CH ENERGY GROUP, INC.

&

CENTRAL HUDSON GAS & ELECTRIC CORP.

# QUARTERLY FINANCIAL REPORT

**for the period ended**

## SEPTEMBER 30, 2013

QUARTER ENDED SEPTEMBER 30, 2013

## TABLE OF CONTENTS

## *Financial Statements (Unaudited)*

## CH ENERGY GROUP CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(In Thousands, except per share amounts)

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Operating Revenues | | | | |
| Electric | $ 149,598 | $ 148,916 | $ 408,338 | $ 393,617 |
| Natural gas | 14,420 | 18,306 | 103,062 | 100,276 |
| Competitive business subsidiaries: | | | | |
| Petroleum products | 48,052 | 47,168 | 198,599 | 182,939 |
| Other | 5,981 | 4,680 | 16,605 | 13,880 |
| Total Operating Revenues | 218,051 | 219,070 | 726,604 | 690,712 |
| Operating Expenses | | | | |
| Operation: | | | | |
| Purchased electricity and fuel used in electric generation | 56,648 | 57,177 | 145,588 | 139,600 |
| Purchased natural gas | 2,580 | 5,873 | 39,147 | 37,977 |
| Purchased petroleum | 43,505 | 42,930 | 170,378 | 158,659 |
| Other expenses of operation - regulated activities | 56,505 | 56,015 | 181,683 | 174,737 |
| Other expenses of operation - competitive business subsidiaries | 11,888 | 10,519 | 37,957 | 34,307 |
| Merger related costs | 492 | 1,037 | 15,634 | 9,499 |
| Depreciation and amortization | 11,329 | 10,626 | 33,756 | 31,793 |
| Regulatory Debits | - | - | 40,000 | - |
| Taxes, other than income tax | 13,287 | 12,876 | 40,976 | 38,663 |
| Total Operating Expenses | 196,234 | 197,053 | 705,119 | 625,235 |
| Operating Income | 21,817 | 22,017 | 21,485 | 65,477 |
| Other Income and Deductions | | | | |
| Income (loss) from unconsolidated affiliates | (248) | (59) | 28 | 43 |
| Interest on regulatory assets and other interest income | 1,221 | 1,348 | 4,671 | 4,749 |
| Regulatory adjustments for interest costs | 314 | 326 | 966 | 976 |
| Other - net | 9 | (160) | 179 | (479) |
| Total Other Income | 1,296 | 1,455 | 5,844 | 5,289 |
| Interest Charges | | | | |
| Interest on long-term debt | 6,416 | 6,201 | 19,280 | 18,638 |
| Interest on regulatory liabilities and other interest | 2,152 | 1,665 | 6,036 | 4,952 |
| Total Interest Charges | 8,568 | 7,866 | 25,316 | 23,590 |
| Income before income taxes, non-controlling interest and preferred dividends of subsidiary | 14,545 | 15,606 | 2,013 | 47,176 |
| Income Taxes | 5,298 | 6,446 | 1,177 | 21,039 |
| Net Income | 9,247 | 9,160 | 836 | 26,137 |
| Net Income attributable to non-controlling interest: | | | | |
| Dividends declared on Preferred Stock of subsidiary | - | 103 | 92 | 521 |
| Preferred Stock Redemption Premium | - | - | 764 | 342 |
| Net Income (loss) Attributable to CH Energy Group | 9,247 | 9,057 | (20) | 25,274 |
| Dividends declared on Common Stock | 10,000 | - | 18,310 | 16,572 |
| Change in Retained Earnings | $ (753) | $ 9,057 | $ (18,330) | $ 8,702 |

The Notes to Financial Statements are an integral part hereof.

# CH ENERGY GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Net Income | $ 9,247 | $ 9,160 | $ 836 | $ 26,137 |
| Other Comprehensive Income: | | | | |
| Net unrealized losses on investments held by equity method investees - net of tax of ($117) and ($109) in 2013 and ($56) and ($17) in 2012, respectively | 176 | 84 | 165 | 26 |
| Other comprehensive income | 176 | 84 | 165 | 26 |
| Comprehensive Income | 9,423 | 9,244 | 1,001 | 26,163 |
| Comprehensive income attributable to non-controlling interest | - | 103 | 856 | 863 |
| Comprehensive income attributable to CH Energy Group | $ 9,423 | $ 9,141 | $ 145 | $ 25,300 |

The Notes to Financial Statements are an integral part hereof.

## CH ENERGY GROUP CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

| | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|
| Operating Activities: | | |
| Net income | $ 836 | $ 26,137 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 29,898 | 28,302 |
| Amortization | 3,858 | 3,491 |
| Deferred income taxes - net | (4,208) | 24,055 |
| Bad debt expense | 2,824 | 4,996 |
| Undistributed equity in earnings of unconsolidated affiliates | (28) | (42) |
| Pension expense | 15,742 | 17,909 |
| Other post-employment benefits ("OPEB") expense | 5,199 | 5,210 |
| Positive Benefit Adjustment expense | 40,000 | - |
| Regulatory liability - rate moderation | - | (1,107) |
| Revenue decoupling mechanism recorded | 4,342 | (2,405) |
| Regulatory asset amortization | 3,479 | 3,535 |
| Gain on sale of assets | (70) | (71) |
| Changes in operating assets and liabilities - net of business acquisitions: | | |
| Accounts receivable, unbilled revenues and other receivables | 3,725 | 3,451 |
| Fuel, materials and supplies | 182 | 963 |
| Special deposits and prepayments | 2,142 | 5,267 |
| Income and other taxes | 3,184 | 255 |
| Accounts payable | (13,201) | (5,020) |
| Accrued interest | 3,123 | 2,211 |
| Customer advances | (7,931) | 5,440 |
| Pension plan contribution | (26,494) | (28,494) |
| OPEB contribution | (2,894) | (3,269) |
| Revenue decoupling mechanism collected | 2,220 | 141 |
| Regulatory asset - storm deferral | 3,450 | (942) |
| Regulatory asset - manufactured gas plant ("MGP") site remediation | (2,182) | 2,920 |
| Regulatory asset - Temporary State Assessment | (1,733) | (3,568) |
| Deferred natural gas and electric costs | (3,007) | 3,498 |
| Other - net | 10,995 | 19,713 |
| Net cash provided by operating activities | 73,451 | 112,576 |
| Investing Activities: | | |
| Proceeds from sale of assets | 102 | 111 |
| Additions to utility and other property and plant | (81,955) | (80,372) |
| Acquisitions made by competitive business subsidiaries | - | (550) |
| Other - net | (7,652) | (3,681) |
| Net cash used in investing activities | (89,505) | (84,492) |
| Financing Activities: | | |
| Redemption of long-term debt | (528) | (36,495) |
| Proceeds from issuance of long-term debt | - | 48,000 |
| Borrowings of short-term debt - net | (19,500) | (6,500) |
| Proceeds from issuance of stock | 65,000 | - |
| Dividends paid on Common Stock | (21,611) | (24,841) |
| Redemption of Preferred Stock | (9,625) | (12,180) |
| Dividends paid on Preferred Stock of subsidiary | (92) | (764) |
| Shares repurchased | - | (2,993) |
| Other - net | (75) | (593) |
| Net cash provided by (used in) financing activities | 13,569 | (36,366) |
| Net Change in Cash and Cash Equivalents | (2,485) | (8,282) |
| Cash and Cash Equivalents at Beginning of Period | 30,508 | 15,281 |
| Cash and Cash Equivalents at End of Period | $ 28,023 | $ 6,999 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid | $ 16,582 | $ 16,866 |
| Federal and state income taxes paid | $ 760 | $ 118 |
| Additions to plant included in liabilities | $ 4,822 | $ 4,854 |

The Notes to Financial Statements are an integral part hereof.

# CH ENERGY GROUP CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In Thousands)

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| Utility Plant | | | |
| Electric | $ 1,107,040 | $ 1,067,352 | $ 1,045,949 |
| Natural gas | 345,152 | 320,258 | 311,841 |
| Common | 171,346 | 162,352 | 157,878 |
| Gross Utility Plant | 1,623,538 | 1,549,962 | 1,515,668 |
| Less: Accumulated depreciation | 434,318 | 414,137 | 411,180 |
| Net | 1,189,220 | 1,135,825 | 1,104,488 |
| Construction work in progress | 51,273 | 58,053 | 67,415 |
| Net Utility Plant | 1,240,493 | 1,193,878 | 1,171,903 |
| Non-Utility Property & Plant | | | |
| Griffith non-utility property & plant | 33,833 | 33,574 | 32,535 |
| Other non-utility property & plant | 524 | 524 | 524 |
| Gross Non-Utility Property & Plant | 34,357 | 34,098 | 33,059 |
| Less: Accumulated depreciation - Griffith | 23,753 | 23,001 | 22,896 |
| Net Non-Utility Property & Plant | 10,604 | 11,097 | 10,163 |
| Current Assets | | | |
| Cash and cash equivalents | 28,023 | 30,508 | 6,999 |
| Accounts receivable from customers - net of allowance for doubtful accounts of $5.5 million, $6.5 million and $6.8 million, respectively | 85,461 | 88,480 | 85,542 |
| Accounts receivable - affiliates | 30 | - | - |
| Accrued unbilled utility revenues | 11,923 | 17,155 | 12,071 |
| Other receivables | 10,357 | 12,559 | 6,881 |
| Fuel, materials and supplies | 24,314 | 24,496 | 24,151 |
| Regulatory assets | 33,463 | 33,678 | 37,727 |
| Fair value of derivative instruments | 987 | 121 | 760 |
| Unamortized debt expense | 359 | 344 | 814 |
| Special deposits and prepayments | 19,224 | 21,362 | 16,588 |
| Accumulated deferred income tax | 11,315 | 12,205 | 987 |
| Total Current Assets | 225,456 | 240,908 | 192,520 |
| Deferred Charges and Other Assets | | | |
| Regulatory assets - pension plan | 129,751 | 146,935 | 140,702 |
| Regulatory assets - other | 82,279 | 109,779 | 109,887 |
| Fair value of derivative instruments | 405 | 693 | 1,120 |
| Goodwill | 38,981 | 38,981 | 37,752 |
| Other intangible assets - net | 10,340 | 12,324 | 11,590 |
| Unamortized debt expense | 4,537 | 4,764 | 4,037 |
| Investments in unconsolidated affiliates | 2,109 | 2,536 | 2,427 |
| Other investments | 25,656 | 17,847 | 17,677 |
| Other | 5,356 | 6,556 | 5,468 |
| Total Deferred Charges and Other Assets | 299,414 | 340,415 | 330,660 |
| Total Assets | $ 1,775,967 | $ 1,786,298 | $ 1,705,246 |

The Notes to Financial Statements are an integral part hereof.

## CH ENERGY GROUP CONSOLIDATED BALANCE SHEET (CONT'D) (UNAUDITED)

(In Thousands, except share amounts)

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| **CAPITALIZATION AND LIABILITIES** | | | |
| Capitalization | | | |
| CH Energy Group Common Shareholders' Equity | | | |
| Common Stock (30,000,000 shares authorized: $0.10 par value; 16,862,087 shares issued) N/A, 14,954,884 shares, 14,941,076 shares and 14,947,899 shares, respectively | $ - | $ 1,686 | $ 1,686 |
| Common Stock (30,000,000 shares authorized: $0.01 par value; 15,961,400 shares issued) 15,961,400 shares, N/A and N/A, respectively | 160 | - | - |
| Paid-in capital | 325,906 | 349,428 | 349,136 |
| Retained earnings | 229,773 | 248,103 | 251,093 |
| Treasury stock - N/A, 1,907,203 shares, 1,921,011 shares and 1,914,188 shares, respectively | - | (90,141) | (90,417) |
| Accumulated other comprehensive income | 545 | 380 | 380 |
| Capital stock expense | - | (166) | (166) |
| Total Equity | 556,384 | 509,290 | 511,712 |
| Preferred Stock of subsidiary | - | 9,027 | 9,027 |
| Long-term debt | 456,161 | 486,926 | 493,473 |
| Total Capitalization | 1,012,545 | 1,005,243 | 1,014,212 |
| Current Liabilities | | | |
| Current maturities of long-term debt | 61,313 | 31,076 | 1,041 |
| Notes payable | - | 19,500 | - |
| Accounts payable | 33,154 | 52,812 | 34,094 |
| Accrued interest | 9,054 | 5,931 | 8,544 |
| Dividends payable | 5,000 | 8,301 | - |
| Accrued vacation and payroll | 8,321 | 7,984 | 7,208 |
| Customer advances | 20,378 | 28,309 | 27,967 |
| Customer deposits | 6,809 | 7,135 | 7,473 |
| Regulatory liabilities | 11,140 | 12,085 | 9,005 |
| Fair value of derivative instruments | 609 | 1,259 | 5,181 |
| Accrued environmental remediation costs | 1,848 | 7,117 | 10,130 |
| Accrued income and other taxes | 2,269 | 635 | 891 |
| Deferred revenues | 3,867 | 4,801 | 3,860 |
| Other | 14,584 | 15,105 | 19,466 |
| Total Current Liabilities | 178,346 | 202,050 | 134,860 |
| Deferred Credits and Other Liabilities | | | |
| Regulatory liabilities - OPEB | 12,159 | 7,975 | 12,139 |
| Regulatory liabilities - other | 130,186 | 97,485 | 95,895 |
| Operating reserves | 3,389 | 3,827 | 3,633 |
| Fair value of derivative instruments | 147 | 218 | 154 |
| Accrued environmental remediation costs | 7,604 | 8,324 | 8,238 |
| Accrued OPEB costs | 56,589 | 58,412 | 51,700 |
| Accrued pension costs | 90,054 | 113,227 | 99,869 |
| Tax reserve | 2,135 | 2,000 | 1,988 |
| Other | 19,450 | 20,643 | 20,418 |
| Total Deferred Credits and Other Liabilities | 321,713 | 312,111 | 294,034 |
| Accumulated Deferred Income Tax | 263,363 | 266,894 | 262,140 |
| Commitments and Contingencies | | | |
| Total Capitalization and Liabilities | $ 1,775,967 | $ 1,786,298 | $ 1,705,246 |

The Notes to Financial Statements are an integral part hereof.

# CH ENERGY GROUP CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

| | CH Energy Group Common Shareholders | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Treasury Stock | | | | | | | |
| | Shares Issued | Amount | Shares (Repurchased) / Issued | Amount | Paid-In Capital | Capital Stock Expense | Retained Earnings | Accumulated Other Comprehensive Income / (Loss) | Non-controlling Interest | Total Equity |
| **Balance at December 31, 2011** | 16,862,087 | $ 1,686 | (1,967,123) | $ (92,908) | $ 351,053 | $ (328) | $ 242,391 | $ 354 | $ - | $ 502,248 |
| Comprehensive income: | | | | | | | | | | |
| Net income | | | | | | | 26,137 | | | 26,137 |
| Preferred Stock Redemption | | | | | | 162 | (342) | | | (180) |
| Dividends declared on Preferred Stock of subsidiary | | | | | | | (521) | | | (521) |
| Change in fair value: | | | | | | | | | | |
| Investments | | | | | | | | 26 | | 26 |
| Dividends declared on common stock | | | | | | | (16,572) | | | (16,572) |
| Treasury shares activity - net | | | 52,935 | 2,491 | (1,917) | | | | | 574 |
| **Balance at September 30, 2012** | 16,862,087 | $ 1,686 | (1,914,188) | $ (90,417) | $ 349,136 | $ (166) | $ 251,093 | $ 380 | $ - | $ 511,712 |
| **Balance at December 31, 2012** | 16,862,087 | $ 1,686 | (1,907,203) | $ (90,141) | $ 349,428 | $ (166) | $ 248,103 | $ 380 | $ - | $ 509,290 |
| Comprehensive income: | | | | | | | | | | |
| Net income | | | | | | | 836 | | | 836 |
| Preferred Stock Redemption | | | | | (28) | 166 | (764) | | | (626) |
| Dividends declared on Preferred Stock of subsidiary | | | | | | | (92) | | | (92) |
| Change in fair value: | | | | | | | | | | |
| Investments | | | | | | | | 165 | | 165 |
| Dividends declared on common stock | | | | | | | (18,310) | | | (18,310) |
| Common Stock Cancelled | (16,862,087) | (1,686) | | | (349,828) | | | | | (351,514) |
| Common Stock Issued | 15,961,400 | 160 | | | 325,906 | | | | | 326,066 |
| Treasury shares activity - net | | | 1,907,203 | 90,141 | 428 | | | | | 90,569 |
| **Balance at September 30, 2013** | 15,961,400 | $ 160 | - | $ - | $ 325,906 | $ - | $ 229,773 | $ 545 | $ - | $ 556,384 |

The Notes to Financial Statements are an integral part hereof.

## CENTRAL HUDSON STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Operating Revenues | | | | |
| Electric | $ 149,598 | $ 148,916 | $ 408,338 | $ 393,617 |
| Natural gas | 14,420 | 18,306 | 103,062 | 100,276 |
| Total Operating Revenues | 164,018 | 167,222 | 511,400 | 493,893 |
| Operating Expenses | | | | |
| Operation: | | | | |
| Purchased electricity and fuel used in electric generation | 56,648 | 57,177 | 145,588 | 139,600 |
| Purchased natural gas | 2,580 | 5,873 | 39,147 | 37,977 |
| Other expenses of operation | 56,505 | 56,015 | 181,683 | 174,737 |
| Depreciation and amortization | 10,049 | 9,466 | 29,987 | 28,336 |
| Regulatory Debits | - | - | 40,000 | - |
| Taxes, other than income tax | 13,113 | 12,701 | 40,635 | 38,034 |
| Total Operating Expenses | 138,895 | 141,232 | 477,040 | 418,684 |
| Operating Income | 25,123 | 25,990 | 34,360 | 75,209 |
| Other Income and Deductions | | | | |
| Interest on regulatory assets and other interest income | 1,210 | 1,334 | 4,636 | 4,709 |
| Regulatory adjustments for interest costs | 314 | 326 | 966 | 976 |
| Other - net | 14 | (66) | 129 | (209) |
| Total Other Income | 1,538 | 1,594 | 5,731 | 5,476 |
| Interest Charges | | | | |
| Interest on long-term debt | 5,951 | 5,719 | 17,871 | 17,177 |
| Interest on regulatory liabilities and other interest | 2,136 | 1,666 | 5,867 | 4,898 |
| Total Interest Charges | 8,087 | 7,385 | 23,738 | 22,075 |
| Income Before Income Taxes | 18,574 | 20,199 | 16,353 | 58,610 |
| Income Taxes | 7,065 | 7,840 | 6,240 | 22,847 |
| Net Income | 11,509 | 12,359 | 10,113 | 35,763 |
| Preferred Stock Redemption Premium | - | - | 764 | 342 |
| Dividends Declared on Cumulative Preferred Stock | - | 103 | 92 | 521 |
| Income Available for Common Stock | $ 11,509 | $ 12,256 | $ 9,257 | $ 34,900 |

## CENTRAL HUDSON STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net Income (loss) | $ 11,509 | $ 12,359 | $ 10,113 | $ 35,763 |
| Other Comprehensive Income | - | - | - | - |
| Comprehensive Income (loss) | $ 11,509 | $ 12,359 | $ 10,113 | $ 35,763 |

The Notes to Financial Statements are an integral part hereof.

