been no payouts on this interest rate cap during the three and nine months ended September 30, 2022 and 2021.

The principal amount of Central Hudson's outstanding 1999 Series B NYSERDA Bonds totaled $33.7 million at September 30, 2022. These are tax-exempt multi-modal bonds that are currently in a variable rate mode and mature in 2034. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates on Series B NYSERDA Bonds, Central Hudson purchased a one year interest rate cap on March 30, 2022. The rate cap has a notional amount equal to the outstanding principal amount of the Series B bonds and expires on April 1, 2023. The cap is based on the monthly weighted average of the Securities Industry and Financial Markets Association ("SIFMA") index, multiplied by 175%. Central Hudson would receive a payout if the adjusted index exceeds 5% for a given month. This interest rate cap replaced a similar interest rate cap that expired on April 1, 2022. There were no payouts on these interest rate caps during the periods presented.

See Note 15 – "Accounting for Derivative Instruments and Hedging Activities" for fair value disclosures related to these interest rate cap agreements.

NOTE 11 – Post-Employment Benefits

Central Hudson has a non-contributory Retirement Income Plan ("Retirement Plan") covering substantially all its employees hired before January 1, 2008 or May 1, 2008, as applicable, and a non-qualified Supplemental Executive Retirement Plan ("SERP") for certain executives (collectively "Pension"). The Retirement Plan is a defined benefit plan, which provides pension benefits based on an employee's compensation and years of service. Central Hudson also provides certain health care and life insurance benefits for certain retired employees hired before January 1, 2008 or May 1, 2008, as applicable, through its post-retirement benefit plans.

In its Orders, the PSC has authorized deferral accounting treatment for any variations between actual Pension and OPEB expense and the amount included in the current delivery rate structure. As a result, variations in expenses for post-employment benefit plans at Central Hudson do not have any impact on earnings.

Central Hudson's net periodic benefit costs for its Pension and OPEB plans are as follows (In Thousands):

	Pension		OPEB	
	Three Months Ended September 30,		Three Months Ended September 30,	
	2022	2021	2022	2021
Service cost	$ 3,235	$ 3,763	$ 397	$ 469
Interest cost	5,508	4,962	997	892
Expected return on plan assets	(9,853)	(9,042)	(2,242)	(1,986)

Amortization of prior service cost (credit)	130	132	(114)	(114)
Amortization of recognized actuarial net (gain)/loss	(2,776)	633	(1,432)	(651)
Net Periodic (Benefit) Cost	$ (3,756)	$ 448	$ (2,394)	$ (1,390)

	Pension Benefits		OPEB	
	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Service cost	$ 9,705	$ 11,289	$ 1,191	$ 1,407
Interest cost	16,524	14,886	2,991	2,676
Expected return on plan assets	(29,559)	(27,126)	(6,726)	(5,958)
Amortization of prior service cost (credit)	390	396	(342)	(342)
Amortization of recognized actuarial net (gain)/loss	(8,328)	1,899	(4,296)	(1,953)
Net Periodic (Benefit) Cost	$ (11,268)	$ 1,344	$ (7,182)	$ (4,170)

The funded status of Central Hudson's pension costs is as follows (In Thousands):

	September 30, 2022(1)(2)	December 31, 2021(1)(2)	September 30, 2021(1)(2)
Prefunded (Accrued) pension costs	$ 73,617	$ 68,728	$ (24,758)

(1) Includes approximately $0.2 million at September 30, 2022, December 31, 2021 and September 30, 2021 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

(2) Includes approximately $1.5 million at September 30, 2022, December 31, 2021 and September 30, 2021 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

The funded status includes the difference between the projected benefit obligation for the Retirement Plan and the market value of the pension assets, net of any liability for the non-qualified SERP. The funded status does not reflect approximately $39.4 million, $40.1 million and $40.5 million of SERP trust assets at September 30, 2022, December 31, 2021 and September 30, 2021.

The following reflects the impact of the recording of funding status adjustments on the Balance Sheets of CH Energy Group and Central Hudson (In Thousands):

	September 30, 2022(1)(2)	December 31, 2021(1)(2)	September 30, 2021(1)(2)
Accrued pension costs prior to funding status adjustment	$ (13,243)	$ (26,068)	$ (25,989)
Funding status adjustment required	86,860	94,796	1,231
Prefunded (Accrued) pension costs	$ 73,617	$ 68,728	$ (24,758)
Offset to funding status adjustment - regulatory (liability) assets - pension plan	$ (86,821)	$ (94,773)	$ (1,303)
Offset to funding status adjustment - accumulated OCI, net of tax of ($12), ($6) and $20, respectively	$ (28)	$ (17)	$ 52

(1) Includes approximately $0.2 million at September 30, 2022, December 31, 2021, and September 30, 2021 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

(2) Includes approximately $1.5 million at September 30, 2022, December 31, 2021, and September 30, 2021 that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

Gains or losses and prior service costs or credits that arise during the period, but that are not recognized as components of net periodic pension cost, would typically be recognized as a component of other comprehensive income (“OCI”), net of tax. However, Central Hudson has PSC approval to record regulatory assets or liabilities rather than adjusting comprehensive income to offset the funding status adjustment for amounts recoverable from customers in future rates. The amounts reported as OCI, net of tax, relate to a former Central Hudson officer who transferred to an affiliated company. These amounts reported as OCI are charged to and reimbursed by the affiliated company.

Contributions to the Central Hudson Retirement, OPEB and SERP Plans are as follows (In Thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Retirement Plan	$ -	$ -	$ -	$ -
OPEB	$ -	$ -	$ 528	$ 812
SERP	$ -	$ -	$ -	$ 8,115

Decisions to fund Central Hudson's Retirement Plan are based on several factors, including, but not limited to, the funded status, corporate resources, projected investment returns, actual investment returns, inflation, regulatory considerations, interest rate assumptions and the requirements of the Pension Protection Act of 2006 ("PPA"). Based on the funding requirements of the PPA, Central Hudson plans to make contributions that maintain the target funded percentage at 80% or higher. Actual contributions could vary significantly based upon a range of factors that Central Hudson considers in its funding decisions.

Contribution levels to the OPEB Plans are determined by various factors including the discount rate, expected return on plan assets, medical claims assumptions used, mortality assumptions used, benefit changes, corporate resources and regulatory considerations.

In accordance with the terms of the Trust agreement for the SERP, following the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, Central Hudson is required to maintain a funding level for the SERP at 110% of the present value of the accrued benefits payable under the Plan on an annual basis.

401(k) Retirement Plan

Central Hudson sponsors a 401(k) retirement plan ("401(k) plan") for its employees. The 401(k) plan provides for employee tax-deferred salary deductions for participating employees and employer matches. The matching benefit varies by employee group. Central Hudson's matching contributions for the three months ended September 30, 2022 and 2021 were $1.5 million, respectively. For the nine months ended September 30, 2022 and 2021, matching contributions were $4.5 million and $4.4 million, respectively. Central Hudson also provides an additional contribution of 4% to the 401(k) plan of annualized base salary for eligible employees who do not qualify for Central Hudson's Retirement Income Plan. The additional non-discretionary contribution was approximately $0.8 million and $0.7 million for the three months ended September 30, 2022 and September 30, 2021, respectively. For the nine months ended September 30, 2022 and September 30, 2021, non-discretionary contributions were $2.4 million and $2.1 million, respectively.

NOTE 12 – Equity-Based Compensation

Share Unit Plan Units

In January 2022, officers of Central Hudson were granted 12,781 Units under the 2022 Fortis Restricted Share Unit Plan ("2022 RSUP"), representing a portion of the officers' long-term incentives. The issued 2022 Restricted Units granted are time-based and vest at the end of the three-year period without regard to performance. Each 2022 RSUP Unit granted has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash, unless a participant does not satisfy their share ownership requirements or chooses to settle in shares. The settlement in shares by a participant will result in the modification from a liability award to an equity award and an election to settle in shares cannot be made later than 30 days prior to the awards vesting. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of that 2022 RSUP Unit grant. Each 2022 RSUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

In January 2022, officers of Central Hudson were granted 25,562 Units under the Central Hudson 2022 Share Unit Plan ("2022 SUP"), representing a portion of the officers' long-term incentives. The issued 2022 SUP Units granted are performance based and vest at the end of the three-year performance period upon achievement of specified cumulative performance goals. Each 2022 SUP Unit granted has an underlying value equivalent to the value of one common share of Fortis and if earned and vested is paid in cash. The foreign exchange rate utilized for cash payout in the US dollar equivalent for each plan corresponds to the exchange rate on the business day prior to the date of that 2022 SUP Unit grant. Each 2022 SUP Unit accrues notional dividend equivalents equal to the dividends declared by the Fortis Board of Directors on Fortis common shares.

Awards granted under the 2019 Performance Share Unit Plan ("PSUP") and 2019 SUP Plans vested and were paid out during the first quarter of 2022.

CH Energy Group:		Grant Date		Time Based		Performance Based	
	Grant Date		Fair Value	Granted	Outstanding[4]	Granted	Outstanding[4]
2020 RSUP[2][3]	January 1, 2020	$	41.55	7,257	-	-	-
2020 PSUP[2]	January 1, 2020	$	41.55	-	-	21,770	24,065
2019 PSUP[1]	January 1, 2019	$	33.10	8,838	-	26,514	-

Central Hudson:		Grant Date		Time Based		Performance Based	
	Grant Date		Fair Value	Granted	Outstanding[4]	Granted	Outstanding[4]
2022 RSUP	January 1, 2022	$	48.18	12,781	13,125	-	-
2022 SUP	January 1, 2022	$	48.18	-	-	25,562	26,251
2021 RSUP	January 1, 2021	$	41.12	14,249	15,192	-	-
2021 SUP	January 1, 2021	$	41.12	-	-	28,497	30,385
2020 RSUP[2]	January 1, 2020	$	41.55	12,655	13,989	-	-
2020 SUP[2]	January 1, 2020	$	41.55	-	-	25,311	27,978
2019 SUP[1]	January 1, 2019	$	33.10	15,691	-	31,383	-

(1)In the first quarter of 2022, 46,656 units under the 2019 SUP and 39,431 units under the 2019 PSUP vested and were paid out at $44.78 per unit for a total of approximately $5.3 million.

(2)During 2020, the grant date fair value share price was corrected from the previously disclosed Canadian dollar share price of CAD$53.97 to the US dollar share price. There was no financial statement impact resulting from the change to the disclosure.

(3)In the third quarter of 2022, per the 2020 RSUP agreement, time based units were paid out related to an Officer retirement at 7,811 shares at $61.08 per unit.

(4)Includes notional dividends accrued as of September 30, 2022.

The following table summarizes compensation expense for share unit plan units as follows (In Thousands):

Compensation Expense

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
CH Energy Group	$ (859)	$ 552	$ 597	$ 1,946
Central Hudson	$ (859)	$ 552	$ 597	$ 1,946

The liabilities associated with the RSUP, SUP and PSUP plans are recorded at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the respective liabilities is based on the Fortis common share 5-day volume weighted average trading price at the end of each reporting period and the expected payout based on management's best estimate in accordance with the defined metrics of each grant.

Under the RSUP, SUP and PSUP agreements (the "Plans"), the amount of any outstanding awards payable to an employee who retires during the term of the grant and who has 15 years of service and provides at least six months prior notice of retirement under the terms of the Plans (ninety days prior notice with respect to the 2022 Plans), is determined as if the employee continued to be an employee through the end of the performance period. In accordance with ASU 2014-12, in this situation, compensation expense for that individual is recognized over the requisite service period, instead of the performance period. In all periods presented, additional expense was recognized in accordance with ASU 2014-12 for Central Hudson officers who are retirement eligible under terms of the Plans in which they have attained the required retirement age and met the required 15 years of service. Fluctuations in compensation expense in the comparative periods can result from changes in the Fortis Inc. common stock share price and the projected performance payout percentages.

NOTE 13 – Commitments and Contingencies

There were no significant changes in the nature and amounts of Central Hudson's commitments from those disclosed in the 2021 Annual Financial Report, except as noted below.

Energy Credit Purchase Obligations

In August 2016, the PSC issued Order 15-E-0302 adopting a Clean Energy Standard that includes Renewable Energy Credits ("RECs") and Zero-Emissions Credit ("ZECs") requirements to meet New York State clean energy goals. Tier 1 and Tier 2 Competitive RECs and Tier 3 ZECs are "pay-as-you-go" based on Central Hudson's monthly full-service customer load volume as defined by NYISO billing data and a load modifier adjustment factor. Presently, there are four Tiers comprising five different LSE obligations:

Tier 1 RECs: Since 2017, LSEs, which include Central Hudson, have been required to obtain Tier 1 RECs in amounts determined by the PSC. Beginning in January 2021, NYSERDA introduced Indexed Tier 1 RECs to replace the fixed REC pricing model. Tier 1 REC pricing is set through quarterly competitive auctions and a weighted average of vintage fixed and new indexed RECs. An Alternative Compliance Payment ("ACP") is set in advance of each compliance year. In March 2022, the PSC issued a Modifying Order that revised the Tier 1 REC obligations through calendar year 2024. LSEs may satisfy their Tier 1 REC obligation by purchasing Tier 1 RECs acquired through central procurement from NYSERDA, direct purchase of tradable Tier 1 RECs on the secondary market, through Value Stack offset or by making ACPs. Central Hudson has satisfied Tier 1 REC obligations from Value Stack offset through September 2022. At September 30, 2022, the forward Tier 1 obligations for Central Hudson full-service customers is estimated to be approximately $5.7 million through December 31, 2024.

Tier 2 Maintenance RECs: Obligations are assessed to an electric transmission territory for any Renewable Portfolio Standard program generator with proven financial hardship. Presently, Central Hudson has no Tier 2 Maintenance REC obligations in its service territory.

Tier 2 Competitive RECs: In October 2020, the PSC issued a Modifying Order that set requirements for Tier 2 Competitive RECs through calendar year 2025 with a New York State-wide cap of $200 million. Central Hudson's full-service customer load-ratio share of the cap is $4 million. Tier 2 REC pricing is administratively set by NYSERDA based on Tier 2 auction results. At September 30, 2022, the Tier 2 Competitive REC obligation for Central Hudson full-service customers is estimated to be approximately $4.0 million through December 31, 2025.