# CENTRAL HUDSON STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

| | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|
| Operating Activities: | | |
| Net income | $ 10,113 | $ 35,763 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 28,113 | 26,728 |
| Amortization | 1,874 | 1,608 |
| Deferred income taxes - net | (3,200) | 24,096 |
| Bad debt expense | 2,168 | 4,501 |
| Pension expense | 15,742 | 17,909 |
| OPEB expense | 5,199 | 5,210 |
| Positive Benefit Adjustment expense | 40,000 | - |
| Regulatory liability - rate moderation | - | (1,107) |
| Revenue decoupling mechanism recorded | 4,342 | (2,405) |
| Regulatory asset amortization | 3,479 | 3,535 |
| Changes in operating assets and liabilities - net: | | |
| Accounts receivable, unbilled revenues and other receivables | (2,051) | (2,468) |
| Fuel, materials and supplies | (620) | 866 |
| Special deposits and prepayments | 2,561 | 5,583 |
| Income and other taxes | (250) | (339) |
| Accounts payable | (12,418) | (4,220) |
| Accrued interest | 2,661 | 1,730 |
| Customer advances | (6,550) | 985 |
| Pension plan contribution | (26,494) | (28,494) |
| OPEB contribution | (2,894) | (3,269) |
| Revenue decoupling mechanism collected (refunded) | 2,220 | 141 |
| Regulatory asset - storm deferral | 3,450 | (942) |
| Regulatory asset - MGP site remediation | (2,182) | 2,920 |
| Regulatory asset - Temporary State Assessment | (1,733) | (3,568) |
| Deferred natural gas and electric costs | (3,007) | 3,498 |
| Other - net | 11,490 | 17,293 |
| Net cash provided by operating activities | 72,013 | 105,554 |
| Investing Activities: | | |
| Additions to utility plant | (80,631) | (78,792) |
| Other - net | (8,329) | (4,058) |
| Net cash used in investing activities | (88,960) | (82,850) |
| Financing Activities: | | |
| Redemption of long-term debt | - | (36,000) |
| Proceeds from issuance of long-term debt | - | 48,000 |
| Borrowings of short-term debt - net | - | (1,500) |
| Equity infusion | 40,000 | - |
| Redemption of Preferred Stock | (9,653) | (12,180) |
| Dividends paid to parent - CH Energy Group | (16,000) | (22,000) |
| Dividends paid on cumulative Preferred Stock | (92) | (764) |
| Other - net | (108) | (622) |
| Net cash provided by financing activities | 14,147 | (25,066) |
| Net Change in Cash and Cash Equivalents | (2,800) | (2,362) |
| Cash and Cash Equivalents - Beginning of Period | 24,352 | 2,521 |
| Cash and Cash Equivalents - End of Period | $ 21,552 | $ 159 |
| Supplemental Disclosure of Cash Flow Information: | | |
| Interest paid | $ 15,467 | $ 15,795 |
| Federal and state income taxes paid | $ - | $ - |
| Additions to plant included in liabilities | $ 4,822 | $ 4,856 |

The Notes to Financial Statements are an integral part hereof.

## CENTRAL HUDSON BALANCE SHEET (UNAUDITED)

(In Thousands)

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| **ASSETS** | | | |
| Utility Plant | | | |
| Electric | $ 1,107,040 | $ 1,067,352 | $ 1,045,949 |
| Natural gas | 345,152 | 320,258 | 311,841 |
| Common | 171,346 | 162,352 | 157,878 |
| Gross Utility Plant | 1,623,538 | 1,549,962 | 1,515,668 |
| Less: Accumulated depreciation | 434,318 | 414,137 | 411,180 |
| Net | 1,189,220 | 1,135,825 | 1,104,488 |
| Construction work in progress | 51,273 | 58,053 | 67,415 |
| Net Utility Plant | 1,240,493 | 1,193,878 | 1,171,903 |
| Non-Utility Property and Plant | 524 | 524 | 524 |
| Net Non-Utility Property and Plant | 524 | 524 | 524 |
| Current Assets | | | |
| Cash and cash equivalents | 21,552 | 24,352 | 159 |
| Accounts receivable from customers - net of allowance for doubtful accounts of $3.9 million, $4.6 million and $5.1 million respectively | 62,287 | 60,155 | 62,225 |
| Accrued unbilled utility revenues | 11,923 | 17,155 | 12,071 |
| Other receivables | 4,315 | 5,206 | 3,075 |
| Fuel, materials and supplies - at average cost | 19,883 | 19,264 | 20,171 |
| Regulatory assets | 33,463 | 33,678 | 37,727 |
| Fair value of derivative instruments | 976 | 95 | 711 |
| Unamortized debt expense | 359 | 344 | 814 |
| Special deposits and prepayments | 15,912 | 18,473 | 12,735 |
| Accumulated deferred income tax | 3,941 | 5,313 | - |
| Total Current Assets | 174,611 | 184,035 | 149,688 |
| Deferred Charges and Other Assets | | | |
| Regulatory assets - pension plan | 129,751 | 146,935 | 140,702 |
| Regulatory assets - other | 82,279 | 109,779 | 109,887 |
| Fair value of derivative instruments | 405 | 693 | 1,120 |
| Unamortized debt expense | 4,537 | 4,764 | 4,037 |
| Other investments | 24,912 | 17,368 | 17,205 |
| Other | 2,568 | 3,740 | 2,274 |
| Total Deferred Charges and Other Assets | 244,452 | 283,279 | 275,225 |
| Total Assets | $ 1,660,080 | $ 1,661,716 | $ 1,597,340 |

The Notes to Financial Statements are an integral part hereof.

## CENTRAL HUDSON BALANCE SHEET (CONT'D) (UNAUDITED)

(In Thousands, except share amounts)

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| **CAPITALIZATION AND LIABILITIES** | | | |
| Capitalization | | | |
| 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 | 239,952 | 199,980 | 199,980 |
| Retained earnings | 177,426 | 190,169 | 178,865 |
| Capital stock expense | (4,633) | (4,799) | (4,799) |
| Total Equity | 497,056 | 469,661 | 458,357 |
| Cumulative Preferred Stock not subject to mandatory redemption | - | 9,027 | 9,027 |
| Long-term debt | 436,250 | 459,950 | 465,950 |
| Total Capitalization | 933,306 | 938,638 | 933,334 |
| Current Liabilities | | | |
| Current maturities of long-term debt | 53,700 | 30,000 | - |
| Accounts payable | 26,127 | 45,002 | 26,721 |
| Accrued interest | 8,443 | 5,782 | 7,913 |
| Dividends payable - Preferred Stock | 6,000 | - | - |
| Accrued vacation and payroll | 6,703 | 6,708 | 5,786 |
| Customer advances | 11,534 | 18,084 | 15,589 |
| Customer deposits | 6,759 | 7,069 | 7,408 |
| Regulatory liabilities | 11,140 | 12,085 | 9,005 |
| Fair value of derivative instruments | 609 | 1,259 | 5,181 |
| Accrued environmental remediation costs | 1,551 | 6,660 | 9,675 |
| Accrued income and other taxes | 2,893 | 3,142 | 2,003 |
| Accumulated deferred income tax | - | - | 5,373 |
| Other | 11,012 | 12,095 | 17,285 |
| Total Current Liabilities | 146,471 | 147,886 | 111,939 |
| Deferred Credits and Other Liabilities | | | |
| Regulatory liabilities - OPEB | 12,159 | 7,975 | 12,139 |
| Regulatory liabilities - other | 130,186 | 97,485 | 95,895 |
| Operating reserves | 2,580 | 2,696 | 2,444 |
| Fair value of derivative instruments | 147 | 218 | 154 |
| Accrued environmental remediation costs | 6,674 | 7,293 | 7,174 |
| Accrued OPEB costs | 56,589 | 58,412 | 51,700 |
| Accrued pension costs | 90,054 | 113,227 | 99,869 |
| Tax reserve | 2,135 | 2,000 | 1,988 |
| Other | 18,228 | 19,705 | 19,466 |
| Total Deferred Credits and Other Liabilities | 318,752 | 309,011 | 290,829 |
| Accumulated Deferred Income Tax | 261,551 | 266,181 | 261,238 |
| Commitments and Contingencies | | | |
| Total Capitalization and Liabilities | $ 1,660,080 | $ 1,661,716 | $ 1,597,340 |

The Notes to Financial Statements are an integral part hereof.

# CENTRAL HUDSON STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

| | Central Hudson Common Shareholders | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Common Stock | | Treasury Stock | | | | | | |
| | Shares Issued | Amount | Shares Repurchased | Amount | Paid-In Capital | Capital Stock Expense | Retained Earnings | Accumulated Other Comprehensive Income / (Loss) | Total Equity |
| **Balance at December 31, 2011** | 16,862,087 | $ 84,311 | - | $ - | $ 199,980 | $ (4,961) | $ 165,965 | $ - | $ 445,295 |
| Net income | | | | | | | 35,763 | | 35,763 |
| Preferred Stock Redemption | | | | | | 162 | (342) | | (180) |
| Dividends declared: | | | | | | | | | |
| On cumulative Preferred Stock | | | | | | | (521) | | (521) |
| On Common Stock to parent - CH Energy Group | | | | | | | (22,000) | | (22,000) |
| **Balance at September 30, 2012** | 16,862,087 | $ 84,311 | - | $ - | $ 199,980 | $ (4,799) | $ 178,865 | $ - | $ 458,357 |
| **Balance at December 31, 2012** | 16,862,087 | $ 84,311 | - | $ - | $ 199,980 | $ (4,799) | $ 190,169 | $ - | $ 469,661 |
| Net income | | | | | | | 10,113 | | 10,113 |
| Preferred Stock Redemption | | | | | (28) | 166 | (764) | | (626) |
| Dividends declared: | | | | | | | | | |
| On cumulative Preferred Stock | | | | | | | (92) | | (92) |
| On Common Stock to parent - CH Energy Group | | | | | | | (22,000) | | (22,000) |
| Additional Paid-In Capital | | | | | 40,000 | | | | 40,000 |
| **Balance at September 30, 2013** | 16,862,087 | $ 84,311 | - | $ - | $ 239,952 | $ (4,633) | $ 177,426 | $ - | $ 497,056 |

The Notes to Financial Statements are an integral part hereof.

# NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

## *NOTE 1 – Summary of Significant Accounting Policies*

The Financial Statements were prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), which for regulated public utilities, includes specific accounting guidance for regulated operations. For additional information regarding regulatory accounting, see Note 2 – "Regulatory Matters."

### Corporate Structure

CH Energy Group is the holding company parent corporation of two principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson") and Central Hudson Enterprises Corporation ("CHEC"). All of CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), which is the largest investor-owned gas and electric distribution utility in Canada. Central Hudson is a regulated electric and natural gas subsidiary. CHEC, the parent company of CH Energy Group's unregulated businesses and investments, has one wholly owned subsidiary, Griffith Energy Services, Inc. ("Griffith"). CHEC also has ownership interests in certain subsidiaries that are less than 100% owned.

### Fortis Inc. Acquisition of CH Energy Group

On February 21, 2012, CH Energy Group announced that it had entered into an agreement and plan of merger under which it agreed, subject to shareholder approval and the approval of applicable regulatory authorities, to be acquired by Fortis Inc. ("Fortis") for $65 per share of common stock in cash. On June 13, 2013, the New York Public Service Commission ("PSC") voted to approve acquisition of CH Energy Group by Fortis. On June 27, 2013, after receipt, review and acceptance of the Order Authorizing Acquisition Subject to Conditions, the acquisition was completed.

### Unaudited Financial Statements

The accompanying Consolidated Financial Statements of CH Energy Group and Financial Statements of Central Hudson are unaudited but, in the opinion of management, reflect adjustments (which include normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These unaudited quarterly Financial Statements do not contain all footnote disclosures concerning accounting policies and other matters which would be included in annual audited Financial Statements and, accordingly, should be read in conjunction with the audited Financial Statements (including the Notes thereto) included in the combined CH Energy Group/Central Hudson Annual Report on Form 10-K for the year ended December 31, 2012 (the "Corporations' 10-K Annual Report").

The balance sheets of CH Energy Group and Central Hudson as of September 30, 2012 are included for supplemental analysis purposes.

## Reclassification

Certain amounts in the 2012 Financial Statements have been reclassified to conform to the 2013 presentation.

Central Hudson reclassified amounts related to in-process work for cost of removal of plant assets from accumulated depreciation to deferred costs, under regulatory liabilities. This reclassification resulted in a reduction to the September 30, 2012 balance of $9.2 million.

Central Hudson reclassified amounts related to gas RDMs from deferred charges, current regulatory assets to deferred credits, under current regulatory liabilities. This reclassification was the result of separately stating gas RDMs from electric RDMs. This reclassification resulted in an increase to the September 30, 2012 and December 31, 2012 balances of $1.3 million for each period, respectively.

## Revenue Recognition

CH Energy Group's deferred revenue balances as of September 30, 2013, December 31, 2012 and September 30, 2012 were $3.9 million, $4.8 million and $3.9 million, respectively. The deferred revenue balance will be recognized in CH Energy Group's operating revenues over the 12-month term of the respective customer contract.

As required by the PSC, Central Hudson records gross receipts tax revenues and expenses on a gross income statement presentation basis (i.e., included in both revenue and expenses). Sales and use taxes for both Central Hudson and Griffith are accounted for on a net basis (excluded from revenue).

## Fuel, Materials & Supplies

The following is a summary of CH Energy Group's and Central Hudson's inventories (In Thousands):

| | CH Energy Group | | | Central Hudson | | |
|---|---|---|---|---|---|---|
| | September 30, 2013 | December 31, 2012 | September 30, 2012 | September 30, 2013 | December 31, 2012 | September 30, 2012 |
| Natural gas | $ 9,827 | $ 7,638 | $ 8,889 | $ 9,827 | $ 7,638 | $ 8,889 |
| Petroleum products and propane | 2,991 | 3,942 | 2,882 | - | - | - |
| Fuel used in electric generation | 430 | 295 | 286 | 430 | 295 | 286 |
| Materials and supplies | 11,066 | 12,621 | 12,094 | 9,626 | 11,331 | 10,996 |
| Total | $ 24,314 | $ 24,496 | $ 24,151 | $ 19,883 | $ 19,264 | $ 20,171 |

### Depreciation and Amortization

Current accounting guidance related to asset retirements precludes the recognition of expected future retirement obligations as a component of depreciation expense or accumulated depreciation.  Central Hudson, however, is required to use depreciation methods and rates approved by the PSC under regulatory accounting.  These depreciation rates include a charge for the cost of future removal and retirement of fixed assets.  In accordance with current accounting guidance for regulated operations, Central Hudson continues to accrue for the future cost of removal for its rate-regulated natural gas and electric utility assets.  In accordance with current accounting guidance related to asset retirements, Central Hudson has classified $45.8 million, $43.4 million, and $43.8 million of cost of removal as regulatory liabilities as of September 30, 2013, December 31, 2012, and September 30, 2012, respectively.  This liability represents the portion of the cost of removal charge in excess of the amount reported as an Asset Retirement Obligation under GAAP.

See Note 6 - “Goodwill and Other Intangible Assets” for further discussion of amortization of intangibles (other than goodwill).

### Earnings Per Share

On June 27, 2013, at the effective time of the completion of the Fortis transaction, all issued and outstanding and treasury shares of CH Energy Group common stock were cancelled and ceased to exist.  In addition, all unvested equity awards outstanding immediately prior to the effective time of the transaction became vested, and all outstanding equity awards were cancelled in exchange for the right to receive a cash payment equal to $65 per share.  There are no equity awards outstanding as of September 30, 2013.

In the calculation of earnings per share for the three and nine months ended September 30, 2012 (basic and diluted) of CH Energy Group’s Common Stock, earnings for CH Energy Group are reduced by the Preferred Stock dividends paid by Central Hudson.

The average dilutive effect of CH Energy Group’s stock options, performance shares and restricted shares are as follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Shares | NA | 221,617 | NA | 221,617 |

Certain stock options can be excluded from the calculation of diluted earnings per share because the exercise prices of those options were greater than the average market price per share of Common Stock.  There were no options excluded during the three or nine months ended September 30, 2012.

## Parental Guarantees

CH Energy Group and CHEC have issued guarantees to counterparties to assure the payment, when due, of certain obligations incurred by CH Energy Group subsidiaries, in physical and financial transactions.

| | September 30, 2013 | |
|---|---|---|
| Transaction Description | Maximum Potential Payments | Outstanding Liabilities(1) |
| Heating oil, propane, other petroleum products, weather and commodity hedges (In Thousands) | $ 26,250 | $ 5,239 |

(1) Balance included in CH Energy Group's Consolidated Balance Sheet.

Management is not aware of any existing condition that would require payment under the guarantees.

## Common Stock Dividends

On July 30, 2013, the Board of Directors of CH Energy Group declared a dividend of $5.0 million, payable to FortisUS, Inc., the sole shareholder of CH Energy Group. The dividend was paid on July 31, 2013.

On September 25, 2013, the Board of Directors of CH Energy Group declared a dividend of $5.0 million, payable to FortisUS, Inc., the sole shareholder of CH Energy Group, The dividend was paid on October 30, 2013.