Tier 3 ZECs: Obligations began in April 2017 and the CES contemplated six two-year tranches for a total of 12 years of obligations through March 2029. ZEC requirements are based on an administratively determined, annually defined, price to support the financial health of three nuclear plants in upstate New York. At September 30, 2022, Central Hudson's estimated Tier 3 ZEC obligation through March 31, 2023 is estimated to be approximately $5.9 million.

Tier 4 RECs: Future obligations for Tier 4 RECs are outlined in the October 2021 CES Modifying Order. These RECs will be tied to deliverability requirements into New York City NYISO Zone J. Central Hudson has no Tier 4 REC obligations defined at this time.

The estimated cost projections listed above are recoverable from full-service customers through electric Energy Cost Adjustment Mechanisms.

Other Commitments

Pension Benefit and OPEB Funding Contributions

Central Hudson is subject to certain contractual benefit payment obligations. Decisions about how to fund the Retirement and OPEB Plans to meet these obligations are made annually and are primarily affected by the discount rate used to determine benefit obligations, current asset values, corporate resources and the projection of Retirement and OPEB Plan assets. Based on the funding requirements of the Pension Protection Act of 2006, Central Hudson plans to make contributions that maintain the target funded percentage for the Retirement Plan at 80% or higher. Actual contributions could vary significantly based upon economic growth, projected investment returns, inflation and interest rate assumptions. Actual funded status could vary significantly based on asset returns and changes in the discount rate used to estimate the present value of future obligations. In January 2022, Central Hudson made a contribution of $0.5 million to the 401(h) Plan to fund the management OPEB liabilities, in accordance with Central Hudson's OPEB policy and strategy. Actual contributions for 2022 could vary significantly based upon economic growth, projected investment returns, inflation and interest rate assumptions. Actual funded status could vary significantly based on asset returns and changes in the discount rate used to estimate the present value of future obligations. See Note 11 – "Post-Employment Benefits" for additional information regarding contributions.

Supplemental Executive Retirement Plan

As a result of the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, and in accordance with the terms of the Trust agreement for the SERP, Central Hudson is required to maintain a funding level at 110% of the present value of the accrued benefits payable under the Plan on an annual basis. Annual contributions to the SERP could vary based on investment returns, discount rates, and participant demographics. The SERP was fully funded for 2021, in accordance with the requirements of the Trust agreement. See Note 11 – "Post-Employment Benefits" for additional information regarding contributions.

Parental Guarantee

CHET was established to be an investor in Transco, which was created to develop, own and operate electric transmission projects in New York State. On July 16, 2020, CH Energy Group's parental guarantee to Transco was adjusted from $182 million to $73.7 million. The Transco Board of Directors approved the reduction based on CHET's maximum commitment associated with the AC Project, the only project remaining under Transco's original FERC application and the initial guarantee. As of September 30, 2022, the amount of the outstanding parental guarantee is $59.2 million. CHET's investment in Transco was approximately $21.5 million at September 30, 2022, and CH Energy Group is currently not aware of any existing condition that would require any payments under this guarantee.

Contingencies

Environmental Matters

Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. At September 30, 2022, Central Hudson has accrued $72.4 million with respect to all SIR activities, including operation, maintenance and monitoring costs ("OM&M"), of which $2.4 million is anticipated to be spent in the next twelve months.

Central Hudson currently has nine sites within its service territory that are in various stages of environmental site investigation or remediation. SIR can be divided into various stages of completion based on the milestones of activities completed and reports reviewed. These stages, the costs accrued and the sites currently in each stage include (Dollars in Millions):

Stage	Sites	Total Accrued Cost at September 30, 2022	Estimated spend in the next twelve months
Investigation	Little Britain Road	$ 2.0	$ 0.1
Remedial Alternatives Analysis		-	-
Remedial Design		-	-
Remediation	North Water Street	66.1	2.2
Post-Remediation Monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.3	0.1
No Action Required	Beacon and Bayeaux Street	-	-
Total		$ 72.4	$ 2.4

There were no significant updates during the nine months ended September 30, 2022 or changes in the nature and amounts of Central Hudson's contingencies related to environmental matters, except as noted below.

- **Remediation in Progress - Site – North Water Street**
  - In the first quarter of 2020, Central Hudson revised its estimate and recorded the low end of the range of projected costs for remediation activities associated with this site based on an assessment of a high-solids hydraulic dredging remedial alternative including predictive cost modeling for a pilot test and full-scale remediation.
  - In September 2020, the New York State Department of Environmental Conservation ("NYSDEC") approved the Hydraulic Dredging Pilot Test ("HDPT") Work Plan and Water

Supply Protection and Contingency Plan. Preliminary site monitoring and mobilization activities commenced in October 2020 and pilot test activities, including demobilization, were completed in January 2021.

- The goals of the pilot study were successfully achieved. Hydraulic dredging was completed in three areas with different degrees of impacted sediment (no impact, medium impact and high impact). A draft hydraulic dredge pilot test evaluation summary report was prepared which summarized the data compiled related to:
    - production rates associated with the hydraulic dredge equipment in each area including the impacts of the protective shroud attached for additional protection,
    - impacts of sheening events that occurred, the ability to contain them and the related work stoppages during the pilot,
    - impact of prescribed protective measures regarding the placement of daily clean cover and backfill on the riverbed, and
    - debris encountered in the river and the related mechanical removal.
- The report concluded that the use of hydraulic dredging was technically feasible. However, there were several factors (as noted above) that impacted the previously estimated production rates able to be achieved during the pilot. When extrapolated to full-scale remediation, the cumulative effect of these impacts on the production rates observed during the HDPT significantly increased the total estimated time to complete the dredging and backfilling remediation and, as a result of this increased time frame, also equated to a significant increase in the projected cost.
- Based on the increase in the projected time frame and cost, it was concluded by the project's Engineer of Record ("EOR") that full-scale hydraulic dredging is not practical to pursue as the sole remedial approach. Following review of the evaluation summary report, the NYSDEC concurred that this timeframe was not practical and agreed with the conclusion of the report. At this point, the NYSDEC has communicated that removal of source material is still the best long-term remedy for the site and, as such, is directing Central Hudson to examine other methods, including a mix of alternative approaches taking into consideration the extent of removal that may be feasible.
- A scope of work for limited upland remedial activities was submitted to and approved by the NYSDEC in May 2021. The activities were completed in June 2021.
- During 2021, Central Hudson worked with the EOR to evaluate remedial alternative approaches, including some that still fit within the framework of the NYSDEC approved Work Plan and achieved the established regulatory clean-up objectives within a reasonable time period, as well as other approaches that considered capping or monitoring-only activities. A Focused Remedial Alternatives Analysis ("FRAA") report presenting the evaluation of alternative approaches was submitted to the NYSDEC in November 2021. A preliminary follow up discussion was held with the NYSDEC in December 2021.
- An Air Bubble Curtain ("ABC") lab pilot test work plan was forwarded to the NYSDEC for informational purposes on January 11, 2022. Central Hudson will keep the NYSDEC informed as the study progresses and forward the summary report upon conclusion. The ABC bench scale pilot test activities commenced in February 2022 and are anticipated to be completed in the fourth quarter of 2022. Based on the results of the laboratory testing, in-river testing may be conducted beginning in 2023.
- The total accrual for remediation as of September 30, 2022 for this site of $66.1 million reflects management's estimate of the low end of a predictive cost estimate range of potential alternatives, including an adjustment for inflation of $1.4 million plus additional costs associated with the ABC, continued work of the EOR on the development of design and analysis of the FRAA based on future discussions with other parties, and other associated fees. The FRAA included potential alternatives for remediation with costs estimated as high as $95 million. The accrual will be updated as the alternative remedial approaches are discussed, and a path forward is agreed upon by all involved parties.

- The estimated spending as of September 30, 2022 for the next 12 months of approximately $2.4 million is primarily based on anticipated efforts to complete laboratory bench scale testing of an ABC, and dependent upon results, conduct in-river testing, and continue discussions regarding alternative remedial approaches following completion of the ABC test(s).
- On April 8, 2022, Central Hudson received a response from the NYSDEC with regard to the November 2021 FRAA. Central Hudson sent a response to the comments on May 24, 2022. Overall, the comment letter indicated that the tests of alternate containment methods (i.e. Air Bubble Curtain pilot test) should be completed prior to consideration of the alternatives presented in the FRAA report and therefore the NYSDEC rejected the report at this time. The comment letter also requested additional information be provided and additional concerns be addressed as the process continues. There is no change in the current course of action and focus, which is the completion of the ABC pilot test and communication with the parties on the results of the effectiveness and protectiveness. The comments and additional information requests in the comment letter will be contemplated in a more detailed Remedial Design and/or work plan that will be developed once concurrence is received on an acceptable alternative approach. As such, management believes this comment letter does not provide evidence of any adjustment required to the low end of the range currently accrued or the total range of potential costs disclosed at this time and it does not impact management's method of estimating the range and liability recorded as of September 30, 2022.

Future remediation activities, including OM&M and related costs may vary significantly from the assumptions used in Central Hudson's current cost estimates and these costs could have a material adverse effect (the extent of which cannot be reasonably determined) on the financial condition, results of operations and cash flows of CH Energy Group and Central Hudson if Central Hudson were unable to recover all or a substantial portion of these costs via collection in rates from customers and/or through insurance.

Central Hudson expects to recover its remediation costs from its customers. The current components of this recovery include:

- As part of the 2021 Rate Order, Central Hudson maintained previously granted deferral authority and future recovery for the differences between actual Environmental SIR costs (both manufactured gas plants ("MGP") and non-MGP) and the associated rate allowances, with carrying charges, to be accrued on the deferred balances at the authorized pre-tax rate of return.
- The 2021 Rate Order includes cash recovery of approximately $24.2 million during the three-year rate plan period ending June 30, 2024, with $9.9 million recovered through September 30, 2022.
- The total spending related to site investigation and remediation for the three months ended September 30, 2022 and 2021 was approximately $0.3 million and $0.5 million and for the nine months ended September 30, 2022 and 2021 spending was approximately $0.8 million and $2.8 million, respectively.
- The regulatory asset balance including carrying charges as of September 30, 2022, December 31, 2021 and September 30, 2021, was $71.5 million, $76.0 million and $78.4 million, respectively, which represents the cumulative difference between amounts spent or currently accrued as a liability and the amounts recovered to date through rates or insurance recoveries.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for its costs. Certain of these insurers have denied coverage. There were no insurance recoveries during the nine months ended September 30, 2022 and 2021. We do not expect insurance recoveries to offset a meaningful portion of total costs.

Litigation

Asbestos Litigation

Central Hudson is involved in various asbestos lawsuits.

As of September 30, 2022, of the 3,386 asbestos cases brought against Central Hudson, 1,164 remain pending. Of the cases no longer pending against Central Hudson, 2,058 have been dismissed or discontinued without payment by Central Hudson and Central Hudson has settled 164 cases. Central Hudson is presently unable to assess the validity of the remaining asbestos lawsuits; however, based on information known to Central Hudson at this time, including Central Hudson's experience in settling asbestos cases and in obtaining dismissals of asbestos cases, Central Hudson believes that the costs which may be incurred in connection with the remaining lawsuits will not have a material adverse effect on the financial position, results of operations or cash flows of either CH Energy Group or Central Hudson.

Other Litigation

CH Energy Group and Central Hudson are involved in various other legal and administrative proceedings incidental to their businesses, which are in various stages. While these matters collectively could involve substantial amounts, based on the facts currently known, it is the opinion of management that their ultimate resolution will not have a material adverse effect on either CH Energy Group's or Central Hudson's financial positions, results of operations or cash flows. CH Energy Group and Central Hudson expense legal costs as incurred.

NOTE 14 – Segments and Related Information

CH Energy Group's reportable operating segments are the regulated electric utility business and regulated natural gas utility business of Central Hudson. Other activities of CH Energy Group, which do not constitute a business segment, include CHEC's former investment in a limited partnership, CHET's investment in Transco (a regulated entity), CHGT which has no current activity, and the holding company's activities, which consist primarily of financing its subsidiaries, and are reported under the heading "Other Businesses and Investments."

General corporate expenses and Central Hudson's property common to both electric and natural gas segments have been allocated in accordance with practices established for regulatory purposes. The common allocation per the terms of the 2021 Rate Order and the 2018 Rate Order is 80% for electric and 20% for natural gas.

CH Energy Group Segment Disclosure

(In Thousands)	Three Months Ended September 30, 2022				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 184,134	$ 24,417	$ -	$ -	$ 208,551
Intersegment revenues	15	109	-	(124)	-
Total operating revenues	184,149	24,526	-	(124)	208,551
Income (loss) before income taxes	25,677	(3,326)	475	-	22,826

Net Income (Loss) Attributable to CH Energy Group	$ 20,535	$ (2,670)	$ 296	$ -	$ 18,161
Segment Assets at September 30, 2022	$ 2,358,674	$ 890,188	$ 28,872	$ (615)	$ 3,277,119

CH Energy Group Segment Disclosure
(In Thousands)

	Three Months Ended September 30, 2021				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 158,630	$ 20,037	$ -	$ -	$ 178,667
Intersegment revenues	16	28	-	(44)	-
Total operating revenues	158,646	20,065	-	(44)	178,667
Income (loss) before income taxes	12,976	(5,335)	254	-	7,895
Net Income (Loss) Attributable to CH Energy Group	$ 10,601	$ (3,904)	$ 78	$ -	$ 6,775
Segment Assets at September 30, 2021	$ 2,000,230	$ 781,731	$ 21,817	$ (1,251)	$ 2,802,527

CH Energy Group Segment Disclosure
(In Thousands)

	Nine Months Ended September 30, 2022				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 566,756	$ 159,741	$ -	$ -	$ 726,497
Intersegment revenues	44	815	-	(859)	-
Total operating revenues	566,800	160,556	-	(859)	726,497
Income before income taxes	43,204	20,732	1,382	-	65,318
Net Income Attributable to CH Energy Group	$ 35,525	$ 15,256	$ 855	$ -	$ 51,636
Segment Assets at September 30, 2022	$ 2,358,674	$ 890,188	$ 28,872	$ (615)	$ 3,277,119

CH Energy Group Segment Disclosure
(In Thousands)

	Nine Months Ended September 30, 2021				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	$ 450,387	$ 121,784	$ -	$ -	$ 572,171
Intersegment revenues	46	226	-	(272)	-
Total operating revenues	450,433	122,010	-	(272)	572,171
Income before income taxes	37,103	13,380	743	-	51,226
Net Income Attributable to CH Energy Group	$ 31,744	$ 10,693	$ 232	$ -	$ 42,669

Segment Assets at September 30, 2021	$ 2,000,230	$ 781,731	$ 21,817	$ (1,251)	$ 2,802,527

NOTE 15 – Accounting for Derivative Instruments and Hedging Activities

Purpose of Derivatives

Central Hudson enters into derivative contracts in conjunction with the Company's energy risk management program to hedge certain risk exposure related to its business operations. The derivative contracts are typically either exchange-traded or over-the-counter instruments. The primary risks the Company seeks to manage by using derivative instruments are interest rate risk, commodity price risk and adverse or unexpected weather conditions. Central Hudson uses derivative contracts to reduce the impact of volatility in the prices of natural gas and electricity and to hedge exposure to volatility in interest rates for its variable rate long-term debt. Derivative transactions are not used for speculative purposes.