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 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. In addition, Central Hudson would not be allowed to pay dividends if its average common equity ratio for the 13 months prior to the proposed dividend were more than 200 basis points below the ratio used in setting rates. Based on this annual calculation, Central Hudson was restricted to a maximum payment of $45.1 million in dividends to CH Energy Group for the year ended December 31, 2012. Central Hudson’s dividend 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 any downgrades below this level. During the nine months ended September 30, 2013, the Board of Directors of Central Hudson declared dividends of $22.0 million to parent CH Energy Group of which $16.0 million were paid. On October 30, 2013 Central Hudson paid dividends of $6.0 million to parent CH Energy Group. CH Energy Group’s other subsidiaries do not have express restrictions on their ability to pay dividends.

## *NOTE 2 – Regulatory Matters*

### Summary of Regulatory Assets and Liabilities

The following table sets forth Central Hudson's regulatory assets and liabilities (In Thousands):

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| Regulatory Assets (Debits): | | | |
| Current: | | | |
| Deferred purchased electric and natural gas costs (Note 1) | $ 14,374 | $ 11,367 | $ 7,277 |
| Deferred unrealized losses on derivatives - Electric (Note 14) | 34 | 1,149 | 5,181 |
| Deferred unrealized losses on derivatives - Gas (Note 14) | 575 | 110 | - |
| PSC General and Temporary State Assessment and carrying charges | 7,822 | 6,260 | 10,823 |
| RDM and carrying charges - Electric | 607 | 4,742 | 4,396 |
| Residual natural gas deferred balances | 4,554 | 4,554 | 4,554 |
| Deferred debt expense on re-acquired debt | 601 | 601 | 601 |
| Deferred and accrued costs - MGP site remediation and carrying charges (Note 12) | 4,605 | 4,605 | 4,605 |
| Other | 291 | 290 | 290 |
| | 33,463 | 33,678 | 37,727 |
| Long-term: | | | |
| Deferred pension costs (Note 10) | 129,751 | 146,935 | 140,702 |
| Deferred unrealized losses on derivatives - Electric (Note 14) | 147 | 218 | 154 |
| Carrying charges - pension reserve | 12,371 | 9,182 | 8,278 |
| Deferred and accrued costs - MGP site remediation and carrying charges (Note 12) | 7,342 | 10,739 | 12,371 |
| Deferred debt expense on re-acquired debt | 4,286 | 4,737 | 4,887 |
| Deferred Medicare Subsidy taxes | 8,251 | 7,808 | 7,725 |
| Residual natural gas deferred balances and carrying charges | 2,096 | 5,443 | 6,466 |
| Income taxes recoverable through future rates | 29,513 | 29,908 | 40,067 |
| Energy efficiency incentives | 2,719 | 2,719 | 2,719 |
| Deferred storm costs and carrying charges | - | 23,274 | 13,282 |
| Other | 15,554 | 15,751 | 13,938 |
| | 212,030 | 256,714 | 250,589 |
| Total Regulatory Assets | $ 245,493 | $ 290,392 | $ 288,316 |
| Regulatory Liabilities (Credits): | | | |
| Current: | | | |
| RDM and carrying charges - Gas | $ 3,856 | $ 1,349 | $ 1,273 |
| Deferred unrealized gains on derivatives - Electric (Note 14) | 966 | - | 59 |
| Deferred unrealized gains on derivatives - Gas (Note 14) | 10 | 95 | 652 |
| Income taxes refundable through future rates | 4,210 | 4,669 | 4,836 |
| Deferred unbilled gas revenues | 2,098 | 5,972 | 2,185 |
| | 11,140 | 12,085 | 9,005 |
| Long-term: | | | |
| Customer benefit fund | 6,433 | 2,390 | 2,321 |
| Deferred cost of removal (Note 1) | 45,787 | 43,392 | 43,773 |
| Rate Base impact of tax repair project and carrying charges | 9,895 | 9,099 | 8,260 |
| Excess electric depreciation reserve carrying charges | 1,586 | 1,586 | 1,586 |
| Deferred unrealized gains on derivatives - Electric (Note 14) | 405 | 693 | 1,120 |
| Income taxes refundable through future rates | 21,504 | 21,062 | 20,312 |
| Deferred OPEB costs | 12,159 | 7,975 | 12,139 |
| Carrying charges - OPEB reserve | 13,829 | 9,949 | 8,740 |
| PBA - Electric and carrying charges | 12,051 | - | - |
| PBA - Gas and carrying charges | 3,057 | - | - |
| Other | 15,639 | 9,314 | 9,783 |
| | 142,345 | 105,460 | 108,034 |
| Total Regulatory Liabilities | $ 153,485 | $ 117,545 | $ 117,039 |
| Net Regulatory Assets | $ 92,008 | $ 172,847 | $ 171,277 |

## 2010 Rate Order

From July 1, 2010 through June 30, 2013, Central Hudson operated under the terms of the 2010 Rate Order, which provides for the following:

| Description | 2010 Rate Order |
|---|---|
| Electric delivery revenue increases | \$11.8 million[(1)] 7/1/10<br>\$9.3 million[(1)] 7/1/11<br>\$9.1 million 7/1/12 |
| Natural gas delivery revenue increases | \$5.7 million 7/1/10<br>\$2.4 million 7/1/11<br>\$1.6 million 7/1/12 |
| ROE | 10.0% |
| Earnings sharing | Yes[(2)] |
| Capital structure – common equity | 48% |
| Targets with true-up provisions - % of revenue requirement to defer for shortfalls | |
| Net plant balances | 100% |
| Transmission and distribution ROW maintenance | 100% |
| RDMs – electric and natural gas[(3)] | Yes |
| New deferral accounting for full recovery | |
| Fixed debt costs | Yes[(4)] |
| Transmission sag mitigation | Yes |
| New York State Temporary Assessment | Yes |
| Material regulatory actions[(5)] | Yes[(5)] |
| Property taxes – Deferral for 90% of excess/deficiency relative to revenue requirement | Yes[(6)] |

(1) Moderated by \$12 million and \$4 million bill credits, respectively.
(2) ROE > 10.5%, 50% to customers, > 11.0%, 80% to customers, > 11.5%, 90% to customers.
(3) Electric is based on revenue dollars; gas is based on usage per customer.
(4) Deferral authorization in RY2 and RY3 only.
(5) Legislative, governmental or regulatory actions with individual impacts greater than or equal to 2% of net income of the applicable department.
(6) The Company's pre-tax gain or loss limited to \$0.7 million per rate year.

## Case 12-M-0192
## Joint Petition of Fortis Inc. et al. and CH Energy Group, Inc. et al. for Approval of the Acquisition of CH Energy Group, Inc. by Fortis Inc. and Related Transactions

On June 26, 2013 the PSC issued its Order Authorizing Acquisition Subject to Conditions in Case 12-M-0192, which was accepted on June 27, 2013. The Order adopted the terms of the Joint Proposal dated January 25, 2013 for the acquisition of CH Energy Group, owner of Central Hudson, by Fortis along with additional commitments by the companies to enhance financial protection for ratepayers and other community and economic development benefits.

Key provisions of the joint proposal as modified and adopted by the PSC include:

- Measures to protect the financial integrity and credit standing of Central Hudson, which include a ban on cross-default provisions, authorization and issuance of a new class of Junior Preferred Stock, or "golden share," designed to restrict a voluntary bankruptcy filing by Central Hudson, and no allowance in customer rates for transaction costs or goodwill costs.

- Assurance that a majority of the Central Hudson board of directors will be independent and that at least two of the independent directors will reside in the Central Hudson service territory.
- A freeze on Central Hudson electric and gas delivery rates through July 1, 2015.
- $35 million in Positive Benefit Adjustments ("PBA") to cover expenses normally required to be recovered from ratepayers, such as storm restoration costs.
- Establishment of a $5 million community benefit fund for economic development and low-income customer assistance programs.
- Guaranteed annual synergy savings of $1.85 million to ratepayers for 5 years.
- A commitment to maintain Central Hudson's active community involvement at no less than 2011 levels through 2022.
- Continuation of customer service, reliability and safety mechanisms with increased negative revenue adjustment for failure to meet targets, and addition of a new metric for violation of certain pipeline safety regulations.
- Prohibition against relocation of Central Hudson's headquarters outside the service territory without approval by the Commission.
- Assurance that there will be no layoff of Central Hudson employees for at least four years.
- Sharing of earnings above 10.0% and up to 10.5%, 50% / 50% between the shareholders and ratepayers and sharing of earnings above 10.5%, 10% / 90% between shareholders and ratepayers.

**Other PSC Proceedings**

On October 29, 2012, Central Hudson's service territory was impacted by Superstorm Sandy, and approximately 103,000 electric customers were affected. On February 6, 2013, Central Hudson filed a petition with the PSC seeking expedited Commission approval to recover $9.7 million of incremental electric storm restoration expense, with carrying charges. These storm costs represent the amount Central Hudson deferred on its books as of December 31, 2012 based on actual costs incurred, bills received and an estimate for bills outstanding and are above the respective rate allowance during the twelve months ended June 30, 2013, which is the third rate year established by the PSC in its approval of a Joint Proposal in Case 09-E-0588. Central Hudson believes the incremental costs associated with this storm meet the PSC's criteria for deferral: 1) the amount is incremental to the amount in rates; 2) the incremental amount is material and extraordinary in nature and 3) the utility's earnings are below the authorized rate of return on common equity. The Sandy storm costs were included in the $20.1 million of storm costs identified in the $35 million of regulatory liabilities to be funded by Fortis upon acquiring CH Energy Group. Central Hudson cannot predict whether the PSC will approve the petition or the final outcome of this proceeding.

On April 22, 2013, the PSC issued Orders approving deferral of $8.9 million and denying deferral of $3.7 million of the incremental electric storm restoration expense related to Tropical Storm Irene and the October snowstorm, respectively. Regarding the majority of the disallowed costs, the PSC's decision stated that Central Hudson did not meet the third prong requirement which requires Central Hudson not be in an over earnings position. The PSC adopted a staff recommendation to exclude ratemaking normalization adjustments for purposes of calculating authorized electric regulatory earnings, and therefore denied a portion of these petitioned deferrals based on this third prong criterion. In addition, the PSC's Order stated that approximately $0.6 million of the costs related to Tropical Storm Irene should have been allocated to a separate storm, Tropical Storm Lee, and that this separate amount did not meet the materiality threshold for recovery. On May 22, 2013, Central Hudson filed a petition for reconsideration and rehearing on the PSC's April 22, 2013 Orders challenging the exclusion of Central Hudson's normalization adjustments used to measure earnings and seeking recovery of $3.7 million that was denied. Central Hudson cannot predict when or whether the PSC will approve the petition or the final outcome of this proceeding.

## *NOTE 3 - New Accounting Guidance*

Newly adopted and soon to be adopted accounting guidance is summarized below, including explanations for any new guidance issued in 2013 (except that which is not currently applicable) and the expected impact on CH Energy Group and its subsidiaries.

| Impact | Category | Accounting Reference | Title | Issued Date | Effective Date |
|---|---|---|---|---|---|
| 1 | Income Taxes (Topic 740) | 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 | Jul-13 | Dec-13 |
| 2 | Derivatives and Hedging (Topic 815) | ASU No. 2013-10 | Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes | Jul-13 | July-13 |

Impact Key:

(1) No anticipated impact on the financial condition, results of operations and cash flows of CH Energy Group and its subsidiaries upon future adoption.

(2) No current impact on the financial condition, results of operations and cash flows of CH Energy Group and its subsidiaries when adopted on the effective date noted.

## *NOTE 4 – Income Tax*

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

In September 2012, Central Hudson filed corporate income tax returns for the year ended December 31, 2011. With that filing, Central Hudson included an election to adopt the provisions of Revenue Procedure 2011-43 ("Rev Proc"), which provided IRS guidance related to the repair deduction previously taken on electric transmission and distribution property. Prior to the adoption of the Rev Proc, Management made certain assumptions in the calculation of the repair deduction and as such had recorded a reserve against a portion of the refund recovered and net operating income tax loss ("NOL") carryforward that resulted from this change in tax accounting method. Adoption of the provisions of the Rev Proc resulted in reduced federal and state net operating income tax loss ("NOL") carryforwards based on differences between Management's initial assumptions and the guidance defined in the Rev Proc. Central Hudson believes the remaining electric repair deduction meets and complies with the requirements included in the Rev Proc. As such, tax reserves related to the electric transmission and distribution repair deductions have been reclassified to deferred tax liability accounts.

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

Other than the uncertain tax position related to Central Hudson's accounting method change for gas transmission and distribution repairs, there are no other uncertain tax positions. Increases to the tax reserve during 2013 reflect the continuing uncertainty related to Gas Transmission and Distribution repair deductions. Adjustments reflected during 2012 include the impacts of adopting the Rev Proc as noted above. The following is a summary of activity related to uncertain tax positions (In Thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Tax reserve balance at the beginning of the period | $ 2,091 | $ 3,178 | $ 2,000 | $ 3,172 |
| Adjustments related to tax accounting method change | 44 | (1,190) | 135 | (1,184) |
| Tax reserve balance at the end of the period | $ 2,135 | $ 1,988 | $ 2,135 | $ 1,988 |

| Jurisdiction | Tax Years Open for Audit |
|---|---|
| Federal[(1)] | 2007 - 2012 |
| New York State | 2009 - 2012 |

(1) Federal tax filings for the years 2007 - 2011 are currently under audit.

**Reconciliation - CH Energy Group**

The following is a reconciliation between the amount of federal income tax computed on income before taxes at the statutory rate and the amount reported in CH Energy Group's Consolidated Statement of Income (In Thousands):

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net income attributable to CH Energy Group | $ 9,247 | $ 9,057 | $ (20) | $ 25,274 |
| Preferred Stock dividends of Central Hudson | - | 103 | 92 | 521 |
| Preferred Stock Redemption Premium | - | - | 764 | 342 |
| Federal income tax | 586 | - | 4,681 | - |
| State income tax | 95 | (256) | 704 | (5) |
| Deferred federal income tax | 4,396 | 5,818 | (2,633) | 19,136 |
| Deferred state income tax | 221 | 884 | (1,575) | 1,908 |
| Income before taxes | $ 14,545 | $ 15,606 | $ 2,013 | $ 47,176 |
| | | | | |
| Computed federal tax at 35% statutory rate | $ 5,091 | $ 5,462 | $ 705 | $ 16,512 |
| State income tax net of federal tax benefit | 363 | 725 | (570) | 2,258 |
| Depreciation flow-through | 773 | 784 | 2,514 | 2,363 |
| Cost of Removal | (611) | (600) | (1,838) | (1,796) |
| Merger Transaction Costs | 86 | 412 | 1,170 | 3,400 |
| Other | (404) | (337) | (804) | (1,698) |
| Total income tax | $ 5,298 | $ 6,446 | $ 1,177 | $ 21,039 |
| | | | | |
| Effective tax rate - federal | 34.2 % | 37.3 % | 101.7 % | 40.6 % |
| Effective tax rate - state | 2.2 % | 4.0 % | (43.2)% | 4.0 % |
| Effective tax rate - combined | 36.4 % | 41.3 % | 58.5 % | 44.6 % |

Net income before tax for the nine months ended September 30, 2013 includes the impact of the PBA of $40 million recorded upon the closing of the Fortis transaction. The lower net income resulting from the impact of the PBA mathematically caused the unusually high effective tax rate for the nine months ended September 30, 2013. The deferred tax benefit recorded on the PBA caused the negative deferred taxes for this period. Excluding these items, the federal and state effective tax rate for the nine months ended September 30, 2013, would have been 35.8% and 4.7%, respectively. The increase in the effective rate for the nine months ended September 30, 2013 was tempered by the lower nondeductible merger related transaction costs as compared to the same period in the prior year. Certain merger related transaction costs that are facilitative in nature are considered nondeductible for tax purposes. The nondeductible portion of the total merger related transaction costs incurred in the three and nine months ended September 30, 2013 were $0.2 million and $2.9 million, respectively, and for the three and nine months ended September 30, 2012 were $1.0 million and $8.6 million, respectively. The decrease in nondeductible transaction costs was the primary driver of the decrease in the effective tax rate for the three months ended September 30, 2013 as compared to the prior year.

### Reconciliation - Central Hudson

The following is a reconciliation between the amount of federal income tax computed on income before taxes at the statutory rate and the amount reported in Central Hudson's Statement of Income (In Thousands):

| | Three Months Ended September 30, 2013 | Three Months Ended September 30, 2012 | Nine Months Ended September 30, 2013 | Nine Months Ended September 30, 2012 |
|---|---|---|---|---|
| Net income | $ 11,509 | $ 12,359 | $ 10,113 | $ 35,763 |
| Federal income tax | 2,054 | - | 8,709 | - |
| State income tax | 454 | - | 808 | - |
| Deferred federal income tax | 4,107 | 6,934 | (3,266) | 19,928 |
| Deferred state income tax | 450 | 906 | (11) | 2,919 |
| Income before taxes | $ 18,574 | $ 20,199 | $ 16,353 | $ 58,610 |
| | | | | |
| Computed federal tax at 35% statutory rate | $ 6,501 | $ 7,070 | $ 5,724 | $ 20,514 |
| State income tax net of federal tax benefit | 745 | 906 | 514 | 2,919 |
| Depreciation flow-through | 773 | 784 | 2,514 | 2,363 |
| Cost of Removal | (611) | (600) | (1,838) | (1,796) |
| Other | (343) | (320) | (674) | (1,153) |
| Total income tax | $ 7,065 | $ 7,840 | $ 6,240 | $ 22,847 |
| | | | | |
| Effective tax rate - federal | 33.2 % | 34.3 % | 33.3 % | 34.0 % |
| Effective tax rate - state | 4.9 % | 4.5 % | 4.9 % | 5.0 % |
| Effective tax rate - combined | 38.1 % | 38.8 % | 38.2 % | 39.0 % |

## *NOTE 5 – Acquisitions and Investments*

### Acquisitions

During the three and nine months ended September 30, 2013, neither CH Energy Group nor any of its subsidiaries made any acquisitions.

### Investments

The value of CHEC's investments as of September 30, 2013 is as follows (In Thousands):

| CHEC Investment | Description | Intercompany Debt | Equity Investment | Total |
|---|---|---|---|---|
| Griffith Energy Services | 100% controlling interest in a fuel distribution business | $ 27,000 | $ 37,163 | $ 64,163 |
| CH-Community Wind | 50% equity interest in a joint venture that owns 18% interest in two operating wind projects | - | - | - |
| Other | Partnerships and an energy sector venture capital fund | - | 2,109 | 2,109 |
| | | $ 27,000 | $ 39,272 | $ 66,272 |

The remaining investments identified as CH-Community Wind and Other are not considered a part of the core business; however, management intends to retain these investments at this time.

## *NOTE 6 – Goodwill and Other Intangible Assets*

Goodwill, customer relationships, trademarks and covenants not to compete associated with acquisitions are included in intangible assets. In accordance with current accounting guidance related to goodwill and other intangible assets, goodwill and other intangible assets that have indefinite useful lives are not amortized, but instead are periodically reviewed for impairment.

In the fourth quarter of 2012, management performed a qualitative assessment of any potential impairment of Griffith's goodwill. The last quantitative analysis of impairment was performed as of September 30, 2010, which reflected that the fair value of Griffith exceeded its carrying value by approximately $34.2 million. Additionally, Management believes that no event has occurred which would trigger impairment since the last quantitative test performed. Based on these factors and other factors considered in its qualitative analysis, management believes that it is more likely than not that the fair market value of Griffith is more than the carrying value and, therefore, the first and second steps of the impairment test prescribed in guidance were not necessary.

The components of amortizable intangible assets of CH Energy Group are summarized as follows (In Thousands):

| | September 30, 2013 | | December 31, 2012 | | September 30, 2012 | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization | Gross Carrying Amount | Accumulated Amortization |
| Customer relationships | $ 37,708 | $ 27,902 | $ 37,709 | $ 26,017 | $ 36,781 | $ 25,407 |
| Trademarks | 318 | 24 | 318 | - | - | - |
| Covenants not to compete | 411 | 171 | 411 | 97 | 397 | 181 |
| Total Amortizable Intangibles | $ 38,437 | $ 28,097 | $ 38,438 | $ 26,114 | $ 37,178 | $ 25,588 |

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Intangibles Amortization Expense (In Thousands) | $ 661 | $ 625 | $ 1,984 | $ 1,883 |

The estimated annual amortization expense for the remainder of the current year and for each of the next four years, assuming no new acquisitions or divestitures, is as follows (In Thousands):

| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| Estimated Amortization Expense | $ 661 | $ 2,636 | $ 2,374 | $ 988 | $ 683 |

## NOTE 7 – Short-Term Borrowing Arrangements

CH Energy Group and Central Hudson borrowings under its committed and uncommitted short-term borrowing arrangements are as follows (In Thousands):

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| CH Energy Group<br>Holding Company<br>Short-term borrowings | $ - | $ 19,500 | $ - |
| Central Hudson<br>Short-term borrowings | - | - | - |
| Total CH Energy Group | $ - | $ 19,500 | $ - |
| Total CH Energy Group<br>Weighted Average<br>Interest Rate | 1.01% | 1.08% | 1.08% |

## NOTE 8 – Capitalization – Common and Preferred Stock

For a schedule of activity related to common stock, paid-in capital and capital stock, see the Consolidated Statement of Equity for CH Energy Group and Statement of Equity for Central Hudson.

On March 21, 2013, Central Hudson redeemed its two outstanding series of preferred stock, the 4.50% Cumulative Preferred and the 4.75% Cumulative Preferred. Other than the one share of a new class of Junior Preferred Stock mentioned below, Central Hudson has no outstanding preferred stock.

On June 26, 2013, immediately prior to the completion of the Fortis acquisition and pursuant to the Order Authorizing Acquisition Subject to Conditions, Central Hudson issued one share of a new class of Limited Voting Junior Preferred Stock, $100 par value per share (“Junior Preferred Stock”), with no dividend rights. The share has a voting right solely with respect to whether Central Hudson may file a voluntary bankruptcy petition, a petition for receivership or institute any other liquidation or similar proceeding.

On June 27, 2013, at the effective time of the closing of the Fortis acquisition, all shares of CH Energy Group Common Stock that immediately prior to the effective time were issued and outstanding or held in treasury, were cancelled and cease to exist. Subsequently, 14,961,400 shares of new common stock, at $0.01 par value, were issued to FortisUS, Inc. which became the sole shareholder of CH Energy Group. Following the closing of the transaction, FortisUS, Inc. purchased an additional one million shares of the new common stock of CH Energy Group for $65.0 million.

Effective July 1, 2011, employer matching contributions to an eligible employee’s Savings Incentive Plan (“SIP”) account could be paid in either cash or in CH Energy Group common stock and CH Energy Group initially chose to meet its matching obligation in common stock. Upon the effective time of the closing of the Fortis acquisition, all CH Energy Group Common Stock held by the SIP was converted into

$65 per share in cash. No future contributions will be made in the form of CH Energy Group Common Stock, which no longer is an investment option for the participants in the SIP.

On July 30, 2013, the Board of Directors of CH Energy Group declared a dividend of $5.0 million, payable to FortisUS Inc., the sole shareholder of CH Energy Group. The dividend was paid on July 31, 2013.

On September 25, 2013, the Board of Directors of CH Energy Group declared a dividend of $5.0 million, payable to FortisUS Inc., the sole shareholder of CH Energy Group. The dividend was paid on October 30, 2013.

Through September 30, 2013, Central Hudson paid $16.0 million of dividends in 2013 to parent CH Energy Group, of which $6.0 million was paid during the three months ended September 30, 2013. On October 30, 2013 Central Hudson paid dividends of $6.0 million to parent CH Energy Group. In the prior year, Central Hudson paid $22.0 million of dividends to parent CH Energy Group, of which $9.0 million was paid during the three months ended September 30, 2012.

## *NOTE 9 – Capitalization – Long-Term Debt*

### NYSERDA

The principal amount of Central Hudson's outstanding Series B NYSERDA Bonds totaled $33.7 million at September 30, 2013. These are tax-exempt multi-modal bonds that are currently in a variable rate mode. In its Orders, the PSC has authorized deferral accounting treatment for variations in the interest costs of these bonds. As such, variations between the actual interest rates on these bonds and the interest rate included in the current delivery rate structure for these bonds are deferred for future recovery from or refund to customers and therefore do not impact earnings.

To mitigate the potential cash flow impact from unexpected increases in short-term interest rates on Series B NYSERDA Bonds, on March 28, 2012, Central Hudson purchased an interest rate cap based on an index of short-term tax-exempt debt. The rate cap is two years in length with a notional amount equal to the outstanding principal amount of the Series B and will expire on April 1, 2014. The cap is based on the monthly weighted average of an index of tax-exempt variable rate debt, multiplied by 175%. Central Hudson would receive a payout if the adjusted index exceeds 5.0% for a given month. The rate cap replaced an expiring rate cap with substantially similar terms. See Note 14 – "Accounting for Derivative Instruments and Hedging Activities" for fair value disclosures related to this instrument.

## *NOTE 10 – Post-Employment Benefits*

Central Hudson provides certain health care and life insurance benefits for retired employees through its post-retirement benefit plans. Central Hudson pension benefits include a Retirement Income Plan ("RIP") and a non-qualified Supplemental Executive Retirement Plan ("SERP").

In its Orders, the PSC has authorized deferral accounting treatment for any variations between actual pension and other post-employment benefits ("OPEB") expense and the amount included in the current delivery rate structure. As a result, post-retirement benefit plans at Central Hudson do not have any impact on earnings. The following information is provided in accordance with current accounting requirements.

The following are the components of Central Hudson's net periodic benefit costs for its pension and OPEB plans for the three and nine months ended September 30, 2013 and 2012 (In Thousands):

| | Pension Benefits | | OPEB(1) | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Three Months Ended September 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | $ 3,073 | $ 2,741 | $ 732 | $ 644 |
| Interest cost | 5,732 | 6,178 | 1,422 | 1,662 |
| Expected return on plan assets | (7,698) | (6,768) | (1,766) | (1,734) |
| Amortization of: | | | | |
| Prior service cost (credit) | 433 | 500 | (1,465) | (1,466) |
| Transitional obligation | - | - | 2 | 641 |
| Recognized actuarial loss | 4,840 | 5,788 | 1,265 | 2,326 |
| Net Periodic Benefit Cost | $ 6,380 | $ 8,439 | $ 190 | $ 2,073 |

| | Pension Benefits | | OPEB(1) | |
|---|---|---|---|---|
| | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | $ 9,219 | $ 8,223 | $ 2,198 | $ 1,932 |
| Interest cost | 17,196 | 18,531 | 4,266 | 4,986 |
| Expected return on plan assets | (23,094) | (20,304) | (5,297) | (5,202) |
| Amortization of: | | | | |
| Prior service cost (credit) | 1,299 | 1,503 | (4,395) | (4,397) |
| Transitional obligation | - | - | 5 | 1,923 |
| Recognized actuarial loss | 14,520 | 17,364 | 3,795 | 6,978 |
| Net Periodic Benefit Cost | $ 19,140 | $ 25,317 | $ 572 | $ 6,220 |

(1) The OPEB amounts for all periods presented reflect the effect of the Medicare Prescription Drug Improvement and Modernization Act of 2003.

The balance of Central Hudson's accrued pension costs (i.e., the under-funded status) is as follows (In Thousands):

| | September 30, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| Accrued pension costs | $ 90,712 | $ 113,885 | $ 100,520 |

These balances include the difference between the projected benefit obligation ("PBO") for pensions and the market value of the pension assets, and any liability for SERP.

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, 2013 | December 31, 2012 | September 30, 2012 |
|---|---|---|---|
| Prefunded pension costs prior to funding status adjustment | $ 32,526 | $ 25,172 | $ 33,447 |
| Additional liability required | (123,238) | (139,057) | (133,967) |
| Total accrued pension costs | $ (90,712) | $ (113,885) | $ (100,520) |
| Total offset to additional liability - Regulatory assets - Pension Plan | $ 123,238 | $ 139,057 | $ 133,967 |

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, net of tax. However, Central Hudson has PSC approval to record regulatory assets rather than adjusting comprehensive income to offset the additional liability.

Contribution levels for the RIP and OPEB plans are determined by various factors including the funded status, expected return on plan assets, benefit changes, and corporate resources. In addition, OPEB plan contribution levels are also impacted by medical claims and mortality assumptions.

Contributions for the three and nine months ended September 30, 2013 and 2012 were as follows (In Thousands):

| Retirement Income Plan | | | | OPEB | | | |
|---|---|---|---|---|---|---|---|
| Three Months Ended September 30, | | Nine Months Ended September 30, | | Three Months Ended September 30, | | Nine Months Ended September 30, | |
| 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| $ - | $ - | $ 26,000 | $ 28,000 | $ - | $ - | $ 2,894 | $ 3,269 |

**Retirement Plan Policy and Strategy**

Central Hudson's Retirement Plan investment policy seeks to achieve long-term growth and income to match the long-term nature of its funding obligations. Management has partially transitioned to a liability-driven investment ("LDI") strategy for its pension plan assets. Management's objective is to reduce the volatility of the plan's funded status and the level of contributions by more closely aligning the characteristics of plan assets with liabilities.

Asset allocation targets in effect for the nine months ended September 30, 2013 as well as actual asset allocations as of September 30, 2013 and December 31, 2012 expressed as a percentage of the market value of the Retirement Plan's assets, are summarized in the table below:

| Asset Class | December 31, 2012 | Minimum | Target Average | Maximum | September 30, 2013 |
|---|---|---|---|---|---|
| Equity Securities | 50.5 % | 45 % | 50 % | 55 % | 51.3 % |
| Debt Securities | 47.4 % | 45 % | 50 % | 55 % | 47.7 % |
| Other[1] | 2.1 % | - % | - % | - % | 1.0 % |

(1) Consists of temporary cash investments, as well as receivables for investments sold and interest, and payables for investments purchased, which have not settled as of that date.

The above asset allocations as of December 31, 2012 and September 30, 2013 reflect the partial transition to a LDI strategy resulting in an asset allocation of approximately 50% equity and 50% long duration fixed income assets. Due to market value fluctuations, RIP assets will require rebalancing from time to time to maintain the asset allocation within target ranges.

Central Hudson cannot assure that the RIP's return objectives or funded status objectives will be achieved.

## *NOTE 11 – Equity-Based Compensation*

On June 27, 2013, immediately following the completion of the acquisition of CH Energy Group by Fortis, the CH Energy Group, Inc. 2011 Long-Term Equity Incentive Plan (the "2011 Plan") was terminated, and no new awards may be granted under such plan.

Immediately prior to the completion of the acquisition, all unvested awards under the 2011 Plan became vested and were converted into the right to receive $65.00 per share. There were no awards outstanding under the 2011 Plan at the time of its termination.

### Performance Shares

Performance shares granted February 7, 2011, February 6, 2012 and February 5, 2013 became vested immediately prior to the acquisition of CH Energy Group by Fortis. The holders of performance shares received $65 per share for all shares earned as a result of the vesting and were paid in July 2013. There were no performance shares outstanding as of September 30, 2013.

### Restricted Shares and Restricted Stock Units

Restricted shares and restricted stock units, the vesting of which was accelerated immediately prior to the acquisition of CH Energy Group were cancelled in the acquisition in exchange for cash in the amount of $65 per share. There were no restricted shares or restricted stock units outstanding as of September 30, 2013. Shares and restricted stock units that vested were paid in July 2013.

### Compensation Expense

The following table summarizes expense for equity-based compensation by award type for the three and nine months ended September 30, 2013 and 2012 (In Thousands):

| | CH Energy Group | | Central Hudson | |
|---|---|---|---|---|
| | Three Months Ended September 30, | | Three Months Ended September 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Performance shares | $ - | $ 312 | $ - | $ 272 |
| Restricted shares and stock units | $ - | $ 114 | $ - | $ 65 |
| Recognized tax benefit of restricted shares and stock units | $ - | $ 46 | $ - | $ 26 |

| | CH Energy Group | | Central Hudson | |
|---|---|---|---|---|
| | Nine Months Ended September 30, | | Nine Months Ended September 30, | |
| | 2013 | 2012 | 2013 | 2012 |
| Performance shares | $ 7,292 | $ 2,663 | $ 1,222 | $ 1,483 |
| Restricted shares and stock units | $ 875 | $ 341 | $ 134 | $ 195 |
| Recognized tax benefit of restricted shares and stock units | $ 349 | $ 137 | $ 54 | $ 77 |

Compensation expense for performance shares was recognized over the three year performance period based on the fair value of the awards at the end of each reporting period and the time elapsed within each grant's performance period. The fair value of performance shares was determined based on the shares' current market value at the end of each reporting period, estimated forfeitures for each grant, and expected payout based on management's best estimate including analysis of historical performance in accordance with the defined metrics of each grant. Compensation expense was recorded as performance shares are earned over the relevant three-year life of the performance share grant prior to its award.

Compensation expense for restricted shares was recognized over the defined vesting periods based on the grant date fair value of the awards. There was no stock option expense recognized over the three and nine months ended September 30, 2013. Stock option expense recognized over the three and nine months ended September 30, 2012 was not material.

The market price of CH Energy Group stock increased approximately $8 per share immediately following the February 21, 2012 announcement that CH Energy Group had entered into a merger agreement with Fortis. CH Energy Group's equity-based compensation expense for the nine months ended September 30, 2013 and 2012 included approximately $0.1 million and $0.9 million attributable to the increase in stock price on outstanding performance share awards, which has been recognized at the holding company as a transaction cost resulting from the acquisition of CH Energy Group by Fortis and not allocated to its subsidiaries. Immediately prior to the completion of the acquisition of the CH Energy Group acquisition by Fortis, all remaining unvested performance shares and restricted stock shares and restricted stock units vested and were cancelled in exchange for cash payments. As a result of the acceleration, additional expense of $5.8 million related to performance shares and $0.7 million related to restricted shares and restricted stock units were recognized at the CH Energy Group holding company in the second quarter of 2013 and not allocated to its subsidiaries.

## *NOTE 12 – Commitments and Contingencies*

**Electricity Purchase Commitments**

On June 30, 2010 and September 9, 2010, Central Hudson entered into agreements with Entergy Nuclear Power Marketing, LLC to purchase electricity (but not capacity) on a unit-contingent basis at defined prices from January 1, 2011 through December 31, 2013. For the nine months ended September 30, 2012, energy supplied under these agreements cost approximately $15.9 million. For the nine months ended September 30, 2013, energy supplied under these agreements cost approximately $14.6 million, which represents approximately 14% of Central Hudson's full-service customer requirements on an annual basis.

These contracts meet the definition of a normal purchase and are therefore excluded from current accounting requirements related to derivatives. In the event the above noted counterparty is unable to fulfill its commitment to deliver under the terms of the agreements, Central Hudson would obtain the supply from the New York Independent System Operator ("NYISO") market, and under Central Hudson's current ratemaking treatment, recover the full cost from customers. As such, there would be no impact on earnings.

Central Hudson must also acquire sufficient peak load capacity to meet the peak load requirements of its full service customers. This capacity is made up of contracts with capacity providers, purchases from the NYISO capacity market and its own generating capacity.

## Environmental Matters

*Central Hudson*

- Air

There has been no change to this matter in 2013, however, the relevant disclosure is provided as required. In 1999, the New York State Attorney General ("Attorney General") alleged that Central Hudson "may have constructed, and continued to operate, major modifications to the Danskammer Point Steam Electric Generating Station ("Danskammer Plant") without obtaining certain requisite preconstruction permits." In March 2000, the Environmental Protection Agency ("EPA") assumed responsibility for the investigation. Central Hudson believes any permits required for these projects were obtained in a timely manner. Central Hudson sold the Danskammer Plant to Dynegy in January 2001. While Central Hudson could have retained liability after the sale, depending on the type of remedy, Central Hudson believes that the statutes of limitation relating to any alleged violation of air emissions rules have lapsed.

- Former Manufactured Gas Plant Facilities

Central Hudson and its predecessors owned and operated manufactured gas plants ("MGPs") to serve their customers' heating and lighting needs. These plants manufactured gas from coal and oil beginning in the mid to late 1800s with all sites ceasing operations by the 1950s. This process produced certain by-products that may pose risks to human health and the environment.

The New York State Department of Environmental Conservation ("DEC"), which regulates the timing and extent of remediation of MGP sites in New York State, has notified Central Hudson that it believes Central Hudson or its predecessors at one time owned and/or operated MGPs at seven sites in Central Hudson's franchise territory. The DEC has further requested that Central Hudson investigate and, if necessary, remediate these sites under a Consent Order, Voluntary Cleanup Agreement, or Brownfield Cleanup Agreement. The DEC has placed all seven of these sites on the New York State Environmental Site Remediation Database. As authorized by the PSC, Central Hudson is currently permitted to defer for future recovery the differences between actual costs for MGP site investigation and remediation and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return. In the June 26, 2013 Order (Case 12-M-192), the PSC modified the deferral for MGP Site Investigation and Remediation ("SIR") Costs authorized to apply to all Environmental SIR costs incurred by Central Hudson during the period from July 1, 2013 to June 30, 2015. Management does not currently expect any material impact based on this Order.