Energy Contracts Subject to Regulatory Deferral

Central Hudson has been authorized to fully recover certain risk management costs through its natural gas and electricity cost adjustment mechanisms. Risk management costs are defined by the PSC as costs associated with transactions that are intended to reduce price volatility or reduce overall costs to customers. These costs include transaction costs and gains and losses associated with risk management instruments. The related gains and losses associated with Central Hudson's derivatives are included as part of Central Hudson's commodity cost and/or price-reconciled in its natural gas and electricity cost adjustment charge mechanisms and are not designated as hedges.

The percentage of Central Hudson's electric and natural gas requirements covered with fixed price forward purchases at September 30, 2022 are as follows:

Central Hudson	% of Requirement Hedged (1)
Electric Derivative Contracts:	0.7 million MWh
November 2022 – December 2022	59.0%
January 2023 – August 2023	24.6%
Natural Gas Derivative Contracts:	0.5 million Dth
November 2022 – December 2022	7.8%
January 2023 – March 2023	6.9%

(1) Projected coverage as of September 30, 2022.

Cash Flow Hedges

Central Hudson has been authorized to fully recover the interest costs associated with its $33.7 million Series B NYSERDA Bonds and its $30.0 million of variable rate debt, which includes costs and gains or losses associated with its interest rate cap contracts.

Derivative Risks

The basic types of risks associated with derivatives are market risk (that the value of the derivative will be adversely impacted by changes in the market, primarily the change in commodity prices and interest rates) and credit risk (that the counterparty will not perform according to the terms of the contract). The market risk of the derivatives generally offset the market risk associated with the hedged commodity.

The majority of Central Hudson's derivative instruments contain provisions that require Central Hudson to maintain specified issuer credit ratings and financial strength ratings. Should Central Hudson's ratings fall below these specified levels, it would be in violation of the provisions and the derivatives counterparties could terminate the contracts and request immediate payment.

To help limit the credit exposure of derivatives, Central Hudson enters into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position. Of the 26 total agreements held by Central Hudson, 11 agreements contain credit risk contingent features. As of September 30, 2022, there were two open contracts with credit risk contingent features in a liability position and, if the contingent features were triggered, $2.5 million would be required to settle these instruments.

Derivative Contracts

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions. On September 30, 2022, December 31, 2021, and September 30, 2021 Central Hudson did not have collateral posted against the fair value amount of derivatives.

The net presentation for CH Energy Group's and Central Hudson's derivative assets and liabilities are as follows (In Thousands):

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral Received	Net Amount
As of September 30, 2022(1)						
Derivative Contracts:						
Central Hudson - electric	$ 5,144	$ -	$ 5,144	$ 1,933	$ -	$ 3,211
Central Hudson - natural gas	300	-	300	191	-	109
Total CH Energy Group and Central Hudson Assets	$ 5,444	$ -	$ 5,444	$ 2,124	$ -	$ 3,320
As of December 31, 2021(1)						
Derivative Contracts:						
Central Hudson - electric	$ 1,604	$ -	$ 1,604	$ 380	$ -	$ 1,224
Central Hudson - natural gas	164	-	164	-	-	164
Total CH Energy Group and Central Hudson Assets	$ 1,768	$ -	$ 1,768	$ 380	$ -	$ 1,388
As of September 30, 2021(1)						
Derivative Contracts:						
Central Hudson - electric	$ 12,681	$ -	$ 12,681	$ -	$ -	$ 12,681
Central Hudson - natural gas	1,027	-	1,027	-	-	1,027
Total CH Energy Group and Central Hudson Assets	$ 13,708	$ -	$ 13,708	$ -	$ -	$ 13,708

(1) Interest rate cap agreements are not shown in the above chart. As of September 30, 2022, December 31 2021, and September 30, 2021 the fair value was $0.

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
As of September 30, 2022[1]						
Derivative Contracts:						
Central Hudson - electric	$ 6,612	$ -	$ 6,612	$ 1,933	$ -	$ 4,679
Central Hudson - natural gas	210	-	210	191	-	19
Total CH Energy Group and Central Hudson Liabilities	$ 6,822	$ -	$ 6,822	$ 2,124	$ -	$ 4,698
As of December 31, 2021[1]						
Derivative Contracts:						
Central Hudson - electric	$ 7,563	$ -	$ 7,563	$ 380	$ -	$ 7,183
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 7,563	$ -	$ 7,563	$ 380	$ -	$ 7,183
As of September 30, 2021[1]						
Derivative Contracts:						
Central Hudson - electric	$ -	$ -	$ -	$ -	$ -	$ -
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ -	$ -	$ -	$ -	$ -	$ -

(1) Interest rate cap agreements are not shown in the above chart. As of September 30, 2022, December 31, 2021, and September 30, 2021 the fair value was $0.

Gross Fair Value of Derivative Instruments

Current accounting guidance related to fair value measurements establishes a fair value hierarchy to prioritize the inputs used in valuation techniques based on observable and unobservable data, but not the valuation techniques themselves. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or a liability. Classification of inputs is determined based on the lowest level input that is significant to the overall valuation. The fair value hierarchy prioritizes the inputs to valuation techniques into the three categories described below:

Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs: Directly or indirectly observable (market-based) information. This includes quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3 Inputs: Unobservable inputs for the asset or liability for which there is either no market data, or for which asset and liability values are not correlated with market value.

Derivative contracts are measured at fair value on a recurring basis. As of September 30, 2022, December 31, 2021, and September 30, 2021, CH Energy Group's and Central Hudson's derivative assets and liabilities by category and hierarchy level are as follows (In Thousands):

Asset or Liability Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2022[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ 5,144	$ -	$ 5,144	$ -
Central Hudson - natural gas	300	300	-	-
Total CH Energy Group and Central Hudson Assets	$ 5,444	$ 300	$ 5,144	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 6,612	$ -	$ 6,612	$ -
Central Hudson - natural gas	210	210	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 6,822	$ 210	$ 6,612	$ -
As of December 31, 2021[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ 1,604	$ -	$ 1,604	$ -
Central Hudson - natural gas	164	164	-	-
Total CH Energy Group and Central Hudson Assets	$ 1,768	$ 164	$ 1,604	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ 7,563	$ -	$ 7,563	$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ 7,563	$ -	$ 7,563	$ -
As of September 30, 2021[1]				
Assets:				
Derivative Contracts:				
Central Hudson - electric	$ 12,681	$ -	$ 12,681	$ -
Central Hudson - natural gas	1,027	1,027	-	-
Total CH Energy Group and Central Hudson Assets	$ 13,708	$ 1,027	$ 12,681	$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	$ -	$ -	$ -	$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Liabilities	$ -	$ -	$ -	$ -

(1) Interest rate cap agreements are not shown in the above chart. These are classified as Level 2 in the fair value hierarchy using SIFMA Municipal Swap Curves and 3 month US Dollar Libor rate forward curves. As of September 30, 2022, December 31, 2021, and September 30, 2021 the fair value was $0.

The Effect of Derivative Instruments on the Statements of Income

Realized gains and losses on Central Hudson's derivative instruments are returned to or recovered from customers through PSC authorized deferral accounting mechanisms, with no material impact on cash flows, results of operations or liquidity. Realized gains and losses on Central Hudson's energy derivative instruments are reported as part of purchased natural gas, purchased electricity and fuel used in electric generation in CH Energy Group's and Central Hudson's Statements of Income as the corresponding amounts are either recovered from or returned to customers through fuel cost adjustment mechanisms in revenues. Additionally, unrealized gains and losses on Central Hudson's derivative contracts have no impact on earnings since the energy contracts are subject to regulatory deferral.

For the three and nine months ended September 30, 2022 and 2021, neither CH Energy Group nor Central Hudson had derivatives designated as hedging instruments. The following table summarizes the effects of CH Energy Group's and Central Hudson's derivatives on the Statements of Income (In Thousands):

	Amount of Gain/(Loss) Recognized as Increase/(Decrease) in the Statement of Income				
	Three Months Ended September 30,		Nine Months Ended September 30,		
	2022	2021	2022	2021	Location of Gain (Loss)
Central Hudson:					
Electricity swap contracts	$ (265)	$ 1,260	$ 10,074	$ 3,490	Deferred purchased electric costs(1)
Natural gas swap contracts	-	-	493	3	Deferred purchased natural gas costs(1)
Total CH Energy Group and Central Hudson	$ (265)	$ 1,260	$ 10,567	$ 3,493	

(1) Realized gains and losses on Central Hudson's derivative instruments are returned to or recovered from customers through PSC authorized deferral accounting mechanisms with no net impact on results of operations.

Other Hedging Activities

Central Hudson – Electric

In November 2021, Central Hudson entered into a Heating Degree Days ("HDD") costless collar weather option for the period December 1, 2021 through March 31, 2022, to hedge the effect of significant variances in weather conditions on electricity costs. The aggregate limit on the contract was $5 million. No premium was paid for the HDD costless collar weather option and there was no associated net payout at the end of this contract. In December 2021, Central Hudson recorded $0.3 million of expense incurred as an increase to purchased electric cost; no additional cost was recorded upon settlement of this contract.

In 2020, Central Hudson entered into a premium based weather option for the period of December 1, 2020 through March 31, 2021 with an aggregate contract limit of $5 million. The $1.3 million premium paid was amortized to purchased electricity over the term of the contract. The payout earned of $0.6 million was recorded as a reduction to purchased electricity in the Statement of Income, with $0.4 million recorded in the first quarter of 2021.

Central Hudson – Natural Gas

In November 2021, Central Hudson entered into a HDD costless collar weather option for the period December 1, 2021 through March 31, 2022, to hedge the effect of significant variances in weather conditions on natural gas costs. The aggregate limit on the contract was $5 million. No premium was paid for the HDD costless collar weather option and there were no net associated payouts upon the settlement of the contract. In December 2021, Central Hudson recorded $0.3 million of expense incurred as an increase to purchased natural gas costs; no additional cost was recorded upon settlement of this contract.

In 2020, Central Hudson entered into a premium based weather option for the period of December 1, 2020 through March 31, 2021. The aggregate limit on the contract was $5 million. The $1.7 million premium paid was amortized to purchased natural gas over the term of the contract. The payout earned of $0.1 million on the 2020 contract was recorded as a reduction to purchased natural gas in the Statement of Income in the first quarter of 2021.

NOTE 16 – Other Fair Value Measurements

Other Assets Recorded at Fair Value

In addition to the derivatives reported at fair value discussed in Note 15 – "Accounting for Derivative Instruments and Hedging Activities," CH Energy Group and Central Hudson report certain other assets at fair value on the Balance Sheets. The following table summarizes the amounts reported at fair value related to these assets (In Thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2022:				
Other Investments	$ 20,532	$ 20,532	$ -	$ -
As of December 31, 2021:				
Other Investments	$ 21,624	$ 21,624	$ -	$ -
As of September 30, 2021:				
Other Investments	$ 22,171	$ 22,171	$ -	$ -

As of September 30, 2022, December 31, 2021, and September 30, 2021, a portion of the trust assets for the funding of the SERP and Deferred Compensation Plan were invested in mutual funds and money market accounts, which are measured at fair value on a recurring basis. These investments are valued at quoted market prices in active markets and, as such, are Level 1 investments as defined in the fair value hierarchy. These amounts are included in "Other investments" within the Deferred Charges and Other Assets section of the CH Energy Group's and Central Hudson's Balance Sheets.

The remaining amount reported in "Other investments" represents trust assets for the funding of the SERP and Deferred Compensation Plan held in trust-owned life insurance policies, which are recorded at cash surrender value. As of September 30, 2022, December 31, 2021, and September 30, 2021, the total cash surrender value of trust-owned life insurance held by these trusts was approximately $34.0 million, $35.3 million and $35.4 million, respectively. The change in the cash surrender value is reported in "Other – net" income in the CH Energy Group's and Central Hudson's Income Statements.

Other Fair Value Disclosure

Financial instruments are recorded at carrying value in the financial statements, however, the fair value of these instruments are disclosed below in accordance with current accounting guidance related to financial instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents: Carrying amount.

Short-Term Borrowings: Carrying amount.

Due to the short-term nature (typically one month or less) of these borrowings, the carrying value is equivalent to the current fair market value.

Long-term Debt: Quoted market prices for the same or similar issues (Level 2).

Valuations were obtained for each issue using the observed Treasury market in conjunction with secondary market trading levels and recent new issuances of comparable companies.

The following table discloses the estimated fair value of both CH Energy Group and Central Hudson's long-term debt, including the current maturities (Dollars in Thousands):

CH Energy Group

	September 30, 2022		December 31, 2021		September 30, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	$ 1,063,444	$ 892,708	$ 867,810	$ 1,012,654	$ 813,744	$ 947,404
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	$ 1,127,144	$ 956,408	$ 931,510	$ 1,076,354	$ 877,444	$ 1,011,104
Estimated effective interest rate		3.98%		3.86%		3.90%

Central Hudson

	September 30, 2022		December 31, 2021		September 30, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	$ 1,055,700	$ 884,927	$ 859,100	$ 1,003,268	$ 804,100	$ 936,709
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	$ 1,119,400	$ 948,627	$ 922,800	$ 1,066,968	$ 867,800	$ 1,000,409
Estimated effective interest rate		3.96%		3.83%		3.87%

NOTE 17 – Related Party Transactions

Thompson Hine LLP serves as outside counsel to CH Energy Group and Central Hudson. One partner in that firm serves as each corporation's General Counsel and Corporate Secretary. LaBella Associates D.P.C. (formerly The Chazen Companies) performs engineering services for Central Hudson, and a principal in the firm serves as a director of Central Hudson.