MGP site investigation and remediation can be divided into various stages of completion based on the milestones of activities completed and reports reviewed. Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. These stages, the types of costs accrued during various stages and the sites currently in each stage, include:

- *Investigation* – Begins with preliminary investigations and is completed upon filing and approval by DEC of a Remedial Investigation ("RI") Report. Central Hudson accrues for estimated investigation costs, Remediation Alternative Analysis ("RAA"), and Remedial Design costs.
- *Remedial Alternatives Analysis* – Engineering analysis of alternatives for remediation based on the RI is compiled into a RAA Report. Upon completion of the RAA and the filing with the DEC, management accrues for an estimate of remediation costs developed and quantified in the RAA based on DEC approved methods, as well as an estimate of post-remediation operation, maintenance and monitoring costs ("OM&M"). These amounts represent a significant portion of the total costs to remediate and are subject to change based on further investigations, final remedial design and associated engineering estimates, regulatory comments and requests, remedial design changes/negotiations, and changed or unforeseen conditions during the remediation or additional requirements following the remediation. Prior to the completion of the RAA, management cannot reasonably estimate what cost will be incurred for remediation or post-remediation activities.
  - ➢ **Site #5 – North Water Street** (Poughkeepsie, NY) – Remedial Alternatives Analysis in progress
    - The Interim Remedial Measure ("IRM"), Construction Completion Report ("CCR") and Interim Site Management Plan ("SMP") associated with the southern portion of this site, were approved by the DEC in May 2013.
    - Field activities associated with the former propane tank area investigation were completed between June 3 and 6, 2013. The report of findings associated with this investigation was submitted to the DEC for review and approval on August 14, 2013. Based on the results of this investigation some level of future remediation may be required in this area.
    - The semi-annual monitoring event was conducted on June 27, 2013 and the results were submitted to the DEC for review on July 1, 2013.
    - During the week of July 26, 2013, Central Hudson disseminated a bid specification document in an effort to retain one or more Environmental/Engineering firms to develop a scope of work to evaluate the conditions of the site's steep shoreline and prepare a RAA Report. A pre-bid meeting was conducted on August 15, 2013 and bids were received from five consultants for evaluation on August 30, 2013. It is currently anticipated that a contract will be awarded following which a projected schedule of activities will be established and forwarded to the DEC in the fourth quarter of 2013.
    - Amounts accrued represent an estimate for completion of the RAA and Remedial Design.
  - ➢ **Site #6 – Kingston** (NY) – Remedial Alternative Analysis in Progress

- – The DEC approved the revised RI report with comment letter addendum on April 8, 2013.
  - – A contract associated with the preparation of a RAA Report was executed with ARCADIS during the week of July 22, 2013. A projected schedule associated with the preparation of the RAA Report was forwarded to the DEC on July 31, 2013. Additionally, a preliminary RAA Report annotated outline was submitted to the DEC for review on August 22, 2013. A conference call between the DEC, New York State Department of Health ("NYSDOH"), Central Hudson, and ARCADIS to discuss the annotated outline was conducted on September 10, 2013. It is currently anticipated that the RAA Report will be submitted to the DEC for review by the end of 2013.
  - – Amounts accrued represent an estimate of costs to complete the RAA and the Remedial Design.
- *Remedial Design* - Upon approval of the RAA and final decision of remediation approach based on alternatives presented, a Remedial Design is developed and filed with the DEC for approval.
- *Remediation* – Completion of the work plan as defined in the approved Remedial Design. Upon completion, final reports are filed with the DEC for approval and may include a CCR, Final Engineering Report ("FER"), or other reports required by the DEC based on the work performed.
  - ➢ **Site #4 – Catskill** (NY) – Post-Remediation In Progress
    - – Remediation activities commenced in September 2012 and were essentially complete on June 28, 2013.
    - – Post remediation monitoring well installation and development of the wells was completed on July 8, 2013.
    - – Associated with the post-remediation permit requirements, a report summarizing the stream bank stabilization activities and tree planting was submitted to the DEC and Unites States Army Corps of Engineers ("USACE") for review on August 22, 2013. An addendum to the report will be submitted within 30 days after planting in the fall of 2013.
    - – A baseline groundwater sampling event on the three newly installed wells was conducted on August 26, 2013.
    - – Central Hudson continues to assemble the documentation necessary in accordance with the requirements of obtaining Environmental Easements and Deed restrictions.
    - – It is currently anticipated that the FER and SMP will be submitted to the DEC for review by the end of 2013.
    - – Amounts accrued represent an estimate of costs to complete the post-remediation and OM&M.
- *Post-Remediation Monitoring* – Entails the OM&M as directed by the DEC based on the approved final report of remediation. The activities are typically defined in a SMP, which is approved by the DEC. The extent of activities during this phase may increase or decrease based on the results of ongoing monitoring being performed and future potential usage of the property.
  - ➢ **Site #2 – Newburgh** (NY) – Post-Remediation In Progress

  - Amounts accrued represent an estimate of costs for OM&M and execution of the draft SMP.
  - Central Hudson has recently retired and removed propane air facilities located on Area A. A work plan to investigate the former propane tank area was submitted to the DEC in May 2013 and approved in June 2013.
  - Additionally, a work plan proposing recovery well installation in Area A and B and a proposal to expand the recovery well system near NMW-46 (Area B) was also submitted to the DEC for approval in May 2013. Central Hudson and the DEC conducted a conference call on July 31, 2013 to discuss proposed modifications to the work plan. Based on these discussions the DEC issued an approval letter with modifications on August 1, 2013. Central Hudson accepted the DEC's modifications to the work plan on the same day.
  - A projected construction schedule, including the former propane tank area investigation and recovery well installation activities, was forwarded to the DEC on August 19, 2013 and followed up with a revised construction schedule forwarded on September 3, 2013. Site activities commenced on September 18, 2013 and are currently anticipated to be completed before year end.
  - Depending on the results from the former propane tank area investigation some level of future remediation may be required in this area. Management cannot currently estimate the work that may be required related to potential remediation of the former propane tank area.
  - A quarterly monitoring event was completed on September 13, 2013 and the results were submitted to the DEC for review.
- ➢ **Site #3 – Laurel Street** (Poughkeepsie, NY) – Post-Remediation In Progress
  - The semi-annual groundwater monitoring event was completed between July 23 and 30, 2013. A summary report was submitted to the DEC for review. The next sampling event will be completed in January 2014.
  - Central Hudson continues to work with the DEC to complete an Environmental Easement for the portion of the site owned by Central Hudson.
  - Amounts accrued represent an estimate of costs for OM&M.

- *No Action Required*
  - ➢ **Site #1 – Beacon** (NY) – No Action Required
    - SMP submitted to the DEC and release letter for the site was received under a March 26, 2013 cover letter.
    - No further costs expected and no amounts accrued as of September 30, 2013 related to this site.
    - If the building at this site were to be removed, further investigation and testing would be required related to the soil under the building, which

may require additional remediation. Management cannot currently estimate the costs that may be incurred related to this.

- **Site #7 – Bayeaux Street** (Poughkeepsie, NY) – No further investigation or remedial action is currently required. However, per the DEC this site still remains on the list for potential future investigation.

A summary of amounts accrued and spent are detailed in the chart below (In Thousands):

| Site # | Liability Recorded as of 12/31/12 | Amounts Spent in 2013 (1) | Liability Adjustment | Liability Recorded as of 9/30/13 | Current Portion of Liability at 9/30/13 | Long-Term Portion of Liability at 9/30/13 |
|---|---|---|---|---|---|---|
| 2, 3, 4 | $ 12,210 | $ 5,702 | $ 415 | $ 6,923 | $ 480 | $ 6,443 |
| 5, 6 | 1,743 | 166 | (275) | 1,302 | 1,071 | 231 |
| | $ 13,953 | $ 5,868 | $ 140 | $ 8,225 | $ 1,551 | $ 6,674 |

(1) Amounts spent in 2013 as shown above do not include legal fees of approximately $14 thousand.

Based on a cost model analysis completed in 2012 of possible remediation and future OM&M costs for sites #2 through #6, Central Hudson believes there is a 90% confidence level that the total costs to remediate these sites will not exceed $152.0 million over the next 30 years. The cost model involves assumptions relating to investigation expenses, results of investigations, remediation costs, potential future liabilities, and post-remedial OM&M costs, and is based on a variety of factors including projections regarding the amount and extent of contamination, the location, size and use of the sites, proximity to sensitive resources, status of regulatory investigations, and information regarding remediation activities at other MGP sites in New York State. The cost model also assumes that proposed or anticipated remediation techniques are technically feasible and that proposed remediation plans receive DEC and NYSDOH approval.

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:

- The 2010 Rate Order included cash recovery from customers of $13.6 million spread equally over the three year settlement period ending June 30, 2013. The 2013 Joint Petition (“JP”) continues cash recovery from customers of $4.6 million annually through Rate Year ending June 30, 2015.

- As part of the 2010 Rate Order and JP, Central Hudson maintained previously granted deferral authority and subsequent recovery for amounts spent over the rate allowance.
- Total MGP Site Investigation and Remediation costs recovered through rates and other regulatory mechanisms from July 1, 2007 through September 30, 2013 was approximately $27.9 million, with $1.1 million and $3.5 million recovered in the three and nine months ended September 30, 2013, respectively.
- The total spent in the three and nine months ended September 30, 2013 related to site investigation and remediation was approximately $0.2 million and $5.9 million, respectively.
- The regulatory asset balance as of September 30, 2013 was $11.9 million, which represents the difference between amounts spent or currently accrued as a liability and the amounts recovered through rate allowance, as well as carrying charges accrued. Upon completion of investigation at sites #5 and #6, when remediation and post-remediation costs will be able to be reasonably estimated and therefore will be recorded as a liability, this regulatory asset balance will likely increase significantly. Management projects that the investigation at these sites will likely be completed within the next two years.

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. In addition to the rate allowance amounts noted above, Central Hudson has previously recovered approximately $2.3 million from insurance. There were no insurance recoveries in the first nine months of 2013. However, we do not expect insurance recoveries to offset a meaningful portion of total costs.

- Little Britain Road property owned by Central Hudson

There has been no change to this site in 2012 and through the third quarter of 2013, however, the relevant disclosure is provided as required. In 2000, Central Hudson and the DEC entered into a Voluntary Cleanup Agreement ("VCA") whereby Central Hudson removed approximately 3,100 tons of soil and conducted groundwater sampling. Central Hudson believes that it has fulfilled its obligations under the VCA and should receive the release provided for in the VCA, but the DEC has proposed that additional groundwater work be done to address groundwater sampling results that showed the presence of certain contaminants at levels exceeding the DEC criteria. Central Hudson believes that such work is not necessary and has completed a soil vapor intrusion study showing that indoor air at the facility met Occupational Safety and Health Administration ("OSHA") and NYSDOH standards. In October 2011, the DEC requested a 'non-committal' meeting with Central Hudson to discuss the site and possible next steps. At the annual MGP meeting with Central Hudson in October 2012, the DEC discussed the Little Britain Road property requesting an upcoming meeting to discuss the site and possible next steps. Central Hudson responded that we are available for such a meeting. A meeting date has yet to be established.

At this time Central Hudson does not have sufficient information to estimate the need for additional remediation or potential remediation costs. Central Hudson has put its insurers on notice regarding this matter and intends to seek reimbursement from its insurers for amounts, if any, for which it may become liable. Central Hudson cannot predict the outcome of this matter.

- Eltings Corners

Central Hudson owns and operates a maintenance and warehouse facility. In the course of Central Hudson's hazardous waste permit renewal process for this facility, sediment contamination was discovered within the wetland area across the street from the main property. In cooperation with the DEC, Central Hudson continues to investigate the nature and extent of the contamination. Additional off-site sediment and on-site groundwater sampling was performed during 2012 in accordance with a supplemental work plan approved by the DEC. Results from the on-site groundwater sampling activities were submitted to the DEC in January of 2013. Following their review, the DEC issued a letter dated March 28, 2013 relieving Central Hudson from any further on-site groundwater sampling. The sediment sampling results were submitted to the DEC on July 1, 2013. Subsequent to DEC's review of these latest off-site investigations, Central Hudson will be seeking to schedule a meeting with DEC to discuss the next steps in the process. The extent of the contamination as well as the timing and costs for any future remediation efforts cannot be reasonably estimated at this time.

*CHEC*

During the nine months ended September 30, 2013, Griffith spent $0.3 million on remediation efforts in Maryland, Virginia and Connecticut.

Griffith's reserve for environmental remediation is $1.2 million as of September 30, 2013, of which $0.3 million is expected to be spent in the next twelve months.

In connection with the 2009 sale of operations in certain geographic locations, Griffith agreed to indemnify the purchaser for certain claims, losses and expenses arising out of any breach by Griffith of the representations, warranties and covenants Griffith made in the sale agreement, certain environmental matters and all liabilities retained by Griffith. Griffith's indemnification obligation is subject to a number of limitations, including a five-year limitation within which certain claims must be brought, an aggregate deductible of $0.8 million applicable to certain types of non-environmental claims and other deductibles applicable to certain specific environmental claims, and caps on Griffith's liability with respect to certain of the indemnification obligations. The sale agreement includes an aggregate cap of $5.7 million on Griffith's obligation to indemnify the purchaser for breaches of many of Griffith's representations and warranties and for certain environmental liabilities. In 2009, the Company reserved $2.6 million for environmental remediation costs it may be obligated to pay based on its indemnification obligations under the sale agreement. To date, Griffith has paid approximately $1.4 million under its environmental remediation cost obligation. In the first quarter of 2011, Griffith reduced the reserve by $0.6 million based on the completion of an environmental study. The balance as of September 30, 2013 related to the divestiture is $0.6 million. Management believes this is the most likely amount Griffith would pay with respect to its indemnification obligations under the sale agreement.

**Certain Litigation Related to the Fortis Transaction**

Following the announcement of the proposed acquisition of CH Energy Group by Fortis on February 21, 2012, several complaints were filed by purported CH Energy Group shareholders in the Supreme Court of the State of New York, County of New York (the "New York County Court") and the Supreme Court of the State of New York, County of Dutchess, challenging the proposed merger. The Dutchess County actions have been transferred to the New York County Court, and all actions have been joined under the master caption In re CH Energy Group, Inc. Shareholder Litigation, Index No. 775,000/2012.

On April 9, 2012, a master amended complaint was filed in the joined litigation related to the proposed acquisition of CH Energy Group by Fortis. The master amended complaint, which was filed on behalf of a putative class of CH Energy Group public shareholders, names as defendants CH Energy Group, its directors, Fortis, FortisUS, and Cascade Acquisition Sub, Inc. and generally alleges that the individual defendants breached their fiduciary duties in connection with the proposed transaction and that the entity defendants aided and abetted that breach. The master amended complaint further alleges that the preliminary proxy filed in connection with the proposed transaction with Fortis contains material misstatements and omissions. The master complaint seeks, among other things, an order preliminarily and permanently enjoining the proposed transaction with Fortis, damages, and plaintiffs' fees and expenses.

On May 9, 2012, the parties executed a memorandum of understanding that embodies their agreement in principle on the structure of a proposed settlement. The proposed settlement, which is subject to certain conditions, including court approval following notice to a proposed settlement class consisting of all CH Energy Group shareholders during the period from February 19, 2012 through the date of the consummation of the proposed merger (the "Class"), would, among other things, dismiss all causes of action asserted in the master amended complaint and release all claims that members of the Class may have arising out of or relating in any manner to the proposed merger. Pursuant to the terms of the proposed settlement, defendants agreed to make certain disclosures to shareholders. In the meantime, the plaintiffs and their counsel have agreed, among other things, to stay the litigation and not to initiate any proceedings (including, but not limited to, a motion for a preliminary injunction) other than those incident to effecting the settlement.

Absent court approval of the proposed settlement, the defendants intend to vigorously defend themselves against the action.

**Other Matters**

*Asbestos Litigation*

As of September 30, 2013, of the 3,341 asbestos cases brought against Central Hudson, 1,169 remained pending. Of the cases no longer pending against Central Hudson, 2,017 have been dismissed or discontinued without payment by Central Hudson, and Central Hudson has settled 155 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.

Central Hudson and Griffith 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 of CH Energy Group's or the individual segment's financial positions, results of operations or cash flows.

CH Energy Group and Central Hudson expense legal costs as incurred.

## *NOTE 13 – 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 and the unregulated fuel distribution business of Griffith. Other activities of CH Energy Group, which do not constitute a business segment, include CHEC's renewable energy investments and the holding company's activities, which consist primarily of financing its subsidiaries, and are reported under the heading "Other Businesses and Investments."

Certain additional information regarding these segments is set forth in the following tables. 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.

Central Hudson's and Griffith'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 and heating oil typically peaks during the winter.

## CH Energy Group Segment Disclosure

(In Thousands)

| | Three Months Ended September 30, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Segments | | | Other Businesses and Investments | Eliminations | Total |
| | Central Hudson | | | | | |
| | Electric | Natural Gas | Griffith | | | |
| Revenues from external customers | $ 149,598 | $ 14,420 | $ 54,033 | $ - | $ - | $ 218,051 |
| Intersegment revenues | 4 | 49 | - | - | (53) | - |
| Total revenues | 149,602 | 14,469 | 54,033 | - | (53) | 218,051 |
| Operating income (loss) | 25,690 | (567) | (2,695) | (612) | - | 21,817 |
| Interest and investment income | 1,011 | 199 | - | 525 | (514) (1) | 1,221 |
| Interest charges | 6,406 | 1,681 | 514 | 481 | (514) (1) | 8,568 |
| Income (loss) before income taxes | 20,513 | (1,939) | (3,157) | (873) | - | 14,545 |
| Net Income (Loss) Attributable to CH Energy Group | 12,736 | (1,227) | (1,862) | (400) | - | 9,247 |
| Segment assets at September 30 | 1,290,062 | 370,018 | 103,946 | 19,955 | (8,014) | 1,775,967 |

(1) This represents the elimination of inter-company interest income (expense) generated from lending activities between CH Energy Group (the holding company), and its subsidiaries (CHEC and Griffith).