The following are fees paid by CH Energy Group and Central Hudson to Thompson Hine LLP and LaBella Associates D.P.C., respectively, as follows (In Thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
CH Energy Group (Thompson Hine LLP)	$ 575	$ 429	$ 1,891	$ 1,594
Central Hudson (Thompson Hine LLP)	$ 567	$ 418	$ 1,869	$ 1,564
Central Hudson (LaBella Associates D.P.C. formerly The Chazen Companies)	$ 163	$ 86	$ 445	$ 588

CH Energy Group and Central Hudson may provide general and administrative services ("services") to and receive services from each other, Fortis and other subsidiaries of Fortis. The costs of these services are reimbursed by the beneficiary company through accounts receivable and accounts payable, as necessary. CH Energy Group and Central Hudson may also incur charges from Fortis or each other for the recovery of general corporate expenses incurred by one another, Fortis or other affiliates. In addition, CH Energy Group and Central Hudson may also incur charges from Fortis for federal income taxes under their tax sharing agreement. These transactions are in the normal course of business and are recorded at the United States dollar amounts.

Related party transactions included in accounts receivable and accounts payable for CH Energy Group and Central Hudson are as follows (In Thousands):

	September 30, 2022	December 31, 2021	September 30, 2021
CH Energy Group[1]	Fortis	Fortis	Fortis
Accounts Receivable	$ 150	$ 1,390	$ 598
Accounts Payable	$ 437	$ -	$ -

	September 30, 2022			December 31, 2021			September 30, 2021		
Central Hudson[1]	CHEG	Fortis	Other Affiliates	CHEG	Fortis	Other Affiliates	CHEG	Fortis	Other Affiliates
Accounts Receivable	$ -	$ 149	$ 5	$ 36	$ 7	$ -	$ 7	$ 43	$ 16
Accounts Payable	$ 1,033	$ -	$ -	$ 823	$ -	$ 1	$ 1,111	$ -	$ -

(1) Fortis amounts include Fortis and all Fortis subsidiaries.

Related party transactions in operating expenses for CH Energy Group and Central Hudson are as follows (In Thousands):

	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	CHEG	Fortis[1]	CHEG	Fortis[1]
CH Energy Group	$ -	$ 1,093	$ -	$ 1,177
Central Hudson	$ 1,236	$ -	$ 1,273	$ -

(1) Fortis amounts include Fortis and all Fortis subsidiaries.

	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	CHEG	Fortis[1]	CHEG	Fortis[1]
CH Energy Group	$ -	$ 3,609	$ -	$ 3,349
Central Hudson	$ 3,996	$ -	$ 3,651	$ -

(1) Fortis amounts include Fortis and all Fortis subsidiaries.

NOTE 18 – Subsequent Events

An evaluation of subsequent events was completed through October 27, 2022, the date these Condensed Consolidated Financial Statements were available to be issued, to determine whether circumstances warranted recognition and disclosure of events or transactions in the Condensed Consolidated Financial Statements as of September 30, 2022.

On October 13, 2022, the Transco Board of Managers gave notice to CHET that it will be required to make a $2.0 million capital contribution to Transco during the fourth quarter of 2022 to fund capital expenditures related to the Transco AC Project. In addition, the Transco Board of Managers authorized a quarterly distribution to CHET of $0.5 million.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS
For the Nine Months Ended September 30, 2022

This information should be read in conjunction with the Quarterly Condensed Financial Statements and the notes contained herein, and the audited 2021 Annual Financial Report's financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Enterprises Corporation, Central Hudson Electric Transmission LLC ("CHET") and Central Hudson Gas Transmission LLC ("CHGT"). Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its 6.1% ownership interest in New York Transco LLC ("Transco"). Transco is a partnership with affiliates of other investor-owned utilities in New York State which was created to develop, own and operate electric transmission projects in New York State. CHGT was formed to hold CH Energy Group's ownership stake in possible gas transmission pipeline opportunities in New York State. All of CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), a leader in the North American regulated electric and gas utility industry, with 2021 revenue of CAD$9.4 billion and total assets of CAD$60 billion. Fortis and its subsidiaries' 9,100 employees serve 3.4 million utility customers in five Canadian provinces, nine U.S. states and three Caribbean countries.

Central Hudson purchases, sells at wholesale and retail, and distributes electricity and natural gas at retail, in portions of New York State to electric and natural gas customers and is subject to regulation by the New York Public Service Commission ("PSC" or "Commission").

CH Energy Group Strategy Execution

CH Energy Group's strategy is to:

- Invest primarily in electric and gas transmission and distribution; and
- Maintain a financial profile that supports Central Hudson's objective of a credit rating in the "A" category.

Management continues to focus on investment in Central Hudson's electric and natural gas infrastructure as the core of its strategy. Central Hudson's five-year forecast includes an average of approximately $270 million of capital expenditures per year. The long-term capital program provides for continued strengthening of existing electric and natural gas infrastructure, resiliency and automation of distribution systems, new common facilities, and investments in cybersecurity and information and distribution system technologies that are expected to allow for greater penetration of distributed energy resources and improve reliability and customer satisfaction.

As part of CH Energy Group's overall strategy to invest in electric transmission and distribution, CHET made an investment in Transco. In April 2019, National Grid and Transco were awarded the Segment B portion of one of their proposals for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid. Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of $600 million plus interconnection costs, and CHET's equity funding requirement of this cost as a 6.1% owner of Transco is expected to be $19.4 million. At September 30, 2022, CHET's investment in Transco was approximately $21.5 million.

In November 2018, the Transco limited liability company agreement was amended to allow Transco to pursue additional projects that might result from future New York Independent System Operator's ("NYISO") Public Policy Transmission Planning Processes. In response to a Long Island Offshore Wind Export Public Policy Transmission Need Project Solicitation issued by the NYISO on August 12, 2021, Transco, partnering with the New York Power Authority ("NYPA"), submitted to NYISO on October 11, 2021, four separate proposed solutions to upgrade existing transmission facilities on Long Island to accommodate 3,000 MWs of anticipated offshore wind generated electricity while also proposing three alternative expansion solutions. Three unrelated developers proposed 12 other solutions. NYISO's response to the solicitation proposals, including the Transco-NYPA proposals, is expected to be issued in the first half of 2023. In the event that a Transco-NYPA proposal is accepted by NYISO, CHET would own, and fund, the equity investment associated with Transco's 10% ownership stake in the project.

Central Hudson
Purpose and Strategy Execution

Central Hudson's Purpose Statement is **"Together We Power Endless Possibilities,"** which is supported by the following Core Values:

- *We Never Compromise on **Safety***
- *We Value Our **People***
- *We Put the **Customer** First*
- *We Aim for **Excellence** Every Day*
- *We Put Energy Into Our **Communities***

Central Hudson's strategy is to provide exceptional value to its stakeholders by:

- Modernizing and transforming our business through electric and natural gas system investments and process improvements;
- Continuously improving our performance while maintaining cost effective, efficient and secure operations;
- Advocating on behalf of customers and other stakeholders; and
- Investing in programs and employee development to position the organization for continued success in the future.

Central Hudson has developed a range of strategic objectives that, once achieved, will address the technology and policy changes faced by New York utilities; meet or exceed the increasing expectations of our customers and provide creative solutions in anticipation of evolving customer need in the mid-Hudson Valley; influence the regulatory and political landscape in a manner that provides value to our key stakeholders; and position the Company for continued success with a flexible, diverse, talented, and engaged workforce.

Central Hudson is subject to regulation by the PSC. Central Hudson's earnings are derived predominately from the revenue it generates from delivering energy to approximately 300,000 electric and 80,000 natural gas customers, with earnings growth coming primarily from increases in net utility plant. Central Hudson's delivery rates are designed to recover the cost of providing safe and reliable service while affording the opportunity to earn a fair and reasonable return on its capital.

Central Hudson is committed to continuing the transition to a low carbon and sustainable future for our customers and the communities we serve. Sustainability and strong social responsibility are at the core of Central Hudson's plans and actions and are integrated throughout all facets of the business. Central Hudson appreciates the need to continuously improve and is therefore taking the actions needed to ensure a successful future: fortifying and protecting its delivery systems, embracing new technologies, managing aggressive energy policy goals, and actively supporting evolving customer needs. The Company remains dedicated to the safety, health, and well-being of every employee and contractor as well as the community and customers we serve.

Central Hudson is actively pursuing a cleaner energy future by supporting New York State's energy policies and goals while continuing to provide reliable, resilient and affordable power. At Central Hudson, we continue to make investments in infrastructure, technologies and programs that cost-effectively reduce carbon emissions by:

- Upgrading electric transmission and distribution lines, including support for statewide transmission upgrades to deliver renewable energy sources to areas of high electric demand including the Hudson Valley and metropolitan area, and investments in the regional electric distribution system to facilitate greater levels of locally sited renewable generators;
- Pursuing the lowest cost approach to emission reduction, by examining current incentives to determine which offer the highest value in lowering emissions;
- Integrating natural gas benefits, utilized for fast-start electric generation, to enable intermittent renewable resources and used as a low-carbon alternative to petroleum-derived fuels used in heating and manufacturing to reduce overall carbon emissions;
- Expanding energy efficiency programs, the most cost-effective method to reduce emissions; and
- Advancing environmentally beneficial electrification, including promoting electric vehicles and heat pumps to lower emissions from the transportation and building heating sectors.

Central Hudson is taking a leading role in reducing emissions in the mid-Hudson Valley through investments in programs that include beneficial electrification (i.e., expanding the electric vehicle charging infrastructure and increasing heat pump installations), grid modernization and reinforced infrastructure in support of renewables, energy efficiency and energy storage system interconnections. The investments into Central Hudson's operations and reduction of carbon emissions are aligned with and support New York State's Climate Leadership and Community Protection Act ("CLCPA"). The CLCPA has mandated an 85% greenhouse gas ("GHG") emissions reduction from 1990 levels by 2050. In addition, we continue to seek opportunities to update and modernize our operations as we adapt to an evolving clean energy landscape while building towards a more sustainable future. At Central Hudson, these efforts take place in a broader context of a heightened focus on Environment, Social, and Governance ("ESG") factors. We believe that the transparent management of ESG performance and related goals are important for our stakeholders to understand the path we are taking towards our sustainability goals and for Central Hudson to provide assurance around the integrity of the broader operating environment in which those targets are being pursued. Strong ESG performance is expected to yield long-term value through enhanced earnings, reduced costs, improved stakeholder relationships, increased employee satisfaction and optimization of investment and capital expenditures.

Central Hudson also recognizes the critical importance of its employees and dedicates substantial resources and efforts toward attracting, retaining and developing individuals who exemplify the values that are the cornerstone of our Company. In addition, we work with many outside firms to obtain additional resources to supplement our internal forces to address fluctuations in certain aspects of the Company's operations. Safety is of the utmost importance for our employees and is a priority for our Company. We strive to maintain good relationships with both our union and suppliers of contracted services and to provide a safe, inclusive and diverse environment for all.

Central Hudson has continued its journey to transform the customer experience. Having navigated the challenges and difficulties of replacing a decades-old customer billing system and implementing a new state-of-the-art system, we are eager to reach a stabilized state and look forward to the benefits the new system will provide our customers. We aim to satisfy our customers by being proactive, responsive, dependable, and timely when they need service. We want to reach each customer on a variety of service channels and provide them the level of support they need, including self-service options. We are committed to the reliability that customers expect, even when more frequent severe weather events impact our service territory. We have taken a proactive approach to harden our electric and natural gas systems accordingly and participated in a climate assessment to evaluate the resilience of our business in different potential climate-related futures. At Central Hudson, we value our customers and our employees, and we strive to support a sustainable environment for all.

Risk Factors

There were no material changes in the first nine months of 2022 to CH Energy Group's or Central Hudson's risk factors, as set forth in their 2021 Annual Financial Report.

CH Energy Group - Regulated Operations - Central Hudson
Financial Highlights
Period Ended September 30

	Quarter			Year to Date		
	2022	2021	Change	2022	2021	Change
Electricity Sales (GWh)	1,327	1,356	(29)	3,844	3,797	47
Natural Gas Sales (PJ)	4.7	3.2	1.5	18.4	17.1	1.3
(In millions)						
Revenues	$ 208.6	$ 178.7	$ 29.9	$ 726.5	$ 572.2	$ 154.3
Energy Supply Costs - Matched to Revenues	63.8	50.0	13.8	272.0	161.5	110.5
Operating Expenses - Matched to Revenues	28.1	26.5	1.6	87.7	77.7	10.0
Operating Expenses - Other	74.1	74.1	-	244.5	220.9	23.6
Depreciation and Amortization	20.1	18.1	2.0	60.5	53.9	6.6
Other Income, net	9.8	6.5	3.3	31.7	19.4	12.3
Interest Charges	9.9	8.8	1.1	29.6	27.0	2.6
Income Taxes	4.5	0.9	3.6	13.2	8.0	5.2
Net income	$ 17.9	$ 6.7	$ 11.2	$ 50.8	$ 42.4	$ 8.4

Earnings: Central Hudson's year to date results reflect earnings growth over the prior year due to the approved increase in delivery rates, which provided a return on additional capital invested in the business and recovery of operating and financing expenses. Based on the delayed approval of the 2021 Rate Order, this had a greater impact on the third quarter. The 2021 Rate Order was not approved until November 2021 but provided updated delivery rates including a make-whole provision back to July 1, 2021. The associated adjustment to reflect the delayed rate increase was recorded in the fourth quarter of 2021. As such, a portion of the quarter over quarter earnings increase is timing as it represents a comparison to the period in 2021 prior to the approval. Additionally, Central Hudson's quarter-over-quarter earnings were impacted by the timing of operating expenses in comparison to the seasonality of revenues billed. This timing of operating expenses in the quarter does not impact earnings on a full year basis.

Energy supply costs reflect higher electric and natural gas commodity prices. This did not have a direct impact on earnings due to the full deferral of commodity costs. Central Hudson is authorized to bill customers volumetric factors for the recovery of bad debt and working capital costs related to commodity purchases, and fluctuations in volume and price will impact the revenues collected through these factors. However, the variation in revenues billed through these volumetric factors was not material.

During 2022, the significant increase in electric and natural gas commodity costs, the substantial effort to bill customers to current and the suspension of collection activities since the beginning of the COVID-19 pandemic have resulted in a significant growth in our accounts receivable, thus increasing the level of working capital needed to currently support the business. The financing costs associated with this working capital are not recoverable. Central Hudson continues to proactively contact customers regarding past due balances to advise them of financial assistance programs available and is also working with local agencies and municipalities to obtain funding for its customers which has been made available through federal and state programs. On June 16, 2022, the PSC approved Phase 1 of the Arrears Management Program in which residential utility customers who receive income-qualified government assistance for utility bills and other expenses and have past-due balances for service through May 1, 2022, had those balances forgiven. New York Joint Utilities are working with PSC Staff regarding a Phase 2 of the program which will apply to customers that were not eligible in Phase 1. Central Hudson has begun collection efforts for certain customers with large arrears balances through communications, urging payment and notifying customers that finance charges and termination efforts will be forthcoming. These efforts have generated some success with payments or payment arrangements. Central Hudson will continue its collection outreach efforts, expanding the number of customers and commencing finance charges and termination efforts. Under the terms of the 2021 Rate Order, Central Hudson is authorized to defer bad debt write-offs if they exceed 10 basis points above the amounts billed to customers through delivery rates and applicable surcharges. As of September 30, 2022, Central Hudson has deferred $2.4 million in uncollectible write offs. Therefore, uncollectible expense is not expected to have a significant impact on earnings. While this deferral mechanism provides protection regarding the impact of uncollectible expense on earnings, the growth in working capital associated with significantly higher accounts receivable arrears balances is causing liquidity pressure and has resulted in increased financing to support operations, which is not recoverable from customers. Clarity on Phase 2 arrears relief, along with continued collection efforts, particularly termination for non-payment, will provide visibility as to the timeframe over which the arrears growth will be resolved.

Electricity Sales

Electricity sales decreased during the quarter primarily due to lower sales to residential customers which is believed to be driven by the continued transition back to pre-COVID consumption patterns. The year over year increase in sales is primarily driven by non-residential customers, which is similarly impacted by this transition as businesses began re-opening their offices at a larger scale. The year over year increase was partially offset by lower sales for resale.

Natural Gas Sales

Natural gas sales for the quarter and year to date were higher due to increases in interruptible sales to electric generators driven by higher use of natural gas for electric generation. Further contributing to the year over year increase were higher sales to residential customers partially offset by lower sales to commercial customers.

Depreciation and Amortization: Depreciation increased due to the increased investment in Central Hudson’s electric and gas infrastructure in accordance with its capital expenditure program.

Other Income, net: The increase in other income is primarily due to a decrease in the non-service component of pension expense when compared to 2021.

Interest Charges: The increase in interest charges is primarily due to higher long-term debt and short-term borrowing balances.

Income Taxes: The combined effective tax rate year to date is lower than the statutory rate due to tax normalization rules and the timing of flow through items related to capital expenditures.

Central Hudson Revenues - Electric
Period Ended September 30

(In millions)

	Quarter			Year to Date		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Revenues with Matching Expense Offsets:[1]						
Recovery of commodity purchases	$ 53.2	$ 44.6	$ 8.6	$ 187.7	$ 116.6	$ 71.1
Sales to others for resale	5.6	2.2	3.4	25.2	10.8	14.4
Other revenues with matching offsets	17.4	19.8	(2.4)	54.9	55.8	(0.9)
Subtotal	76.2	66.6	9.6	267.8	183.2	84.6
Revenues Impacting Earnings:						
Customer sales	97.7	98.1	(0.4)	290.6	289.3	1.3
Revenue Decoupling Mechanism ("RDM") and other regulatory mechanisms	7.4	(7.6)	15.0	1.7	(27.3)	29.0
Recovery of suspended COVID-19 finance charges	1.3	-	1.3	3.3	-	3.3
Incentives earned	-	-	-	0.3	1.4	(1.1)
Net plant & depreciation targets	-	(0.1)	0.1	(2.2)	(1.8)	(0.4)
Other revenues	1.5	1.6	(0.1)	5.3	5.6	(0.3)
Subtotal	107.9	92.0	15.9	299.0	267.2	31.8
Total Electric Revenues	$ 184.1	$ 158.6	$ 25.5	$ 566.8	$ 450.4	$ 116.4

(1) Revenues with matching offsets do not affect earnings since they offset related costs, the most significant being energy cost adjustment revenues, which provide for the recovery of purchased electricity costs. Other related costs include certain authorized business expenses recovered through rates and the cost of special programs authorized by the PSC and funded with certain available credits. Changes in revenues from electric sales to other entities for resale also do not affect earnings since any related profits or losses are returned or charged, respectively, to customers.

Central Hudson Revenues - Natural Gas
Period Ended September 30

(In millions)

	Quarter			Year to Date		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Revenues with Matching Expense Offsets:[1]						
Recovery of commodity purchases	$ 4.8	$ 3.2	$ 1.6	$ 51.7	$ 28.8	$ 22.9
Sales to others for resale	0.4	0.2	0.2	7.5	5.4	2.1
Other revenues with matching offsets	0.6	1.1	(0.5)	3.3	5.9	(2.6)
Subtotal	5.8	4.5	1.3	62.5	40.1	22.4
Revenues Impacting Earnings:						
Customer sales	14.8	13.9	0.9	92.7	80.6	12.1
RDM and other regulatory mechanisms	2.9	0.4	2.5	1.5	(1.9)	3.4
Recovery of suspended COVID-19 finance charges	-	-	-	0.6	-	0.6
Incentives earned/(reversed)	0.2	-	0.2	-	0.1	(0.1)
Net plant & depreciation targets	(0.1)	(0.2)	0.1	(1.2)	(1.9)	0.7
Other revenues	0.8	1.4	(0.6)	3.6	4.8	(1.2)
Subtotal	18.6	15.5	3.1	97.2	81.7	15.5
Total Natural Gas Revenues	$ 24.4	$ 20.0	$ 4.4	$ 159.7	$ 121.8	$ 37.9

(1) Revenues with matching offsets do not affect earnings since they offset related costs, the most significant being energy cost adjustment revenues, which provide for the recovery of purchased natural gas costs. Other related costs include certain authorized business expenses recovered through rates and the cost of special programs authorized by the PSC and funded with certain available credits. For natural gas sales to other entities for resale, 85% of such profits are returned to customers.

Central Hudson's revenues consist of two major categories: those that offset specific expenses in the current period (matching revenues) and those that impact earnings. Matching revenues represent amounts billed in the current period to recover costs for particular expenses (most notably, purchased electricity and purchased natural gas, major storm, pensions and other post-employment benefits (“OPEB”) and New York State energy efficiency programs). Any difference between these revenues and the actual expenses incurred is deferred for future recovery from or refund to customers and, therefore, does not impact earnings, with the exception of related carrying charges, which are recorded within other income or interest charges in the CH Energy Group and Central Hudson Statements of Income.

Electric Revenues:

The quarter and year over year increases in electric revenues are primarily due to higher recovery of purchased commodity costs as well as higher sales for resale both impacted by increased commodity price. Further impacting the quarter over quarter revenue increase is higher delivery rates effective July 1, 2022 and the recovery of lost finance charges authorized in the 2021 Rate Order. Partially offsetting these increases were lower incentives earned to date in 2022 under the revised target levels approved in the Rate Order.

Natural Gas Revenues:

The quarter and year over year increase in natural gas revenues is primarily due to higher recovery of purchased commodity costs resulting from an increase in both sales volume and commodity price as well as higher sales for resale. Further impacting the year over year revenue increase are higher delivery rates effective July 1, 2022, when compared to 2021 as a result of the delay in the 2021 Rate Order and the recovery of lost finance charges. Lower revenues deferred for future return to customers in 2022 related to Net plant and depreciation targets below levels included in rates also contributed to the year over year increase in natural gas revenue.

Central Hudson Operating Expenses
Period Ended September 30

(In millions)	Quarter			Year to Date		
	2022	**2021**	**Change**	**2022**	**2021**	**Change**
Expenses Currently Matched to Revenues:(1)						
Purchased electricity	$ 58.7	$ 46.8	$ 11.9	$ 212.8	$ 127.4	$ 85.4
Purchased natural gas	5.2	3.4	1.8	59.3	34.3	25.0
Pension & OPEB	5.9	4.3	1.6	18.6	12.7	5.9
New York State energy efficiency programs	11.2	10.6	0.6	32.0	30.9	1.1
Major storm reserve	4.6	3.6	1.0	13.3	9.4	3.9
Low income programs	2.3	2.6	(0.3)	7.7	9.1	(1.4)
Other matched expenses	4.0	5.2	(1.2)	16.0	15.4	0.6
Subtotal	91.9	76.5	15.4	359.7	239.2	120.5
Other Operating Expenses:						
COVID-19 related uncollectible reserve	-	-	-	-	0.8	(0.8)
Depreciation and amortization	20.1	18.1	2.0	60.5	53.9	6.6
Property and school taxes(2)	15.5	13.7	1.8	49.7	45.4	4.3
Weather related service restoration	1.3	3.0	(1.7)	4.5	5.7	(1.2)
Call center expense	1.6	1.4(3)	0.2	7.1	3.7(3)	3.4
Information technology ("IT")	4.5	3.7	0.8	18.9	10.7	8.2
Labor and related benefits	23.3	25.3	(2.0)	74.6	74.8	(0.2)
Uncollectible expense	1.8	1.4(3)	0.4	6.0	4.1(3)	1.9
Tree trimming	6.0	6.0	-	20.1	18.1	2.0
Other expenses	20.1	19.6(3)	0.5	63.6(3)	57.6(3)(4)	6.0
Subtotal	94.2	92.2	2.0	305.0	274.8	30.2

Total Operating Expenses	$ 186.1	$ 168.7	$ 17.4	$ 664.7	$ 514.0	$ 150.7

(1) Includes expenses that, in accordance with the 2018 and 2021 Rate Orders, are adjusted in the current period to equal the revenues billed for the applicable expenses and the differences are deferred.
(2) In accordance with the 2018 and 2021 Rate Orders, Central Hudson is authorized to continue to defer for the benefit of or recovery from customers 90% of any difference between actual property tax expense and the amounts provided in rates for each Rate Year. Central Hudson's portion is limited to 5 basis points, with a maximum of approximately $0.6 million, pre-tax per Rate Year.
(3) Certain expenses reported for the three and nine months ended September 30, 2021 have been reclassified to "Call center expense" and "Uncollectible expense" to conform to the current period presentation.
(4) Certain expenses reported under "COVID-19 incremental operating expenses" for the three and nine months ended September 30, 2021 have been reclassified to "Other" to conform to the current period presentation.

Operating Expenses:

Operating expenses increased for the quarter and year to date primarily as a result of higher commodity costs for both electric and natural gas. The increase in other operating expenses is attributed to increases in certain expenses as provided for in delivery rates including depreciation, property and school taxes, labor and related benefits and uncollectible expense. Further impacting the quarter and year to date increases were higher IT and call center expenses related to the implementation of the new CIS system. These increases were partially offset by lower weather-related restoration costs. The year over year increase was also partially offset by an increase in the allowance for uncollectible accounts recorded in 2021.

Variations in purchased natural gas and electricity costs and other expenses currently matched to revenues do not have a direct impact on earnings due to Central Hudson's regulatory mechanism for the full deferral of these expenses.

Financial Position

CH Energy Group – Regulated – Central Hudson
Significant Changes in the Balance Sheets
For the nine months ended September 30, 2022

(In millions)

Balance Sheet Account	**Increase (Decrease)**	**Explanation**
Accounts receivable, net of allowance for uncollectible accounts	55.2	Increase is primarily due to the suspension of collection efforts required during the COVID pandemic which impacted customers' payment behavior, to increased commodity prices and higher seasonal winter energy usage in the first quarter.
Accrued unbilled utility revenues, net of allowance for uncollectible accounts	(6.0)	Decrease reflects the seasonality of the business.
Other receivables	7.5	Increase is primarily related to billings to developers for work performed associated with a System Deliverability Upgrade project as well as billing for joint utility work, damages claims and attachment rents, partially offset by the receipt of contributions in aid of construction for various capital projects.
Fuel, materials and supplies	5.9	Increase is due to rising costs and purchases of materials and supplies in an effort to minimize impacts of supply chain interruptions.
Regulatory assets - current	46.5	Increase is primarily driven by higher electric energy costs and an extension of the time period over which these costs are billed coupled with increases related to the arrears management program.
Special deposits and prepayments	13.2	Increase is primarily due to the prepayment of a natural gas storage agreement along with the renewal of prepaid insurance policies, partially offset by the related amortization.

Regulatory assets - long term	11.7	Increase is primarily related to costs incurred for major storm expenses in excess of the rate allowance and RAM collections, partially offset by lower deferred taxes recoverable through future rates attributable to plant.
Other assets - long term	(6.5)	Decrease reflects amounts paid from restricted cash held in escrow for work performed related to a System Deliverability Upgrade project.
Long term debt, including current maturities	196.6	Increase is due to issuances of long-term debt in 2022, partially offset by the repayment of matured debt.
Accounts Payable	(17.5)	Decrease is primarily due to the payment of invoices that were previously outstanding associated with purchased gas and electric commodity costs, information technology, property construction and repairs and maintenance, electric engineering and energy efficiency programs.
Regulatory Liabilities - current	14.5	Increase is primarily due to bill credits to be provided to customers per the 2021 Rate Order and higher unrealized gains on derivatives.
Other liabilities - long term	(10.6)	Decrease is primarily due to a reduction of amounts held in escrow for a System Deliverability Upgrade project, reduced earnings on directors' and officers' deferred compensation plan and additional costs associated with the CIS implementation.