## CH Energy Group Segment Disclosure

(In Thousands)

| | Three Months Ended September 30, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Segments | | | Other Businesses and Investments | Eliminations | Total |
| | Central Hudson | | | | | |
| | Electric | Natural Gas | Griffith | | | |
| Revenues from external customers | $ 148,916 | $ 18,306 | $ 51,848 | $ - | $ - | $ 219,070 |
| Intersegment revenues | 3 | 1 | - | - | (4) | - |
| Total revenues | 148,919 | 18,307 | 51,848 | - | (4) | 219,070 |
| Operating income (loss) | 25,456 | 534 | (2,799) | (1,174) | - | 22,017 |
| Interest and investment income | 1,094 | 240 | - | 492 | (478) (1) | 1,348 |
| Interest charges | 5,824 | 1,561 | 469 | 490 | (478) (1) | 7,866 |
| Income (loss) before income taxes | 20,916 | (717) | (3,272) | (1,321) | - | 15,606 |
| Net Income (loss) Attributable to CH Energy Group | 13,287 | (1,031) | (1,930) | (1,269) | - | 9,057 |
| Segment assets at September 30 | 1,234,416 | 362,924 | 100,668 | 7,658 | (420) | 1,705,246 |

(1) This represents the elimination of inter-company interest income (expense) generated from lending activities between CH Energy Group (the holding company), and its subsidiaries (CHEC and Griffith).

## CH Energy Group Segment Disclosure
(In Thousands)

| | Nine Months Ended September 30, 2013 | | | | | |
|---|---|---|---|---|---|---|
| | Segments | | | Other | | |
| | Central Hudson | | | Businesses | | |
| | | Natural | | and | | |
| | Electric | Gas | Griffith | Investments | Eliminations | Total |
| Revenues from external customers | $ 408,338 | $ 103,062 | $ 215,204 | $ - | $ - | $ 726,604 |
| Intersegment revenues | 8 | 208 | - | - | (216) | - |
| Total revenues | 408,346 | 103,270 | 215,204 | - | (216) | 726,604 |
| Operating Income (loss) | 23,924 | 10,436 | 2,828 | (15,704) | - | 21,484 |
| Interest and investment income | 4,007 | 629 | - | 1,807 | (1,772) (1) | 4,671 |
| Interest charges | 18,772 | 4,966 | 1,777 | 1,573 | (1,772) (1) | 25,316 |
| Income (loss) before income taxes | 9,943 | 6,410 | 1,269 | (15,609) | - | 2,013 |
| Net Income (loss) Attributable to CH Energy Group | 14,728 | (5,471) | 749 | (10,026) | - | (20) |
| Segment assets at September 30 | 1,290,062 | 370,018 | 103,946 | 19,955 | (8,014) | 1,775,967 |

(1) This represents the elimination of inter-company interest income (expense) generated from temporary lending activities between CH Energy Group (the holding company), and its subsidiaries (CHEC and Griffith).

## CH Energy Group Segment Disclosure
(In Thousands)

| | Nine Months Ended September 30, 2012 | | | | | |
|---|---|---|---|---|---|---|
| | Segments | | | Other | | |
| | Central Hudson | | | Businesses | | |
| | | Natural | | and | | |
| | Electric | Gas | Griffith | Investments | Eliminations | Total |
| Revenues from external customers | $ 393,617 | $ 100,276 | $ 196,819 | $ - | $ - | $ 690,712 |
| Intersegment revenues | 8 | 111 | - | - | (119) | - |
| Total revenues | 393,625 | 100,387 | 196,819 | - | (119) | 690,712 |
| Operating income (loss) | 57,952 | 17,257 | 177 | (9,909) | - | 65,477 |
| Interest and investment income | 3,946 | 763 | - | 1,765 | (1,725) (1) | 4,749 |
| Interest charges | 17,406 | 4,669 | 1,692 | 1,548 | (1,725) (1) | 23,590 |
| Income (loss) before income taxes | 45,084 | 13,526 | (1,502) | (9,932) | - | 47,176 |
| Net Income (loss) Attributable to CH Energy Group | 28,400 | 6,500 | (886) | (8,740) | - | 25,274 |
| Segment assets at September 30 | 1,234,416 | 362,924 | 100,668 | 7,658 | (420) | 1,705,246 |

(1) This represents the elimination of inter-company interest income (expense) generated from temporary lending activities between CH Energy Group (the holding company), and its subsidiaries (Central Hudson and Griffith).

## *NOTE 14 - Accounting for Derivative Instruments and Hedging Activities*

### Accounting for Derivatives

Central Hudson has been authorized to fully recover risk management costs through its natural gas and electricity cost adjustment charge clauses. 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 clauses, and are not designated as hedges. Additionally, Central Hudson has been authorized to fully recover the interest costs associated with its variable rate debt, which includes costs and gains or losses associated with its interest rate cap contracts. As a result, these derivative activities at Central Hudson do not impact earnings.

Derivative activity related to Griffith's heating oil contracts is not material.

The percentage of Central Hudson's electric and gas requirements covered with fixed price forward purchases is as follows:

| Central Hudson | % of Requirement Hedged [(1)] |
|---|---|
| Electric Derivative Contracts: | |
| October 2013 – December 2013 | 28.7% |
| 2014 | 39.0% |
| 2015 | 31.6% |
| 2016 | 15.7% |
| 2017 | 7.8% |
| Natural Gas Derivative Contracts: | |
| November 2013 – March 2014 | 32.0% |

(1) Projected coverage as of September 30, 2013.

### 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 interest and exchange 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 and Griffith's derivative instruments contain provisions that require the Company to maintain specified issuer credit ratings and financial strength ratings. Should the company'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 their derivatives, both Central Hudson and Griffith have entered into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position.  Of the nineteen total agreements held by both companies, eleven contain credit-risk related contingent features. As of September 30, 2013, the amount that would be required to settle these instruments if the contingent features were triggered was immaterial.

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions.  On September 30, 2013, neither Central Hudson nor Griffith had 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 as of September 30, 2013, December 31, 2012 and September 30, 2012 are as follows (In Thousands):

| Description | Gross Amounts of Recognized Assets | Gross Amounts Offset in the 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, 2013 | | | | | | |
| Derivative Contracts: | | | | | | |
| Central Hudson - electric | $ 1,371 | $ - | $ 1,371 | $ 181 | $ - | $ 1,190 |
| Central Hudson - gas | 10 | - | 10 | 10 | - | - |
| Total Central Hudson Assets | $ 1,381 | $ - | $ 1,381 | $ 191 | $ - | $ 1,190 |
| Griffith - heating oil | $ 11 | $ - | $ 11 | $ - | $ - | 11 |
| Total CH Energy Group Assets | $ 1,392 | $ - | $ 1,392 | $ 191 | $ - | $ 1,201 |
| As of December 31, 2012 | | | | | | |
| Derivative Contracts: | | | | | | |
| Central Hudson - electric | $ 693 | $ - | $ 693 | $ 664 | $ - | $ 29 |
| Central Hudson - gas | 95 | - | 95 | 18 | - | 77 |
| Total Central Hudson Assets | $ 788 | $ - | $ 788 | $ 682 | $ - | $ 106 |
| Griffith - heating oil | $ 26 | $ - | $ 26 | $ - | $ - | $ 26 |
| Total CH Energy Group Assets | $ 814 | $ - | $ 814 | $ 682 | $ - | $ 132 |
| As of September 30, 2012 | | | | | | |
| Derivative Contracts: | | | | | | |
| Central Hudson - electric | $ 1,179 | $ - | $ 1,179 | $ 167 | $ - | $ 1,012 |
| Central Hudson - gas | 652 | - | 652 | - | - | 652 |
| Total Central Hudson Assets | $ 1,831 | $ - | $ 1,831 | $ 167 | $ - | $ 1,664 |
| Griffith - heating oil | $ 49 | $ - | $ 49 | $ - | $ - | $ 49 |
| Total CH Energy Group Liabilities | $ 1,880 | $ - | $ 1,880 | $ 167 | $ - | $ 1,713 |

| Description | Gross Amounts of Recognized Liabilities | Gross Amounts Offset in the 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 | Cash Collateral Received | Net Amount |
|---|---|---|---|---|---|---|
| As of September 30, 2013 | | | | | | |
| Derivative Contracts: | | | | | | |
| Central Hudson - electric | $ 181 | $ - | $ 181 | $ 181 | $ - | $ - |
| Central Hudson - gas | 575 | - | 575 | 10 | - | 565 |
| Total CH Energy Group and Central Hudson Liabilities | $ 756 | $ - | $ 756 | $ 191 | $ - | $ 565 |
| As of December 31, 2012 | | | | | | |
| Derivative Contracts: | | | | | | |
| Central Hudson - electric | $ 1,367 | $ - | $ 1,367 | $ 664 | $ - | $ 703 |
| Central Hudson - gas | 110 | - | 110 | 18 | - | 92 |
| Total Central Hudson Liabilities | $ 1,477 | $ - | $ 1,477 | $ 682 | $ - | $ 795 |
| Griffith - heating oil | $ - | $ - | $ - | $ - | $ - | $ - |
| Total CH Energy Group Liabilities | $ 1,477 | $ - | $ 1,477 | $ 682 | $ - | $ 795 |
| As of September 30, 2012 | | | | | | |
| Derivative Contracts: | | | | | | |
| Central Hudson - electric | $ 5,335 | $ - | $ 5,335 | $ 170 | $ - | $ 5,165 |
| Total CH Energy Group and Central Hudson Liabilities | $ 5,335 | $ - | $ 5,335 | $ 170 | $ - | $ 5,165 |

The fair value of CH Energy Group’s and Central Hudson’s derivative instruments and their location in the respective Balance Sheets are summarized in the table below, followed by a summarization of their effect on the respective Statements of Income. For additional information regarding Central Hudson’s physical hedges, see the discussion following the caption “Electricity Purchase Commitments” in Note 12 - “Commitments and Contingencies.”

## Gross Fair Value of Derivative Instruments

Derivative contracts are measured at fair value on a recurring basis. As of September 30, 2013, December 31, 2012, and September 30, 2012, 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, 2013(1) | | | | |
| Assets: | | | | |
| Derivative Contracts: | | | | |
| Central Hudson - electric | $ 1,371 | $ - | $ - | $ 1,371 |
| Central Hudson - natural gas | 10 | 10 | - | - |
| Total Central Hudson Assets | $ 1,381 | $ 10 | $ - | $ 1,371 |
| Griffith - heating oil | $ 11 | $ 11 | $ - | $ - |
| Total CH Energy Group Assets | $ 1,392 | $ 21 | $ - | $ 1,371 |
| Liabilities: | | | | |
| Derivative Contracts: | | | | |
| Central Hudson - electric | $ (181) | $ - | $ - | $ (181) |
| Central Hudson - natural gas | (575) | (575) | - | - |
| Total CH Energy Group and Central Hudson Liabilities | $ (756) | $ (575) | $ - | $ (181) |
| As of December 31, 2012(1) | | | | |
| Assets: | | | | |
| Derivative Contracts: | | | | |
| Central Hudson - electric | $ 693 | $ - | $ - | $ 693 |
| Central Hudson - natural gas | 95 | 95 | - | - |
| Total Central Hudson Assets | $ 788 | $ 95 | $ - | $ 693 |
| Griffith - heating oil | $ 26 | $ 26 | $ - | $ - |
| Total CH Energy Group Assets | $ 814 | $ 121 | $ - | $ 693 |
| Liabilities: | | | | |
| Derivative Contracts: | | | | |
| Central Hudson - electric | $ (1,367) | $ (110) | $ - | $ (1,367) |
| Central Hudson - natural gas | (110) | - | - | - |
| Total CH Energy Group and Central Hudson Liabilities | $ (1,477) | $ (110) | $ - | $ (1,367) |
| As of September 30, 2012(1) | | | | |
| Assets: | | | | |
| Derivative Contracts: | | | | |
| Central Hudson - electric | $ 1,179 | $ - | $ - | $ 1,179 |
| Central Hudson - natural gas | 652 | 652 | - | - |
| Total Central Hudson Assets | $ 1,831 | $ 652 | $ - | $ 1,179 |
| Griffith - heating oil | $ 49 | $ 49 | $ - | $ - |
| Total CH Energy Group Assets | $ 1,880 | $ 701 | $ - | $ 1,179 |
| Liabilities: | | | | |
| Derivative Contracts: | | | | |
| Central Hudson - electric | $ (5,335) | $ - | $ - | $ (5,335) |
| Total CH Energy Group and Central Hudson Liabilities | $ (5,335) | $ - | $ - | $ (5,335) |

(1) Interest rate cap agreement is not shown in the above table because the FMV at each period stated was zero.

Central Hudson obtains forward pricing for Level 3 derivatives from an independent third party provider of derivative pricing. Significant unobservable inputs utilized in their pricing model are bi-lateral contracts and projected activity of certain major participants. Generally, a change in any of the underlying assumptions would result in a positively correlated change in fair value measurement.

The table listed below provides a reconciliation of the beginning and ending net balances for assets and liabilities measured at fair value and classified as Level 3 in the fair value hierarchy (In Thousands):

| | Quarter Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Balance at Beginning of Period | $ (554) | $ (11,585) | $ (674) | $ (16,830) |
| Unrealized gains/(losses) | 1,744 | 7,429 | 1,864 | 12,674 |
| Realized gains/(losses) | (1,686) | (4,356) | (2,085) | (19,360) |
| Purchases | - | - | - | - |
| Issuances | - | - | - | - |
| Sales and settlements | 1,686 | 4,356 | 2,085 | 19,360 |
| Transfers in and/or out of Level 3 | - | - | - | - |
| Balance at End of Period | $ 1,190 | $ (4,156) | $ 1,190 | $ (4,156) |
| The amount of total gains or losses for the period included in earnings attributable to the change in unrealized gains or losses relating to derivatives still held at end of period | $ - | $ - | $ - | $ - |

The company did not have any transfers into or out of Levels 1 or 2.

## The Effect of Derivative Instruments on the Statements of Income

Realized gains and losses on Central Hudson's derivative instruments are conveyed 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 electricity and fuel used in electric generation in Central Hudson's Statement of Income as the corresponding amounts are either recovered from or returned to customers through electric cost adjustment clauses in revenues.

For the three and nine months ended September 30, 2013 and 2012, neither CH Energy Group nor Central Hudson had derivatives designated as hedging instruments. The following table summarizes the effects of CH Energy Group and Central Hudson derivatives on the statements of income (In Thousands):

| | Amount of Gain (Loss) Recognized as Increase/(Decrease) in the Income Statements | | | | |
|---|---|---|---|---|---|
| | Quarter Ended September 30, | | Nine Months Ended September 30, | | |
| | 2013 | 2012 | 2013 | 2012 | Location of Gain (Loss) |
| Central Hudson: | | | | | |
| Electricity swap contracts | $ (1,686) | $ (4,356) | $ 2,085 | $ (19,360) | Regulatory asset(1) |
| Natural gas swap contracts | - | - | (44) | (2,406) | Regulatory asset(1) |
| Total return swap contracts | - | (32) | - | 538 | Other - net |
| Total Central Hudson | $ (1,686) | $ (4,388) | $ 2,041 | $ (21,228) | |
| Griffith: | | | | | |
| Heating oil call option contracts | $ (3) | $ (10) | $ (9) | $ (36) | Purchased petroleum |
| Total Griffith | $ (3) | $ (10) | $ (9) | $ (36) | |
| Total CH Energy Group | $ (1,689) | $ (4,398) | $ 2,032 | $ (21,264) | |

(1) Realized gains and losses on Central Hudson's derivative instruments are conveyed to or recovered from customers through PSC authorized deferral accounting mechanisms, with an offset in revenue and on the balance sheet, and no impact on results of operations.

## *NOTE 15 – Other Fair Value Measurements*

### Other Assets Recorded at Fair Value

In addition to the derivatives reported at fair value discussed in Note 14 – "Accounting for Derivative Instruments and Hedging Activities", CH Energy Group reports certain other assets at fair value in the Consolidated Balance Sheets. The following table summarizes the amount reported at fair value related to these assets as of September 30, 2013, December 31, 2012, and September 30, 2012 (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, 2013: | | | | |
| Other investments | $ 7,348 | $ 7,348 | $ - | $ - |
| As of December 31, 2012: | | | | |
| Other investments | $ 1,603 | $ 1,603 | $ - | $ - |
| As of September 30, 2012: | | | | |
| Other investments | $ 3,579 | $ 3,579 | $ - | $ - |

As of September 30, 2013, December 31, 2012 and September 30, 2012, a portion of the trust assets for the funding of CH Energy Group's Directors and Executives Deferred Compensation Plan and SERP 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 the line titled "Other investments" within the Deferred Charges and Other Assets section of the CH Energy Group Consolidated and Central Hudson Balance Sheets.

In the third quarter of 2011, CHEC recorded an impairment loss for the full value of its investment in CH-Community Wind. An impairment analysis was performed and based on this analysis, the present value of the after-tax projected cash flows using a market participant's expected return, is insufficient for CHEC to recover any of its investment. This analysis used significant unobservable inputs including a discount rate and projected cash flows for the entity and as such this is a Level 3 investment. As of September 30, 2013, management believes the fair value of this investment remains at zero and is therefore appropriately reserved.

**Other Fair Value Disclosure**

Financial instruments are recorded at carrying value in the financial statements, however, the fair value of these instruments is 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 (Level 1)

*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.

*Notes Payable*: Carrying amount (Level 2)
Due to the short-term nature (typically one month or less) of our Notes Payable borrowings, the carrying value is equivalent to the current FMV.