Liquidity and Capital Resources

CH Energy Group - Regulated, Non-regulated and Holding Company Summary of Cash Flow Period Ended September 30

(In millions)	Year to Date	
	2022	2021
Cash, cash equivalents and restricted cash - beginning of period	$ 18.1	$ 12.8
Cash from operations pre-working capital	72.1	106.8
Working capital	(121.0)	(17.0)
Operating Activities	(48.9)	89.8
Investing Activities	(164.4)	(174.9)
Financing Activities	252.6	93.9
Cash, cash equivalents and restricted cash - end of period	$ 57.4	$ 21.6

Operating Activities: The decrease in cash from operations pre-working capital in 2022 as compared to 2021 was primarily attributable to increased storm restoration costs. Additionally, 2021 cash from operations pre-working capital included cash received in other advances and held in escrow for a future project while 2022 reflects the use of this cash for work completed. The decrease in pre-working capital was partially offset by lower costs related to energy efficiency heat pump programs. The decrease in cash flow related to working capital in 2022 was primarily attributable to an increase in accounts receivable balances as previously discussed, coupled with higher electric energy and natural gas commodity costs. Additionally, beginning in June 2022, Central Hudson worked with Staff and implemented a change to extend the time period over which commodity costs are billed in order to mitigate volatility to this portion of the customer's bill. This extension of the time period over which these costs are collected has put a further strain on working capital needs. This decrease was partially offset by lower bill credits in 2022 as compared to 2021 and lower costs related to energy efficiency heat pump programs.

Investing Activities: Central Hudson's capital expenditures in the first nine months of 2022 were comparable with the prior year. Current year capital spending includes continued strengthening of existing electrical and natural gas infrastructure, resiliency and automation of distribution systems and investments in cybersecurity and new common facilities. Other investing activity consisted of Central Hudson contributions to the Supplemental Executive Retirement Plan Trust per the Trust agreement of $8.1 million in 2021, no such funding requirement was needed in the current year.

Financing Activities: The net increase in cash proceeds from financing activities in 2022 was generated from both higher issuance of long-term debt, net of repayments and higher capital contributions compared to prior year used to finance the deficit in cash needed to operate the business.

Anticipated Sources and Uses of Cash

CH Energy Group's cash flow is primarily generated by the operations of its utility subsidiary, Central Hudson. Generally, Central Hudson does not accumulate significant amounts of cash but rather re-invests its earnings into future capital investments and distributes excess cash to CH Energy Group in the form of dividends or receives capital contributions from CH Energy Group to meet equity financing needs.

Central Hudson expects to fund capital expenditures with cash from operations, a combination of short-term and long-term borrowings and equity infusions. Central Hudson may alter its plan for capital expenditures as its business needs require. Central Hudson intends to fund growth in its long-lived assets in a manner that maintains an equity ratio aligned with its delivery rates.

Central Hudson utilizes short-term debt to fund seasonal and temporary variations in working capital requirements. Delays in collections of accounts receivable from customers, combined with increased wholesale energy prices and higher seasonal winter energy consumption experienced earlier this year, have all contributed to the significant increase in working capital in 2022. Additionally, beginning in June 2022, Central Hudson began extending the time period over which these wholesale energy costs are collected to mitigate volatility in customer's bills. Central Hudson has begun collection efforts for certain customers with large arrears balances. Continued collection efforts, including the commencement of finance charges and termination activities, along with potential future funding from federal and state initiatives, is expected to provide visibility into the resolution of the arrears issue. At this time, it is uncertain what level of arrears will be paid by customers through collection efforts, what portion of customers will enter into deferred payment arrangements and what portion may be determined to be uncollectible and recorded as a regulatory asset under the terms of our current rate agreement. The time period associated with the collection of the regulatory assets or deferred payment arrangements will be factored into our future financing plans. Short-term debt will be used to supplement liquidity until customer payment behaviors and commodity prices stabilize.

Central Hudson's secondary sources of funds are its cash reserves and credit. Central Hudson's ability to use its credit facility is contingent upon maintaining compliance with certain financial covenants. Central Hudson does not anticipate that those covenants will restrict its access to funds in the fourth quarter of 2022 or the foreseeable future.

Despite the economic challenges noted, Central Hudson has not experienced any issues with accessing capital markets during the pandemic or thereafter, having successfully secured new financing in recent years, as well as during 2022. Central Hudson's 2021 Rate Order was effective July 1, 2021 and management took initiatives to mitigate the impact of new rates on customers during this difficult economic environment as illustrated by the rate decrease in the 2021 Rate Order in the first year for electric delivery revenues. The increase in rates over the subsequent two years should continue to provide the necessary cost recovery to ensure safe and reliable service, as well as a reasonable rate of return on its investment.

At this time, CH Energy Group believes cash generated from operations and funds obtained from equity infusions from Fortis, as well as its financing program will be sufficient for the remainder of 2022 and the foreseeable future to meet working capital needs, fund Central Hudson's capital program, CHET's current investment obligations in Transco and meet Central Hudson's public service obligations and growth objectives.

Committed Credit Facilities

The PSC issued a Financing Order, effective November 22, 2021, authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed $250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed $445.7 million, including up to $412 million for traditional utility purposes and $33.7 million to refinance its variable interest debt.

On April 4, 2022, Central Hudson entered into a first amendment and increasing lender supplement to the March 2020 Central Hudson credit agreement with five commercial banks. The amendment replaces LIBOR with a benchmark replacement interest rate and increases the aggregate commitment by the lenders by $50 million, making the aggregate amount of total commitments equal to $250 million. The credit agreement as amended has a five-year term, maturing in March 2025. Proceeds received from the revolving credit agreement are used for working capital needs and for general corporate purposes. Letters of credit are available up to $15 million from three participating banks. The credit facility is subject to certain covenants and certain restrictions and conditions, as well as Central Hudson is required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor's ("S&P") or Moody's rating on the average daily unused portion of the credit facility.

At September 30, 2022, there were $110 million in borrowings outstanding under Central Hudson's committed credit arrangements compared to the $100 million in borrowings outstanding at December 31, 2021.

Uncommitted Credit

At September 30, 2022 and December 31, 2021, Central Hudson had uncommitted short-term credit arrangements with two commercial banks totaling $30 million. There were no outstanding borrowings for CH Energy Group and Central Hudson under Central Hudson's uncommitted credit agreements at September 30, 2022. At December 31, 2021, CH Energy Group and Central Hudson had $7 million in borrowings outstanding under Central Hudson's uncommitted credit agreements.

Central Hudson's Bond Ratings

	September 30, 2022		December 31, 2021	
	Rating[(1)]	Outlook	Rating[(1)]	Outlook
S&P	A-	Negative	A-	Stable
Moody's	Baa1	Stable	Baa1	Stable
Fitch	A-	Stable	A-	Stable

(1) These senior unsecured debt ratings reflect only the views of the rating agency issuing the rating, are not recommendations to buy, sell, or hold securities of Central Hudson and may be subject to revision or withdrawal at any time by the rating agency issuing the rating. Each rating should be evaluated independently of any other rating.

On January 25, 2022, S&P affirmed the rating of Central Hudson's senior unsecured debt and changed its rating outlook from stable to negative. S&P indicated that the outlook reflects the potential for a one-notch downgrade over the next 12 months due to expected weaker financial measures for Central Hudson. In addition, S&P cited that the impact of Central Hudson's 2021 Rate Order and elevated capital expenditures program as negative factors that could impact the Company's financial ratios. On November 30, 2021, Fitch affirmed its rating (A-) and stable outlook. On September 22, 2021, Moody's downgraded Central Hudson's senior unsecured credit rating from A3 with a negative outlook to Baa1 with a stable outlook.

Central Hudson meets its need for long-term debt financing through privately placed debt. As a regulated electric and natural gas utility company, Central Hudson is required to obtain authorization from the PSC to issue debt securities with maturities greater than 12 months.

On September 28, 2022, Central Hudson issued $100 million of Series Y, 10-year Senior Notes with an interest rate of 5.07% per annum and a maturity date of September 28, 2032 and $10 million of Series Z, 30-year Senior Notes with an interest rate of 5.42% per annum and a maturity date of September 28, 2052. Central Hudson expects to use the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term debt.

On January 27, 2022, Central Hudson issued $50 million of Series W, 5-year Senior Notes with an interest rate of 2.37% per annum and a maturity date of January 27, 2027 and $60 million of Series X, 7-year Senior Notes with an interest rate of 2.59% per annum and a maturity date of January 27, 2029. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of $23.4 million of maturing debt on April 1, 2022.

Central Hudson's strong investment-grade credit ratings help facilitate access to long-term debt; however, management can make no assurance that future financing will be available or economically reasonable.

CH Energy Group and Central Hudson's capital structure is as follows: *(Dollars in millions)*

CH Energy Group

	September 30, 2022		December 31, 2021	
		%		%
Long-term Debt[(1)]	$ 1,127.1	49.4	$ 931.5	47.1
Short-term Debt	110.0	4.8	107.0	5.4
Common Equity	1,046.1	45.8	939.3	47.5
Total	$ 2,283.2	100.0	$ 1,977.8	100.0

(1) Includes current maturities of long-term debt.

Central Hudson

	September 30, 2022		December 31, 2021	
		%		%
Long-term Debt[(1)]	$ 1,119.4	49.6	$ 922.8	47.0
Short-term Debt	110.0	4.9	107.0	5.5
Common Equity	1,029.0	45.6	932.2	47.5
Total	$ 2,258.4	100.0	$ 1,962.0	100.0

(1) Includes current maturities of long-term debt.

In accordance with the 2021 Rate Order, Central Hudson's customer rates continued to be premised on a capital structure, excluding short-term debt, with a common equity ratio of 50%, 49% and 48% for the rate years beginning July 1, 2021, July 1, 2022, and July 1, 2023, respectively. Central Hudson is currently managing its financing to maintain a common equity ratio at 48%.

CH Energy Group and Central Hudson believe they will be able to meet their short-term and long-term cash requirements, given the flexibility awarded under the 2021 Rate Order, including a Return on Equity ("ROE") of 9.0%.

Summary of Changes in Accounting Policies since December 31, 2021

Regulation: There were no material changes to Central Hudson's regulatory accounting policies during the nine months ended September 30, 2022.

Critical Accounting Estimates: There were no material changes to CH Energy Group's or Central Hudson's critical accounting estimates during the nine months ended September 30, 2022.

GAAP Accounting Policies: There were no changes to CH Energy Group's or Central Hudson's accounting policies during the nine months ended September 30, 2022.

Business Outlook

There were no material changes to CH Energy Group's or Central Hudson's mission and strategy since its 2021 Annual Financial Report.

Changes in Internal Controls over Financial Reporting

There have been no material changes in CH Energy Group's or Central Hudson's internal controls over financial reporting during the nine months ended September 30, 2022.

Regulatory Proceedings

There were no material changes to regulatory proceedings disclosed in the 2021 Annual Financial Report; however, activity related to on-going and new proceedings in 2022 are noted below. We cannot predict the ultimate outcome or whether these proceedings would potentially impact Central Hudson in the future. Should it become reasonably possible or probable in the future that a loss will be sustained from any of the below proceedings, disclosure that it is reasonably possible or an accrual of the probable amount of loss will be made consistent with our accounting policies.

2021 Rate Order

On November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429, the ("2021 Rate Order"). The 2021 Rate Order adopts the terms set forth in the August 24, 2021 Joint Proposal. The 2021 Rate Order also fully resolves all issues and concerns raised and/or asserted, or that could have been raised and/or asserted in the Sales Tax Refund Proceeding (Case 20-M-0134). The 2021 Rate Order was effective December 1, 2021 and includes a make-whole provision that provides new rates to become effective retroactive to July 1, 2021, with Rate Year ("RY") RY1, RY2, and RY3 defined as the twelve months ending June 30, 2022, June 30, 2023, and June 30, 2024, respectively.

The 2021 Rate Order provides electric delivery revenue (decreases)/increases of $(3.1) million, $19.5 million and $20.7 million in RY1, RY2 and RY3, respectively and natural gas delivery revenue increases of $4.7 million, $6.3 million and $6.4 million in RY1, RY2 and RY3, respectively. The 2021 Rate Order also provides electric bill credits of $(2.0) million in RY1, $9.5 million in RY2, and $21.5 million in RY3; and gas bill credits of $0.8 million in RY1, $3.2 million in RY2 and $5.6 million in RY3.

The Company's electric and natural gas revenue requirements reflect a common equity ratio of 50% for RY1, 49% for RY2 and 48% for RY3 and a ROE of 9.0%. Earnings above 9.5% and up to 10.0% will be shared 50% / 50% between the shareholder and ratepayers. Earnings above 10.0% and up to 10.5% will be shared 25% / 75% between the shareholder and ratepayers. Earnings above 10.5% will be shared 10% / 90% between the shareholder and ratepayers.

The 2021 Rate Order utilizes existing regulatory balances to reduce bill impacts for customers during the term of the agreement. The 2021 Rate Order also reflects a postponement of certain capital projects, as well as reductions to operations and maintenance ("O&M") costs to help manage customer bill impacts. The total electric revenue (decrease)/increase (after bill credits) is (0.2)%, 1.2%, and 1.2% for RY1 through RY3, respectively, and the total natural gas revenue increase (after bill credits) is 1.9%, 1.8%, and 1.8% for RY1 through RY3, respectively.

The 2021 Rate Order:

- establishes the Company's future energy infrastructure investments, programs and operations;
- stabilizes electric delivery rates in the first year with a slight decrease for residential customers;
- reflects modest increases in gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson's Energy Affordability Program;
- reflects investments in clean energy efficiency ground and air-source electric heat pumps, electric vehicle charging, and system upgrades that support utilization of renewable sources;
- implements ten Earnings Adjustment Mechanisms which reflect a maximum earnings potential of 100 basis points;
- maintains the current Customer Average Interruption Duration Index metric and reflects increasingly stringent System Average Interruption Frequency Index targets, continues and further enhances existing gas safety performance metrics and public safety programs, and includes higher performance requirements for Customer Service Performance Indicators with a net increase in total potential NRAs;
- provides Central Hudson with necessary resources to support ongoing O&M and necessary investments to reinforce electric and gas system reliability and resiliency through storm hardening, expanded vegetation management/tree trimming, continued investment for LPP replacement or elimination, and deployment of new technologies, as well as IT systems to further protect against cyber security risks and;
- includes several deferrals that provide the Company authorization to defer COVID-19 Incremental O&M Costs net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

Investigations and Inquiries into Central Hudson's Customer Information System and Billing Practices

On September 1, 2021, Central Hudson launched its new CIS. The system replaced the Company's 40-year-old legacy mainframe system and was implemented after careful due-diligence, planning, and investigation to address critical obsolescence and cyber security risks. The new CIS enables Central Hudson to provide creative solutions for our customers and adapt to evolving technology.