## Long-term Debt Maturities and Fair Value - CH Energy Group

(Dollars in Thousands)

| | Fixed Rate | | Variable Rate | | Total Debt Outstanding | |
|---|---|---|---|---|---|---|
| Expected Maturity Date | Amount | Estimated Effective Interest Rate | Amount | Estimated Effective Interest Rate | Amount | Estimated Effective Interest Rate |
| As of September 30, 2013: | | | | | | |
| 2013 | $ 31,076 | 6.93 % | $ - | - % | | |
| 2014 | 21,650 | 5.50 % | - | - % | | |
| 2015 | 1,230 | 6.86 % | - | - % | | |
| 2016 | 9,315 | 3.36 % | - | - % | | |
| 2017 | 34,406 | 6.13 % | - | - % | | |
| Thereafter | 386,097 | 5.23 % | 33,700 | 0.19 % | | |
| Total | $ 483,774 | 5.31 % | $ 33,700 | 0.19 % | $ 517,474 | 5.02 % |
| Fair Value | $ 524,143 | | $ 33,700 | | $ 557,843 | |
| As of December 31, 2012: | | | | | | |
| 2013 | $ 31,076 | 6.93 % | $ - | - % | | |
| 2014 | 21,650 | 5.50 % | - | - % | | |
| 2015 | 1,230 | 6.86 % | - | - % | | |
| 2016 | 9,315 | 3.36 % | - | - % | | |
| 2017 | 34,406 | 6.13 % | - | - % | | |
| Thereafter | 386,625 | 5.13 % | 33,700 | 0.28 % | | |
| Total | $ 484,302 | 5.31 % | $ 33,700 | 0.28 % | $ 518,002 | 5.03 % |
| Fair Value | $ 562,855 | | $ 33,700 | | $ 596,555 | |
| As of September 30, 2012: | | | | | | |
| 2012 | $ 511 | 6.78 % | $ - | - % | | |
| 2013 | 31,076 | 6.93 % | - | - % | | |
| 2014 | 21,650 | 5.53 % | - | - % | | |
| 2015 | 1,230 | 6.86 % | - | - % | | |
| 2016 | 9,315 | 3.36 % | - | - % | | |
| Thereafter | 397,032 | 5.29 % | 33,700 | 0.25 % | | |
| Total | $ 460,814 | 5.38 % | $ 33,700 | 0.25 % | $ 494,514 | 5.07 % |
| Fair Value | $ 548,723 | | $ 33,700 | | $ 582,423 | |

## Long-term Debt Maturities and Fair Value - Central Hudson
(Dollars in Thousands)

| | Fixed Rate | | Variable Rate | | Total Debt Outstanding | |
|---|---|---|---|---|---|---|
| Expected Maturity Date | Amount | Estimated Effective Interest Rate | Amount | Estimated Effective Interest Rate | Amount | Estimated Effective Interest Rate |
| As of September 30, 2013: | | | | | | |
| 2013 | $ 30,000 | 6.93 % | $ - | - % | | |
| 2014 | 14,000 | 4.81 % | - | - % | | |
| 2015 | - | - % | - | - % | | |
| 2016 | 8,000 | 2.78 % | - | - % | | |
| 2017 | 33,000 | 6.10 % | - | - % | | |
| Thereafter | 371,250 | 5.16 % | 33,700 | 0.19 % | | |
| Total | $ 456,250 | 5.22 % | $ 33,700 | 0.19 % | $ 489,950 | 4.92 % |
| Fair Value | $ 487,383 | | $ 33,700 | | $ 521,083 | |
| As of December 31, 2012: | | | | | | |
| 2013 | $ 30,000 | 6.93 % | $ - | - % | | |
| 2014 | 14,000 | 4.81 % | - | - % | | |
| 2015 | - | - % | - | - % | | |
| 2016 | 8,000 | 2.78 % | - | - % | | |
| 2017 | 33,000 | 6.10 % | - | - % | | |
| Thereafter | 371,250 | 5.06 % | 33,700 | 0.28 % | | |
| Total | $ 456,250 | 5.22 % | $ 33,700 | 0.28 % | $ 489,950 | 4.93 % |
| Fair Value | $ 529,710 | | $ 33,700 | | $ 563,410 | |
| As of September 30, 2012: | | | | | | |
| 2012 | $ - | - % | $ - | - % | | |
| 2013 | 30,000 | 6.93 % | - | - % | | |
| 2014 | 14,000 | 4.81 % | - | - % | | |
| 2015 | - | - % | - | - % | | |
| 2016 | 8,000 | 2.78 % | - | - % | | |
| Thereafter | 380,250 | 5.22 % | 33,700 | 0.25 % | | |
| Total | $ 432,250 | 5.28 % | $ 33,700 | 0.25 % | $ 465,950 | 4.96 % |
| Fair Value | $ 510,843 | | $ 33,700 | | $ 544,543 | |

## *NOTE 16 – Subsequent Events*

In addition to items disclosed in the footnotes, CH Energy Group has performed an evaluation of events subsequent to September 30, 2013 through the date the financial statements were issued and noted one additional item to disclose.

On October 16, 2013, Central Hudson entered into a Note Purchase Agreement to issue and sell, in a private placement exempt from registration under the Securities Act of 1933, $47.6 million of senior unsecured notes in two series. The Note Purchase Agreement provides that the Series C notes will be issued on November 1, 2013 and will bear interest at the rate of 2.45% per annum on a principal amount of $30 million and will mature on November 1, 2018. The Note Purchase Agreement also provides that the Series D notes will be issued on December 2, 2013 and will bear interest at the rate of 4.09% per annum on a principal amount of $16.7 million and will mature on December 2, 2028. Central Hudson will use used the proceeds from the sale of the notes for refunding maturing long term debt, redemption of high coupon debt, and for general corporate purposes.

## *INTERIM MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS*
**For the Three and Nine Months Ended September 30, 2013**

*This Management Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the third quarter Financial Statements and the notes thereto and the MD&A for the year ended December 31, 2012.*

*Company:* CH Energy Group is the holding company parent corporation of two principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson") and Central Hudson Enterprises Corporation ("CHEC"). All of CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), which is the largest investor-owned gas and electric distribution utility in Canada. Central Hudson is a regulated electric and natural gas subsidiary. CHEC, the parent company of CH Energy Group's unregulated businesses and investments, has one wholly owned subsidiary, Griffith Energy Services, Inc. ("Griffith"). CHEC also has ownership interests in certain subsidiaries that are less than 100% owned.

Central Hudson purchases, sells at wholesale and retail, and distributes electricity and natural gas at retail in portions of New York State, to approximately 300,000 and 76,100 electric and natural gas customers, respectively.

Griffith is an energy services company engaged in fuel distribution, including heating oil, gasoline, diesel fuel, kerosene and propane, and the installation and maintenance of heating, ventilating and air conditioning equipment to approximately 65,400 customers in Delaware, Washington, D.C., Maryland, Pennsylvania, Virginia and West Virginia.

*Regulation:* CH Energy Group is currently exempt from regulation as a "holding company" under Public Utility Holding Company Act of 2005 ("PUHCA 2005").

Central Hudson is subject to regulation by the New York Public Service Commission ("PSC"). Central Hudson operates under a cost of service regulation for electric and gas delivery service and for electric and gas supply costs, whereby costs incurred in providing electricity and natural gas are recovered from customers, including a reasonable return on its rate base. Rate base is the value of net assets required to provide electric and natural gas services. Central Hudson's rates include revenue decoupling mechanisms ("RDMs"), which are intended to minimize the earnings impact resulting from reduced energy consumption as energy efficiency programs are implemented by breaking the link between energy sales and utility revenues and profits. Central Hudson's RDMs allow it to recognize electric delivery revenues and gas sales per customer at the levels approved in rates for most of Central Hudson's electric and gas customer classes.

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 recover Central Hudson's actual costs for particular expenses (most notably, purchased electricity and purchased natural gas, pensions and OPEBs, the NYS Temporary State Assessment, and NYS 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.

Transmission rates and rates for electricity sold for resale which involve interstate commerce are regulated by FERC.

(See Appendix A for further information regarding the Company and the regulations to which it is subject).

***Business Overview***

CH Energy Group's objective is to earn attractive risk adjusted returns over time for its parent company, Fortis.

**CH Energy Group - Regulated Operations - Central Hudson**
**Financial Highlights (Unaudited)**
**Period Ended September 30**

| | Quarter | | | Year To Date | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **Change** | **2013** | **2012** | **Change** |
| Electricity Sales (GWh) | 1,420 | 1,454 | (34) | 3,950 | 3,923 | 27 |
| Natural Gas Sales (PJ) | 4 | 6 | (2) | 18 | 19 | (1) |
| *($millions)* | | | | | | |
| Revenues | $ 164.0 | $ 167.2 | $ (3.2) | $ 511.4 | $ 493.9 | $ 17.5 |
| Energy Supply Costs | 59.2 | 63.1 | (3.8) | 184.7 | 177.6 | 7.2 |
| Other Operating Expenses | 69.6 | 68.7 | 0.9 | 222.3 | 212.8 | 9.5 |
| Regulatory Debits | - | - | - | 40.0 | - | 40.0 |
| Depreciation and amortization | 10.0 | 9.5 | 0.6 | 30.0 | 28.3 | 1.7 |
| Other Income, net | 1.5 | 1.6 | (0.1) | 5.7 | 5.5 | 0.3 |
| Finance Charges | 8.1 | 7.4 | 0.7 | 23.7 | 22.1 | 1.7 |
| Income Taxes | 7.1 | 7.8 | (0.8) | 6.2 | 22.8 | (16.6) |
| Preferred Stock Dividends & Redemption | - | 0.1 | (0.1) | 0.9 | 0.9 | (0.0) |
| Net income | $ 11.5 | $ 12.3 | $ (0.7) | $ 9.3 | $ 34.9 | $ (25.6) |

*Earnings:* Earnings for the quarter and year to date decreased by $0.7 million and $25.6 million, respectively as compared to the prior year. Earnings for the quarter decreased primarily due to (1) higher operating expenses and capital infrastructure investments without a rate increase to cover these costs and (2) higher finance costs resulting from higher outstanding debt balances and regulatory carrying charges on the Positive Benefit Adjustment ("PBA"). Year to date earnings decreased primarily due to the recording of $21.1 million, net of tax, PBA and the establishment of a $3.0 million, net of tax, community benefit fund pursuant to the PSC's Order Authorizing Acquisition Subject to Conditions.

*Electricity Sales:* Sales for the quarter decreased primarily due to cooler weather in the summer of 2013 as compared to 2012.  Lower sales per customer also negatively impacted volumes quarter over quarter.

Year to date electricity sales were relatively unchanged.

*Natural Gas Sales:* Sales for the quarter decreased primarily due to lower volumes delivered to a power generator as a result of the lower operating run time of the facility in the current year as compared to prior year, and (2) lower volumes resulting from fewer economically beneficial opportunities for sales for resale due to higher prices on certain pipelines.

The year to date decrease in natural gas sales is primarily due to (1) the lower volumes delivered to a power generator and sales for resale discussed above, (2) partially reduced by the warmer first six months of 2012 as compared to 2013 temperatures.

**Central Hudson Revenues - Electric**
**Period Ended September 30**

| *($millions)* | Quarter | | | Year To Date | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| **Revenues with Matching Expense Offsets:[1]** | | | | | | |
| Energy cost adjustment | $ 56.2 | $ 56.4 | $ (0.2) | $ 143.2 | $ 136.6 | $ 6.6 |
| Sales to others for resale | 0.4 | 0.8 | (0.4) | 2.4 | 3.0 | (0.6) |
| Other revenues with matching offsets | 23.6 | 22.3 | 1.3 | 67.2 | 62.6 | 4.6 |
| *Subtotal* | 80.2 | 79.5 | 0.7 | 212.8 | 202.2 | 10.6 |
| **Revenues Impacting Earnings:** | | | | | | |
| Customer sales | 65.4 | 66.2 | (0.8) | 186.1 | 178.2 | 7.9 |
| RDM and other regulatory mechanisms | 1.2 | 0.7 | 0.5 | 2.2 | 6.5 | (4.3) |
| Other revenues | 2.8 | 2.5 | 0.3 | 7.2 | 6.7 | 0.5 |
| *Subtotal* | 69.4 | 69.4 | - | 195.5 | 191.4 | 4.1 |
| **Total Electric Revenues** | $ 149.6 | $ 148.9 | $ 0.7 | $ 408.3 | $ 393.6 | $ 14.7 |

(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 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**

| *($millions)* | Quarter | | | Year To Date | | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | Change | 2013 | 2012 | Change |
| **Revenues with Matching Expense Offsets:[1]** | | | | | | |
| Energy cost adjustment | $ 2.3 | $ 2.0 | $ 0.3 | $ 27.4 | $ 23.9 | $ 3.5 |
| Sales to others for resale | 0.2 | 3.9 | (3.7) | 12.0 | 14.4 | (2.4) |
| Other revenues with matching offsets | 2.0 | 2.3 | (0.3) | 15.0 | 14.2 | 0.8 |
| *Subtotal* | 4.5 | 8.2 | (3.7) | 54.4 | 52.5 | 1.9 |
| **Revenues Impacting Earnings:** | | | | | | |
| Customer sales | 8.9 | 8.8 | 0.1 | 46.6 | 40.6 | 6.0 |
| RDM and other regulatory mechanisms | 0.4 | 0.5 | (0.1) | (0.6) | 4.2 | (4.8) |
| Other revenues | 0.6 | 0.8 | (0.2) | 2.7 | 3.0 | (0.3) |
| *Subtotal* | 9.9 | 10.1 | (0.2) | 48.7 | 47.8 | 0.9 |
| **Total Natural Gas Revenues** | $ 14.4 | $ 18.3 | $ (3.9) | $ 103.1 | $ 100.3 | $ 2.8 |

(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 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.

*Electric Revenue:* The increase in electric revenues for the quarter was due to: (1) higher energy efficiency program revenues which are matched to related expenses, (2) higher rental revenue related to utility attachments to Central Hudson owned poles as a result of an audit of a portion of its service territory in the current year; partially reduced by (3) lower available electric sales for resale and (4) lower customer sales which were partially offset by the electric RDM.

In addition to the above impacts on the quarter results, the year to date increase in electric revenue includes: (1) higher electric energy cost adjustment revenues, resulting from higher wholesale prices partially offset by lower purchased volumes, (2) higher electric delivery rate adjustments in the first half of the year which increased both customer sales and other revenues with matching offsets partially offset by lower RDM revenues.

*Gas Revenue:* The decrease in gas revenues was due to lower volumes resulting from fewer economically beneficial opportunities for sales for resale due to higher prices on certain pipelines.

The year to date increase in gas revenue was due to: (1) higher natural gas energy cost adjustment revenues, resulting from higher wholesale prices partially reduced by a decrease in revenues for the recovery of previously deferred costs and lower purchased volumes, (2) higher natural gas delivery rates in the first half of the year which increased both customer sales and (3) other revenues with matching offsets, partially offset by lower RDM revenues. These increases were partially reduced by the lower available gas sales for resale from the third quarter.

*Energy Supply Costs:* Energy supply costs decreased for the quarter and increased for year to date due to the matching of commodity expenses to the level of revenue.

**Central Hudson Operating Expenses**
**Period Ended September 30**

| *($millions)* | Quarter | | | Year To Date | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **Change** | **2013** | **2012** | **Change** |
| **Expenses Currently Matched to Revenues:**[1] | | | | | | |
| Purchased electricity | $ 56.6 | $ 57.2 | $ (0.4) | $ 145.6 | $ 139.6 | $ 6.0 |
| Purchased natural gas | 2.5 | 5.9 | (3.4) | 39.4 | 38.3 | 1.1 |
| Pension & OPEB | 6.4 | 6.4 | (0.0) | 20.6 | 22.5 | (1.9) |
| NYS energy programs | 9.3 | 7.3 | 2.0 | 26.8 | 19.7 | 7.1 |
| Other matched expenses | 9.9 | 10.9 | (1.0) | 34.8 | 34.6 | 0.2 |
| *Subtotal* | 84.7 | 87.7 | (3.0) | 267.2 | 254.7 | 12.5 |
| **Other Expense Variations:** | | | | | | |
| Tree trimming | 3.3 | 2.7 | 0.6 | 11.1 | 9.9 | 1.2 |
| Property and school taxes[2] | 9.6 | 9.5 | 0.1 | 29.5 | 28.5 | 1.0 |
| Weather related service restoration | 0.8 | 3.0 | (2.2) | 5.6 | 7.1 | (1.5) |
| Regulatory debits | - | - | - | 40.0 | - | 40.0 |
| Other expenses | 40.5 | 38.3 | 2.2 | 123.6 | 118.5 | 5.1 |
| *Subtotal* | 54.2 | 53.5 | 0.7 | 209.8 | 164.0 | 45.8 |
| **Total Operating Expenses** | $ 138.9 | $ 141.2 | $ (2.3) | $ 477.0 | $ 418.7 | $ 58.3 |

(1) Includes expenses that, in accordance with the 2010 Rate Order, are adjusted in the current period to equal the revenues earned for the applicable expenses and the differences are deferred.

(2) In accordance with the 2010 Rate Order, Central Hudson is authorized 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. The Company portion is limited to 10% and a maximum of $0.7 million per Rate Year.

*Operating Expenses:* Operating expenses decreased for the quarter and increased year to date, net of the impacts of the $40 million PBA recorded in the second quarter, primarily as a result of the regulatory matching of commodity and certain non-commodity expenses to the level of revenue.

*Other Income, net:* Other income, net was relatively unchanged for the quarter and increased year to date primarily as a result of interest relating to property and school tax refunds.

*Depreciation and Amortization:* Depreciation and amortization for the quarter and year to date increased due to the continued investment in Central Hudson's electric and gas infrastructure in accordance with its capital expenditure program.

*Finance Charges:* Finance charges increased for the quarter and year to date due to higher outstanding debt balances and an increase in carrying charges on regulatory liabilities, primarily as a result of PBAs and an increase in the underlying reserve balance for OPEB costs.

*Corporate Taxes:* Corporate taxes decreased for both the quarter and year to date due to lower pre-tax book income with the year to date decrease primarily driven by the PBAs recorded in the second quarter of 2013.

**CH Energy Group - Unregulated and Holding Company Operations**
**Financial Highlights (Unaudited)**
**Period Ended**
**September 30**

| | Quarter | | | Year To Date | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **Change** | **2013** | **2012** | **Change** |
| Petroleum and propane sales (Thousands of Gallons) | 14,558 | 14,035 | 523 | 56,355 | 51,155 | 5,200 |
| *($millions)* | | | | | | |
| Revenues | $ 54.0 | $ 51.8 | $ 2.2 | $ 215.2 | $ 196.8 | $ 18.4 |
| Energy Supply Costs | 43.5 | 42.9 | 0.6 | 170.4 | 158.7 | 11.7 |
| Operating Expenses | 12.1 | 10.7 | 1.4 | 38.3 | 34.9 | 3.4 |
| Merger Related Costs | 0.5 | 1.0 | (0.5) | 15.6 | 9.5 | 6.1 |
| Depreciation and amortization | 1.3 | 1.2 | 0.1 | 3.8 | 3.5 | 0.3 |
| Other Income, net | (0.2) | (0.1) | (0.1) | 0.1 | (0.2) | 0.3 |
| Finance Charges | 0.5 | 0.5 | - | 1.6 | 1.5 | 0.1 |
| Income Taxes | (1.8) | (1.4) | (0.4) | (5.1) | (1.8) | (3.3) |
| Net income | $ (2.3) | $ (3.2) | $ 0.9 | $ (9.3) | $ (9.6) | $ 0.3 |

*Earnings:* Earnings for the quarter increased by $0.9 million due primarily to lower costs associated with Fortis' acquisition of CH Energy Group, including the related tax benefits.