After implementation, technical issues arose relating primarily to overlapping complex billing transactions. As a result, a portion (approximately 7%) of Central Hudson customers experienced delays in their bills in the months following the implementation. In certain cases, customers received bills that required adjustments, but did not result in a material adjustment to Central Hudson's financial statements. Remediation of these billing issues has been a top priority across the Company. The amounts that were not billed have been recorded within the RDM or as unbilled revenue. A significant force of external resources was also retained by the Company to support stabilization of the billing processes.

PSC Investigation

During the March 2022 PSC session, the PSC directed Department of Public Service ("DPS") Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents. The Company has answered several data requests regarding the CIS implementation and continues to collaborate with DPS Staff.

Agway Energy Services LLC Petition ("Agway")
On February 25, 2022, Agway filed a Petition for Declaratory Ruling and Corrective Action Plan Concerning Failure of Central Hudson Gas and Electric Corporation to provide accurate Electronic Data Interchange information or provide accurate client bills ("Petition"). Agway is a licensed Energy Service Company ("ESCO") that supplies energy for approximately 1,035 customers in Central Hudson's service territory. The Petition alleges impacts to Agway's business related to Central Hudson's billing system transition and alleges violations of the Uniform Billing Practices ("UBP") and that Central Hudson breached the Billing Services Agreement ("BSA"). Agway requested that the PSC investigate these issues, declare violations, order that Central Hudson resolve these violations in a timely manner, appoint an independent monitor to oversee the resolution, disgorge incurred fees, and award compensatory damages.

On March 18, 2022, Central Hudson filed its Verified Motion to Dismiss and Opposition to the Petition of Agway for a Declaratory Ruling ("Motion"). The Motion argues that the Petition should be dismissed because it is not a proper Petition for Declaratory Ruling because it fails to seek a PSC interpretation to a statute or rule and is deficient because it fails to allege a specific violation of either the UBP or BSA. Central Hudson's Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC's jurisdiction to provide. Agway has submitted a filing requesting to enter mediation on this matter, including recurring meetings with both parties and DPS Staff. On June 24, 2022, the Company entered mediation with Agway and continues to hold bi-weekly meetings to discuss, investigate, and resolve issues.

New York State Senate Investigation regarding Commodity Prices and Billing System Transition
On April 13, 2022, Central Hudson and all New York utilities received notice from the New York State Senate that it is investigating the winter electric and gas commodity price increases and Central Hudson's billing system issues. At this time, Central Hudson has responded to all requests for data.

New York State Office of the Attorney General Billing System Inquiry
On May 17, 2022, Central Hudson received inquiries from the New York State Office of the Attorney General ("AG's Office") seeking information regarding recent changes to Central Hudson's billing practices and systems and complaints that the AG's Office has received from Central Hudson's customers. Central Hudson has responded to these inquiries, as well as additional inquiries and data requests from the AG's Office. Central Hudson continues to have regular discussions with the AG's Office regarding the billing system and the data requests.

The outcome of these investigations and inquiries cannot be predicted at this time.

Columbia Energy Notice
Columbia Energy, one of the Energy Service Companies ("ESCO") operating in Central Hudson's service territory, filed notice with the New York State Public Service Commission that it intended to return its approximately 25,000 customers to Central Hudson's commodity supply service. Certain municipalities and the municipalities' Community Choice Aggregation ("CCA") administrator filed a petition with the New York Supreme Court in Albany seeking a temporary restraining order ("TRO") alleging Columbia Energy breached its contractual obligations to provide commodity service to CCA customers. The TRO is a preliminary step necessary before the Supreme Court may grant a permanent injunction. The Supreme Court granted the TRO. Columbia Energy subsequently defaulted on its obligations to the NYISO, and as such, the NYISO ordered Central Hudson to return Columbia Energy's customers (who are also the CCA customers) to Central Hudson's commodity supply service as of July 19, 2022. Central Hudson is processing the return of the customers to Central Hudson commodity supply service. The parties to the Supreme Court case have filed a motion in the Supreme

Court alleging that Columbia Energy's default to NYISO was a breach of the TRO previously granted by the Supreme Court. That litigation is ongoing and Central Hudson is not a party. Central Hudson continues to transition the CCA customers back to Central Hudson commodity supply service and does not expect a material effect on Central Hudson operations as a result of providing commodity supply service to the former CCA customers.

Central Hudson 2021 Financing Order

On November 18, 2021, the PSC approved the Company's request under Section 69 of the Public Service Law authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed $250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed $445.7 million, including $412 million for traditional utility purposes and up to $33.7 million to refinance its variable interest debt. Central Hudson filed a letter indicating its unconditional acceptance of the November 18, 2021, Order on December 6, 2021.

August 2020 Tropical Storm Isaias

On August 5, 2020, the New York State Governor instituted proceeding 20-01633 directing the PSC to initiate an investigation of certain New York State utilities' responses to Tropical Storm Isaias, which impacted Central Hudson's service territory on August 4, 2020. On November 19, 2020, DPS issued an interim Storm Report setting forth preliminary findings, including purported failures by the identified utilities to comply with their respective PSC approved Emergency Response Plans and Show Cause ("Show Cause Order") that initiated proceedings against Central Hudson and the other utilities. The Show Cause Order identified 32 apparent violations by Central Hudson, which, if established, could have resulted in up to $16 million of penalties. Central Hudson filed its response to the Show Cause Order on December 21, 2020. The Company performed a thorough investigation and as indicated in its response, believed no penalty should be issued because the facts demonstrated that Central Hudson fully complied with its PSC-approved Emergency Response Plan, which served as the standard against which Central Hudson should be evaluated. On February 23, 2021, Central Hudson filed a Notice of Impending Settlement Negotiations. On July 7, 2021, Central Hudson and DPS entered into a Settlement Agreement, which included a commitment by Central Hudson to establish a $1.5 million regulatory liability to be used by Central Hudson to support or advance storm restoration and/or electric system resiliency and reliability in excess of amounts funded by customers. The PSC approved the Settlement Agreement within the Order Granting Motion and Adopting Settlement Agreement on July 15, 2021. The Settlement Agreement does not include any finding or admission of any violation by Central Hudson, and it specifies that the settlement amount is not a penalty.

Federal Energy Regulatory PSC ("FERC") System Deliverability Upgrades Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO Open Access Transmission Tariff ("OATT") to establish a Facilities Charge for System Deliverability Upgrades ("SDU") being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, operation and maintenance of the SDU and a reasonable return on its investment. Project costs to be recovered by Central Hudson and allocated to the Load Serving Entities pursuant to Rate Schedule 12 of the NYISO OATT are expected to be approximately $2.6 million plus operation, maintenance and other applicable costs and will be updated annually. The parties submitted an Offer of Settlement with the FERC on June 30, 2021, which included an updated ROE of 9.4% plus a 50-basis point adder for a total ROE of 9.9%. The settlement was certified as uncontested by the designated settlement judge on August 3, 2021 and was subsequently approved by FERC on October 4, 2021.

Central Hudson Management and Operations Audit

On December 16, 2021, the PSC instituted a proceeding for a new Central Hudson audit in its Order Initiating a Management & Operations Audit. The audit is being conducted by an independent auditor selected by DPS Staff as announced at the March 2022 PSC session. The scope of the audit includes issues from the previous audit for follow-up, as well as the planning and implementation of the Company's information systems, including its customer information system, improvements to the electric load forecasting processes to support grid modernization and CLCPA goals, and various elements of pipeline safety. Discovery has concluded after 689 information requests and 42 interviews with subject matter experts and various members of Central Hudson's Board of Directors. Currently, the Company awaits a copy of the Draft Report which is due to Department of Public Service Staff by October 31, 2022.

Storm Hardening & Climate Resilience Law

On December 22, 2021, Governor Kathy Hochul Signed the Storm Hardening & Climate Resilience Bill (S4824A) into law. Part A of this law concerns Climate Vulnerability Studies and part B concerns compensation for customers experiencing widespread and prolonged outages.

Climate Vulnerability Studies

Part A requires that each utility complete a Climate Vulnerability Study evaluating its infrastructure, design specifications, and procedures to understand the utility's vulnerability to climate driven risks and file with the PSC by September 22, 2023. The law also requires utilities to file a subsequent Climate Resilience Plan within 60 days from submission of the Climate Vulnerability Study that must include 1) storm hardening and resilience measures planned for the next ten to twenty years; 2) details of how the corporation will incorporate climate change into its planning, design, operations; and emergency response, 3) details of incorporating climate change into existing processes and practices, managing climate risks and building resilience; and 4) proposed adjustments to planning and design of infrastructure in response to the increasing impacts from climate change.

On June 16, 2022, the PSC Issued its Order Initiating Proceeding Concerning Electric Utility Climate Vulnerability Studies and Plans. The proceeding was initiated to develop and consider studies, proposals, plans, rules, and procedures for implementing the provisions of the Storm Hardening & Climate Resilience Law. On July 14, 2022, the Commission issued an Order adopting the necessary definitions, processes, and procedures to implement the Storm Hardening & Climate Resilience Law. Compliance tariff leaves were filed on July 22, 2022. On August 15, 2022 the utilities jointly filed comments in response of the Order, including an ask of the Commission to move expeditiously to approve cost recovery mechanisms associated with the development and implementation of each utility's Studies and Plans.

Compensation for Widespread, Prolonged Outages

Part B of the Storm Hardening & Climate Resilience Law requires utilities to provide compensation to customers experiencing widespread and prolonged outages lasting more than 72 hours. Utilities will provide a $25/day bill credit to qualifying residential customers with additional reimbursement for spoiled food; up to a maximum of $540 with proof of loss and reimbursement of spoiled medication up to the value of the lost medication. Finally, the law requires utilities to reimburse small businesses up to $540 for spoiled food with proof of loss. The law stipulates that none of the costs incurred by the utility related to these requirements can be recoverable from ratepayers. The provisions in Part B took effect on April 21, 2022 and apply to widespread outages on both electric and natural gas service.

Winter Storm Landon

In compliance with 16 NYCRR Part 104, Central Hudson submitted its Emergency Response Performance Assessment ("scorecard") on March 10, 2022, regarding Winter Storm Landon that occurred in New York State on February 4, 2022. On March 16, 2022, the Commission announced in a press release that it will be overseeing an examination of Central Hudson's actions during Winter Storm

Landon, including a thorough review of the scorecard submitted on March 10, 2022, and determine any next steps. On April 8, 2022, Central Hudson also submitted its Part 105 Preparation and System Restoration Report. This examination has now concluded and DPS Staff has communicated to Central Hudson that they have found no issues.

Low Income Energy Affordability & COVID-19 Proceeding

On June 11, 2020, the PSC established a new proceeding, Case 20-M-0266, to identify and address the effects of the COVID-19 pandemic on utility service in New York State, including all entities subject to PSC jurisdiction or permitting authority. The proceeding included, but is not limited to, impacts on rate-setting, rate design, utility financial strength, low-income programs, collections and termination of service ensuring the provision of safe and adequate service at just and reasonable rates in recognition of the ramifications from the COVID-19 pandemic and the extent to which the PSC's clean energy programs should be maintained or accelerated.

On February 4, 2021, Staff issued a whitepaper on New York State Energy Affordability Policy ("EAP"), Case 14-M-0565, proposing potential modifications and improvements to the distribution utility's energy affordability program for low-income customers. On August 12, 2021, the PSC issued an Order adopting EAP modifications, establishing an EAP Working Group, and directing the Utilities to file several compliance filings. Central Hudson is an active participant in the EAP working group which continues to address various aspects of the Order, including the development of an Arrears Relief Program designed to forgive a portion of the utility arrears accrued during the COVID-19 pandemic.

On April 7, 2022, $250 million was approved in the New York State budget to provide funding for utility arrears relief for customers eligible for energy affordability programs. The EAP Working Group developed and filed a report on May 23, 2022, which proposed a comprehensive arrears relief program for customers to be rolled out in two phases. Phase 1 would address all existing low-income customer's arrears and Phase 2 would be a broader program focused on arrears relief for residential customers that do not meet the definition of low-income, as well as some non-residential customers. On June 16, 2022, the PSC approved the "Phase 1" Bill Relief Program (BRP), whereby residential utility customers who receive income-qualified government assistance for utility bills and other expenses and have past-due balances for service through May 1, 2022, will have those balances forgiven. The Phase 1 program was funded in part through the $250 million in New York State relief, $2.9 million of which was dispersed to Central Hudson. The remainder of the program cost is being recovered through a temporary surcharge on utility bills not to exceed a 0.5% bill impact for residential customers. In August 2022, Central Hudson distributed approximately $5.9M in relief via bill credits to roughly 4,800 eligible customers. Additional bill credits will be processed as new customers become eligible for relief throughout the remainder of 2022. The EAP Working Group continues to work towards a Phase 2 Program proposal, which may provide arrears relief to customers that were ineligible for the Phase 1 Program.

The Accelerated Renewable Energy Growth and Community Benefit Act (the "ARECB Act") and related Proceedings and Orders

On April 3, 2020, Governor Cuomo signed the ARECB Act into law in recognition that achieving the CLCPA climate protection targets requires restructuring and repurposing the State's electric transmission and distribution infrastructure. The ARECB Act has resulted in activities as discussed further below under the Renewable Energy Facility Host Community Benefit Program and Transmission Planning Proceedings subheadings.

Renewable Energy Facility Host Community Benefit Program

On February 11, 2021, the PSC issued Order Adopting a Host Community Benefit Program to provide residential electric utility customers within a Host Community an annual bill credit. The credit will be provided on electric utilities' bills for accounts of residential customers within the town or city that hosts a facility. The renewable owner will pay an annual program fee for ten years, in the amount of $500 per

MW and $1,000 per MW of nameplate capacity for solar and wind facilities, respectively. Central Hudson filed its Implementation Plan for the Host Community Benefit Program for PSC consideration and approval on September 30, 2021. DPS Staff filed Host Community Benefit Annual Reporting Guidance on March 10, 2022, which includes guidance pertaining to utilities' Annual Reports. As required by the Order, applicable utilities are required to file a Host Community Benefit Annual Report in the year following the commencement of a qualifying major renewable facility.

Transmission Planning – Accelerated Renewable Energy Growth and Community Benefit
On May 14, 2020, the PSC instituted a proceeding on transmission planning pursuant to the ARECB Act to develop and consider proposals for implementing the distribution and transmission upgrades, capital expenditures and planning. The ARECB Act directs the PSC to develop and implement plans for future investments in the electric grid to ensure it will support the State's aggressive climate goals.

On September 9, 2021, the PSC issued an Order Local Transmission and Distribution Planning Process and Phase 2 Project Proposals ("September 9th") that addressed the CLCPA investment criteria and Phase 2 upgrades and improves headroom calculations and visibility of headroom data to stakeholders. The Order identifies the need to better align the proposed benefit cost analysis approach with CLCPA objectives. The Order directed the JU to coordinate with NYSERDA, the NYISO and DPS Staff on various compliance filings which were due between December 2021 and March 2022. On January 7, 2022, the JU filed a Cost Sharing and Recovery Agreement ("CSRA") and Cost Allocation Mechanism in compliance with Clauses 3 and 4 of the PSC's September 9th Order.

On January 20, 2022, the PSC issued an Order on Power Grid Study Recommendations which addressed several other findings and recommendations from the Initial Report, particularly those related to offshore wind, future onshore bulk transmission planning needs, the proposal to consider Renewable Energy Zones, and approaches to deploying advanced technologies. The Order directed the JU to file a proposed research plan to deploy advanced technologies along with a budget for the necessary work and any deployment recommendations within six months of the date of this Order, and a progress report within one year of that date. On February 1, 2022, pursuant to Clause 8 of the PSC's September 9th Order, the JU filed their Revised Headroom Calculations and on March 8, 2022, pursuant to Clause 6 of the same Order, Central Hudson along with several other utilities submitted their Petition Identifying Area of Concern Needs and Recommended Solutions. On May 12, 2022, the PSC issued Order Accepting both the CSRA and Rate Schedule 19 as compliant with its Phase 2 Order. The JU will proceed to FERC for approval of the PSC-sanctioned CSRA and Rate Schedule 19 under FPA section 205 in order to establish a cost allocation and recovery framework for Approved Local CLCPA Projects.

Community Distributed Generation ("CDG")
In November 2021, the PSC issued Order Identifying Further Procedural Steps Regarding the Development of Opt-Out Community Distributed Generation. Subsequently on March 29, 2022, DPS Staff filed its Whitepaper on proposed opt-out CDG program operation, oversight, and enforcement rules for future PSC consideration. Community Choice Aggregation ("CCA") provides municipalities with legal authority to act as an aggregator and broker for the sale of energy and other services to residents via an opt-out enrollment process. This Whitepaper outlines the implementation of a statewide CDG program on an opt-out basis under the CCA model and offers recommendations in four categories: Opt-Out CDG Program Structure, Opt-Out CDG Program Rules, Data Access and CDG Billing and Crediting, and Opt-Out CDG Compliance and Enforcement.

In accordance with the Commission's April 11, 2022, Notice Seeking Comments, on June 6, 2022, the Joint Utilities filed comments on the Opt-Out CDG Whitepaper noting overall support for Opt-Out CDG but outlining the need for refinements and technical workshops.

On September 15, 2022, the Commission issued an Order establishing a process intended to address and resolve ongoing CDG billing issues, improve the industry's visibility into the utilities' transition to an automated Net-Crediting billing process, and incentivize more accurate and timely utility performance in billing for CDG. A notice will be issued convening an initial stakeholder conference focused on developing utility CDG crediting and billing performance metrics and a negative revenue adjustment mechanism. Any proposals for utility CDG billing metrics, including negative revenue adjustments, and reporting, will be brought before the Commission for consideration prior to implementation or adoption.

Additionally, the utilities are required to file, by October 15, 2022, Implementation Plans detailing the progress toward automation of crediting and billing of CDG including: 1) the current billing system constraints preventing full CDG billing automation; (2) the billing system changes necessary to effectuate automated CDG billing; and (3) the steps and timeline to achieve full automation of CDG billing. Further, updates to the Implementation Plans will be required to be made quarterly until automation efforts are completed.

Clean Energy Standard ("CES") / Clean Energy Fund

In June 2015, Governor Cuomo announced New York State's 2015 State Energy Plan as a comprehensive roadmap to build a clean, resilient, and affordable energy system for New York State. Governor Cuomo directed the PSC to develop a CES through GHG emission reduction targets through an enforceable mandate. Administered by NYSERDA, the CES is a framework for the direct procurement of qualifying generation through two mechanisms: Renewable Energy Credits ("RECs") including Offshore Wind Renewable Energy Credits, and Zero-Emissions Credits. Additionally, Alternative Compliance Payments were established as a penalty mechanism on load-service entities which did not meet their Tier 1 REC obligations in a given year.

On November 30, 2021, NYSERDA filed its Petition Regarding Agreements for Procurement of Tier 4 RECs. The petition submitted NYSERDAs' contracts for Clean Path New York and Champlain Hudson Power Express projects for PSC review and approval. These projects will develop electric transmission infrastructure that reduces congestion and increases availability of renewable energy in New York City. The total cost for the two projects is approximately $24 billion, with estimated benefits from avoidable expenditures and environmental impacts estimated between $27 to $31 billion. The PSC approved this petition in its Order Approving Contracts for the Purchase of Tier 4 Renewable Energy Certificates on April 14, 2022.

On July 29, 2022, NYSERDA filed its Petition Regarding Proposed Year 2023 Clean Energy Standard Funding and Reconciliation of Year 2021 Administrative Costs. Specifically, NYSERDA is proposing an administrative budget of $38.8M for the CES 2023 Compliance Year, which would include staff direct and indirect salaries, fringe benefits, and other direct program operating costs and general administrative expenses. This represents an increase of approximately 29% from the 2022 budget of $30.2M. On July 29, the PSC issued a notice of proposed rulemaking, soliciting public comments on the petition through October 23, 2022.

Climate Leadership and Community Protection Act

In June 2019, the CLCPA was passed by the New York State Senate and the New York State Assembly. The CLCPA includes renewable energy and emission reduction targets for New York State, which are the most aggressive in the nation. The CLCPA defines targets for 70% renewable electricity by 2030 and 100% carbon-free electricity by 2040. It requires the PSC to establish a program to require all load serving entities to together procure 6,000 MW of solar energy by 2025, 3,000 MW of energy storage by 2030 and 9,000 MW of offshore wind energy by 2035. The CLCPA also requires New York State to cut GHG emissions 40% (from 1990 baseline levels) by 2030 and 85% by 2050 and to achieve net-zero carbon emissions by 2050. The remaining 15% of emissions needed to achieve net-zero are to be offset or captured via the use of carbon capture and sequestration technology and expansion of natural carbon sinks through planting trees and wetlands restoration. These emissions offset projects may be established by the Department of Environmental Conservation as an alternative compliance mechanism for sources subject to the emissions limits.

The bill requires the PSC to issue a comprehensive review of the program by July 1, 2024. The PSC will have the authority to temporarily suspend or modify the obligations under the program provided a hearing finds that the program impedes the provision of safe and reliable electric service, impairs existing obligations or significantly increases arrears or service disconnections determined to be related to the program.

On May 12, 2022, the PSC issued an Order on Implementation of the CLCPA under Case 22-M-0149. This Order initiates a proceeding to track compliance and develop provisions of the CLCPA, including minimum percentages of benefits to be distributed to disadvantaged communities. Specific requirements are (i) costs of large-scale clean energy projects will be distributed statewide on a load-ratio share basis, (ii) utilities will work with the Department of Public Service to develop a proposal by December 2, 2022 for annual GHG Emissions Inventory Reports, (iii) utilities will develop a proposal by March 31, 2023 for a GHG Emissions Reduction Pathways Study to achieve carbon reductions from use of delivered gas, and (iv) rates proceeding will begin for new electric-vehicle charging. Coincident with the Implementation Order, the PSC also issued a request for public comments regarding utility ownership of distributed energy resources and large-scale renewables. Although this has been discussed in the past, this Order is allowing additional consideration for the opportunity of utility owned DER and LSRs.

Thermal Network Pilots
On July 5, 2022, the Utility Thermal Energy Networks and Jobs Act ("Act") was signed into law by Governor Kathy Hochul. The Act requires utilities to submit proposals for up to five thermal energy pilots and requires the PSC to promulgate rules and regulations related to thermal energy networks. The Act includes provisions requiring that such projects be located in disadvantaged communities and that the operation of the projects be staffed with union labor and include apprenticeship and pre-apprenticeship programs. On September 15, 2022, the PSC issued an Order on Developing Thermal Energy Networks Pursuant to the Utility Thermal Energy Network and Jobs Act under Case 22-M-0429. This Order requires that utilities in New York State, including Central Hudson, submit proposals for pilot projects to install anywhere from one to five thermal energy networks as demonstrations for how the building sector can be transitioned from using fossil fuels for space and water heating.

NYISO Complaint on Right of First Refusal
On October 12, 2021, as amended on October 13, 2021, NYISO filed a FERC complaint alleging that the Order No. 1000 public policy transmission planning process in the OATT is unjust and unreasonable to the extent that it does not contain rules to implement the New York Transmission Owners' ("NYTOs") federal Right of First Refusal ("ROFR") contained in NYISO's foundational agreements. As a remedy, NYISO submitted proposed tariff revisions to its OATT to implement a NYTO's federal ROFR to build an upgrade to its existing transmission facilities that are part of another Developer's Order No. 1000 Public Policy Transmission Project. On March 11, 2022, FERC granted the complaint and accepted NYISO's proposed tariff revisions to be effective on October 12, 2021. FERC determined that NYTO's who exercise a federal ROFR to build an upgrade to their own existing transmission facilities will not be subject to voluntary cost containment measures included in Developers proposed Public Policy Transmission Projects in NYISO's Order No. 1000 Process. On March 11, 2022, the PSC issued an Order granting NYISO's complaint and accepting the proposed OATT revisions implementing NYTOs' federal ROFR to build an upgrade to its existing transmission facilities that are part of another Developer's Order No. 1000 Public Policy Transmission Project.

Electric Vehicle Supply Equipment ("EVSE")
On December 31, 2021, Governor Kathy Hochul signed bill A3876/S3929 into law, requiring utilities to propose alternative non-demand based commercial electric vehicle charging tariffs. Subsequently on

March 18, 2022, Governor Kathy Hochul signed bill A8797/S7836 into law which amended the prior law by expanding the scope of the utilities' proposal to other potential operating cost relief mechanisms. The amended law also requires the PSC to evaluate the relative costs of the proposed solutions and issue an Order modifying or proposing those solutions by March 18, 2023. In response, the PSC issued its Notice Soliciting Comments on April 21, 2022, in which it sought information through 11 specific questions regarding commercial vehicle charging tariffs or other solutions intended to reduce operating cost for charging stations. On July 14, 2022, the PSC issued the Order Approving Managed Charging Programs with Modifications, establishing utility administered programs which are designed to encourage vehicle charging during off-peak times. Subsequently, DPS Staff convened a stakeholder session to examine this topic. Additionally, DPS Staff commenced the EVSE program midpoint review on August 30, 2022. Central Hudson filed its Managed Charging Program Implementation Plan on September 26, 2022.

Gas Planning Proceeding

On February 12, 2021, Staff filed the Gas System Planning Process Proposal which offers a modernized gas planning process for the gas distribution utilities in New York State and a Staff Moratorium Proposal that identifies procedures and criteria for managing moratoria on new attachments to the gas distribution systems.

On May 12, 2022, the PSC issued two orders in the Gas Planning Proceeding: Order Adopting Gas System Planning Process ("Planning Process Order") and Order Adopting Moratorium Management Procedures ("Moratorium Order"). Through the Planning Process Order, the PSC adopted modernized long-term natural gas planning procedures to ensure that the State, customers, stakeholders, and all other interested entities have the opportunity to understand and engage in the future of natural gas infrastructure in the State. Through the Moratorium Order, the PSC adopted new rules that set forth the process for initiating, operating, and lifting a natural gas moratorium, and covers issues including the metrics used to identify supply shortfall, communications, a Customer Bill of Rights, training materials and outreach, and information on low- and moderate-income customer and disadvantaged community impacts.

In compliance with the Gas Planning Process Order, on August 10, 2022, the Company and the Joint Utilities made several filings to address proposed Non-Pipes Alternative ("NPA") screening and suitability criteria, proposed NPA incentive mechanism, proposed NPA cost recovery procedures and filed a report on the costs of the 100-foot rule. Draft tariffs were also filed with the criteria that would necessitate the calling of a gas moratorium in compliance with the Moratorium Order.

Diversity, Equity, and Inclusion Practices

On June 16, 2022, the Commission issued an Order initiating a proceeding to examine the diversity, equity, and inclusion ("DEI") efforts of the major New York State utilities. The Commission's stated objective is to enhance utilities' existing efforts and ensure that the utilities have the opportunity to learn from their counterparts and receive stakeholder input. As part of the Order, the utilities are directed to develop and file DEI plans consistent with the discussion in this Order. Preliminarily, the utilities submitted their current DEI plans to Staff in response to an information request. To aid in the further development of the DEI plans, Staff will organize a working group, by the end of 2022, with final DEI plans filed after the conclusion of the working group meetings.

Inflation Reduction Act of 2022

In August 2022, the President of the United States of America signed into law the Inflation Reduction Act of 2022, which enacted a number of changes to the federal tax law. These changes include the introduction of a new 15% corporate minimum tax on applicable corporations, including CH Energy Group, effective for tax years beginning after December 31, 2022. Enactment of the new law has not impacted our financial condition, results of operations or cash flows for the period ended September 30, 2022, and at this time we do not expect a material impact on our future results due to the implementation of the corporate minimum tax or any other aspect of the Act. The IRA also includes numerous tax credits which currently do not apply and any that may apply in the future are expected to have an immaterial impact.

FORWARD-LOOKING STATEMENTS

Statements included in this Quarterly Financial Report, which are not historical in nature, are intended to be “forward-looking statements.” Forward-looking statements may be identified by words such as “anticipates,” “intends,” “estimates,” “believes,” “projects,” “expects,” “plans,” “assumes,” “seeks,” and other similar words and expressions. CH Energy Group is subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements. The risks and uncertainties include, but are not limited to: deviations from normal seasonal temperatures and storm activity, changes in energy and commodity prices, availability of energy supplies, a cyber-attack, changes in interest rates, poor operating performance, legislative, tax and regulatory developments, the outcome of litigations, the COVID-19 pandemic, and the resolution of current and future environmental and economic issues. Additional information concerning risks and uncertainties may be found in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of CH Energy Group’s Annual Financial Reports. These reports are available in the Financial Information section of the website of CH Energy Group, at www.CHEnergyGroup.com. CH Energy Group undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.