Earnings year to date increased by $0.3 million due primarily to higher margins and sales volumes at Griffith, partially offset by higher costs associated with Fortis' acquisition, net of the related tax benefits.

*Revenue:* Revenue increased for the quarter due to higher sales of petroleum products as a result of acquisitions made in the fourth quarter of 2012.

The year to date increase in revenue was due to higher margins and sales of petroleum products as a result of (1) colder weather in 2013 and (2) acquisitions made in the fourth quarter of 2012.

*Energy Supply Costs:* The quarter and year to date increases in energy supply costs were due to the higher sales of petroleum products.

*Operating Expenses:* The quarter and year to date increases were primarily due to the costs associated with the higher sales of petroleum products.

*Merger related costs:* Merger related costs decreased for the quarter due to the Merger occurring in June 2013.

Year to date, the costs increased as a result of the closing of the Merger and associated costs including (1) accelerated equity compensation awards, (2) investment bank fees and (3) legal fees.

*Other Income, net:* Other income, net was relatively unchanged for the quarter and year to date.

*Depreciation and Amortization:* Deprecation and amortization was relatively unchanged for the quarter and year to date.

*Finance Charges:* Finance charges were relatively unchanged for the quarter and year to date.

*Corporate Taxes:* Corporate taxes decreased for the quarter and year to date due to lower taxable income primarily as a result of higher tax deductible merger related costs in 2013.

### *Financial Position*

The following table outlines the significant changes in the Balance Sheets of CH Energy Group and Central Hudson as of September 30, 2013 and December 31, 2012:

**CH Energy Group – Regulated, Unregulated and Holding Company**
**Significant Changes in the Balance Sheets**
**as of September 30, 2013 and December 31, 2012**

*($millions)*

| Balance Sheet Account | Increase (Decrease) | Explanation |
|---|---|---|
| Accounts Receivable | $ (3.0) | Decrease reflects the seasonality of the business driven by a decrease of Griffith accounts receivable partially reduced by an increase in Central Hudson accounts receivable. |
| Accrued unbilled utility revenues | (5.2) | Decrease reflects the seasonality of the business |
| Special deposits and prepayments | (2.1) | Decrease due to the amortization of property and school taxes partially offset by a portion of school taxes paid in September. Property taxes are paid in January and school taxes are paid in September and October |
| Regulatory assets - long term | (44.7) | Decrease primarily due to the write-off and offset of deferred storm costs as well as a decrease in accrued pension costs. |
| Other intangible assets | (2.0) | Decrease due to amortization of Griffith's customer relationships, covenants not to compete and trademarks. |
| Other investments | 7.8 | Increase primarily due to 110% funding of the Supplemental Executive Retirement Plan in connection with the acquisition by Fortis. |
| Notes payable | (19.5) | Decrease reflects the seasonality of the business |
| Accounts payable | (19.7) | Decrease reflects the payment of Super Storm Sandy invoices and MGP site remediation work performed in 2013, both of which were accrued for at December 31, 2012 |
| Accrued interest | 3.1 | Increase due to interest accrued on long term debt which is paid semi-annually. |
| Customer advances and deposits | (8.3) | Decrease reflects the seasonality of the business |
| Regulatory liabilities - long term | 36.9 | Increase primarily relates to the acquisition by Fortis and the resulting establishment of PBAs and Community Fund Benefits |
| Accrued pension costs | (23.2) | Decrease primarily due to the first quarter contribution of $26 million to the Retirement Income Plan |

### *Liquidity And Capital Resources*

The following table outlines the summary of cash flow:

**CH Energy Group - Regulated, Unregulated and Holding Company**
**Summary of Cash Flow (Unaudited)**
**Period Ended September 30,**

| *($millions)* | Year to Date | |
|---|---|---|
| | **2013** | **2012** |
| **Cash, beginning of period** | $ 30.5 | $ 15.3 |
| | | |
| Operating Activities | 73.4 | 112.6 |
| Investing Activities | (89.5) | (84.5) |
| Financing Activities | 13.6 | (36.4) |
| **Cash, end of period** | 28.0 | 7.0 |
| **Dividends paid on Common Stock - CH Energy Group** | (21.6) | (24.5) |
| **Dividends paid to parent - Central Hudson** | (16.0) | (22.0) |

*Operating Activities:* Operating activities were lower due primarily to (1) the impact on earnings related to the costs associated with the acquisition by Fortis, (2) the impact of higher working capital needs driven mainly by higher commodity prices, (3) the timing of payments toward Super Storm Sandy invoices, and (4) costs spent for MGP remediation efforts in excess of amounts collected in rates in 2013 due to the timing of remediation efforts.

*Investing Activities:* Higher investing activities were primarily due to (1) an increase in investments for Central Hudson's electric and natural gas transmission and distribution systems, and (2) the funding of the SERP in connection with the closing of the Fortis acquisition.

*Financing Activities:* Financing activities were higher due to (1) proceeds from the issuance of stock upon acquisition by Fortis, (2) higher short-term borrowings at Central Hudson and CH Energy Group, and (3) lower dividends paid to shareholders in the current period. Central Hudson also redeemed two series of preferred stock in both the nine months ended September 30, 2013 as well as the nine months ended September 30, 2012, however the redemption in the current nine month period had less of an impact on financing activities when compared to the same period in 2012.

### Financing Activities

*Debt:* A maximum of $250 million is available on CH Energy Group's and Central Hudson's committed credit facilities.

## Committed Credit Facilities

*($millions)*

| | Credit Limit | September 30, 2013 Outstanding | September 30, 2013 Available | Maturity |
|---|---|---|---|---|
| CH Energy Group (unregulated) | $ 100 | $ - | $ 100 | October 19, 2015 |
| Central Hudson (regulated) | 150 | - | 150 | October 19, 2016 |
| Total | $ 250 | $ - | $ 250 | |

*Credit Rating:* To ensure continued access to capital at reasonable cost, CH Energy Group endeavors to maintain investment grade credit ratings on its senior unsecured debt. Details as follows:

## Central Hudson's Bond Ratings

| | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | Rating | Outlook | Rating | Outlook |
| S&P | A | Stable | A | CreditWatch negative |
| Moody's | A3 | Stable | A3 | Stable |
| Fitch | A | Stable | A | Stable |

On February 22, 2012, Standard & Poor's placed its ratings of Central Hudson on CreditWatch with negative implications, following the February 21, 2012 announcement that CH Energy Group had agreed to be acquired by Fortis. Standard & Poor's resolved the CreditWatch listing on July 2, 2013 after completion of the acquisition. S&P reaffirmed the A rating of Central Hudson and removed it from CreditWatch. Moody's and Fitch also reaffirmed their existing ratings and outlook subsequent to the merger.[1]

[1] These 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.

CH Energy Group’s capital structure follows:

**CH Energy Group's Capital Structure**

| | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | $millions | % | $millions | % |
| Long-term Debt | $ 517.5 | 48.2 | $ 518.0 | 49.1 |
| Short-term Debt | - | - | 19.5 | 1.8 |
| Common Equity | 556.4 | 51.8 | 509.3 | 48.2 |
| Preferred Stock | - | - | 9.0 | 0.9 |
| Total | $ 1,073.9 | 100.0 | $ 1,055.8 | 100.0 |

Central Hudson is currently managing dividends on its common stock to maintain a long term capital structure, excluding short-term debt, composed of approximately 50% debt and 50% common equity. Customer rates reflect a capital structure - excluding short-term debt - with 48% common equity. The PSC's Order Authorizing Acquisition Subject to Conditions authorizing the acquisition of CH Energy Group by Fortis provides for a Minimum Equity Ratio "MER" such that if Central Hudson's trailing 13 month average equity ratio falls more than 200 basis points below the rate-setting ratio, payment of dividends by Central Hudson will be suspended until the ratio is restored.

**Central Hudson's Capital Structure**

| | September 30, 2013 | | December 31, 2012 | |
|---|---|---|---|---|
| | $millions | % | $millions | % |
| Long-term Debt | $ 490.0 | 49.6 | $ 490.0 | 50.6 |
| Short-term Debt | - | - | - | - |
| Common Equity | 497.1 | 50.4 | 469.7 | 48.5 |
| Preferred Stock | - | - | 9.0 | 0.9 |
| Total | $ 987.1 | 100.0 | $ 968.7 | 100.0 |

On October 16, 2013, Central Hudson entered into a Note Purchase Agreement to issue and sell, in a private placement exempt from registration under the Securities Act of 1933, $47.6 million of senior unsecured notes in two series. The Note Purchase Agreement provides that the Series C notes will be issued on November 1, 2013 and will bear interest at the rate of 2.45% per annum on a principal amount of $30 million and will mature on November 1, 2018. The Note Purchase Agreement also provides that the Series D notes will be issued on December 2, 2013 and will bear interest at the rate of 4.09% per annum on a principal amount of $16.7 million and will mature on December 2, 2028. Central Hudson will use used the proceeds from the sale of the notes for refunding maturing long term debt, redemption of high coupon debt, and for general corporate purposes.

There have been no changes to CH Energy Group’s or Central Hudson’s long-term debt in 2013. (See Appendix B for further information regarding outstanding debt and our financing program)

## Redemption of Central Hudson Cumulative Preferred Stock – March 21, 2013

| | Redemption Price Per Share | | |
|---|---|---|---|
| **Series** | **Stated** | **Accrued & Unpaid Dividends** | **Total** |
| 4 ½% | $107.00 | $1.00 | $108.00 |
| 4 ¾% | $106.75 | $1.056 | $107.806 |

The premium paid in connection with the redemption of the preferred stock was recorded as a reduction of Retained Earnings on Central Hudson's Balance Sheet and as Premium on Preferred Stock Redemption on Central Hudson's Income Statement.

For additional information see Note 7 – "Short-term Borrowing Arrangements," Note 8 – "Capitalization – Common and Preferred Stock" and Note 9 – "Capitalization – Long-term Debt" to the Financial Statements of the Corporations' 2012 10-K.

CH Energy Group and Central Hudson believe they will be able to meet their short-term and long-term cash requirements, assuming that Central Hudson's future rate plans reflect the costs of service, including a reasonable return on invested capital.

*Capital Stock and Dividends:* Other than Central Hudson's preferred stock redemption noted above and the issuance by Central Hudson of one share of Junior Preferred Stock prior to the completion of the Fortis acquisition as required by the PSC's Order Authorizing Acquisition Subject to Conditions, there have been no changes in Central Hudson's capital structure in 2013. See the Summary of Cash Flow table above for details on dividends.

### *Summary of Changes in Accounting Policies from June 30, 2013*

*Regulation:* There were no material changes to Central Hudson's regulatory accounting policies in the third quarter of 2013.

*Critical Accounting Estimates:* There were no material changes to CH Energy Group's or Central Hudson's critical accounting estimates in the third quarter of 2013.

*GAAP:* There were no material changes to CH Energy Group's or Central Hudson's accounting policies in the third quarter of 2013.

### *Business Outlook and Summary of Significant Business Risks*

### Outlook

There were no material changes to the Company's mission and strategy during the third quarter of 2013. (See Appendix C for a copy of the Company's mission and strategy as of December 31, 2012)

### Opportunities and Risks

There were no material changes to the Company's risk factors through the third quarter of 2013, with the exception of the elimination of the risk factor entitled "Risks Related to the Proposed Acquisition by Fortis, Inc" following the closing of the transaction.

*Interest Rate Risk:* There is no material exposure to interest rate risk due to Central Hudson's deferral authority for its variable rate interest and minimal outstanding short-term debt.

**Regulatory Proceedings**

There were no significant developments to any of the Company's regulatory proceedings in the third quarter of 2013.

*Other Proceedings:* There were no significant developments in the third quarter of 2013.

(See Appendix E for further details)

**FORWARD-LOOKING STATEMENTS**

Statements included in this quarterly 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, changes in interest rates, poor operating performance, legislative and regulatory developments, the outcome of litigations, and the resolution of current and future environmental issues. Additional information concerning risks and uncertainties may be found in the Management Discussion & Analysis section of CH Energy Group's quarterly and annual financial reports. These reports are available in the Financial Information section of 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.

## APPENDICES to the MD&A:

## *Appendix A – Regulation and Rates*

**Regulation**
Central Hudson is subject to regulation as follows:

- PSC – services rendered (including the rates charged), major transmission facility siting, accounting treatment of certain items, and issuance of securities. For certain restrictions imposed by the Settlement Agreement, see Note 2 - "Regulatory Matters" of the Company's 2012 10-K.

- FERC (under the Federal Power Act) – accounting and the acquisition and disposition of property.

- North American Electric Reliability Corporation – ownership, operation and use of a bulk power system.

- DEC – ownership, operation and use of hydroelectric facilities

Central Hudson is not subject to the Natural Gas Act and its hydroelectric facilities are not required to be licensed under the Federal Power Act.

**Rates**

PSC – Costs of service, both for electric and gas delivery service and supply costs, are recovered from customers through PSC approved tariffs, subject to a standard of prudency. For further information, see Note 1 - "Summary of Significant Accounting Policies" under the caption "Rates, Revenues and Cost Adjustment Clauses" and Note 2 - "Regulatory Matters" under the caption "2009 and 2010 Rate Orders" of the Company's 2012 10-K.

- Customer classes – Residential, commercial, and industrial customers
- Retail electricity services – Various service classifications covering delivery service and full service (which includes electricity supply).
- Retail natural gas services – Various service classifications covering transport, retail access service, and full service (which includes natural gas supply).
- RDMs – Since July 2009, Central Hudson's rates have included RDMs which are intended to minimize the earnings impact resulting from reduced energy consumption as energy efficiency programs are implemented by breaking the link between energy sales and utility revenues and profits. Central Hudson's RDMs allow the Company to recognize electric delivery revenues and gas sales per customer at the levels approved in rates for most of Central Hudson's electric and gas customer classes.
- Commodity costs – Costs of electric and natural gas commodity purchases are recovered from customers, without earning a profit on these costs. Rates are reset monthly based on Central Hudson's actual costs to purchase the electricity and natural gas needed to serve its full service customers.

FERC – Transmission rates and rates for electricity sold for resale which involve interstate commerce.

## *Appendix B – Financing Program*

CH Energy Group and Central Hudson maintain a total of $250 million of committed credit through multi-year agreements with commercial banks. Together with available cash balances, these agreements serve as the Companies' primary source of liquidity, enabling them to meet varying day-to-day cash requirements.

### Committed Credit Facilities (in $millions)

| | Limit | Participating Lenders | Expiration |
|---|---|---|---|
| CH Energy Group | 100 | JPMorgan Chase Bank, N.A., Bank of America, N.A., HSBC Bank USA, N.A. and KeyBank National Association | October 2015 |
| Central Hudson | 150 | JPMorgan Chase Bank, N.A., Bank of America, N.A., HSBC Bank USA, N.A., KeyBank National Association and RBS Citizens Bank, N.A. | October 2016 |

If the participating lenders are unable to fulfill their commitments under this facility, funding may not be available as needed.

### NYSERDA

Central Hudson's outstanding Series B NYSERDA Bonds total $33.7 million in principal amount and are tax-exempt multi-modal bonds that are currently in a variable rate mode. The PSC has authorized deferral accounting treatment for variations between the (1) actual interest rates, and (2) interest rate included in the current delivery rate structure for these bonds; therefore, such variations do not have any impact on earnings.

To mitigate the potential cash flow impact from increases in short-term interest rates on these bonds, Central Hudson purchased a 2-year interest rate cap on March 26, 2012, which expires on April 1, 2014. The cap is based on the monthly weighted average of an index of tax-exempt variable rate debt, multiplied by 175%. Central Hudson would receive a payout if the adjusted index exceeds 5.0% for a given month.

## *Appendix C – Mission and Strategy*

***Mission***

CH Energy Group's mission is to provide electricity, natural gas, petroleum and related services to an expanding customer base in a safe, reliable, courteous and affordable manner; to produce growing financial returns for its shareholder; to foster a culture that encourages employees to reach their full potential; and to be a good corporate citizen.

Central Hudson's mission is to deliver electricity and natural gas to an expanding customer base in a safe, reliable, courteous and affordable manner; to produce growing financial returns for its shareholder; to foster a culture that encourages employees to reach their full potential; and to be a good corporate citizen.

Griffith's mission is to exceed its customer's expectations by providing quality petroleum products and related heating and cooling products and services supported by exceptional customer service that is unsurpassed in the industry.

***Strategy***

Our strategy supporting this mission reflects:

- Concentrating on energy distribution through Central Hudson in the Mid-Hudson Valley and through Griffith in the Mid-Atlantic region
- Investing primarily in utility electric and natural gas transmission and distribution
- Focusing on risk management
  - Limit commodity exposure
  - Manage regulatory affairs effectively
  - Maintain a financial profile that supports a credit rating in the "A" category
  - Limit the impact of weather on Griffith's earnings

***Strategy Execution***

Management continues to focus on investment in Central Hudson's electric and natural gas infrastructure as the core of its strategy. Central Hudson invested approximately $100 million in 2012, and its five year forecast includes increasing annual capital investments. The capital program provides for continued strengthening of electric and gas infrastructure, as well as prudent investment in technology that will improve reliability and customer satisfaction. Central Hudson has effectively managed its operational challenges, including significant weather events in the past few years and the impact of a significant recession on its customers' ability to pay bills, and has achieved a return approximately equal to its allowed return.

Griffith's financial results in 2012 were impacted unfavorably by (1) extremely mild winter weather in the first quarter, and (2) escalating wholesale prices, which further dampened demand for its products, and favorably by (1) cost management, and (2) higher margins. Griffith's quality service and brand recognition have historically enabled achieving higher margins in environments of contracting customer demand for petroleum products.  Griffith also successfully acquired five companies in 2012, all of which are expected to be accretive in 2013.

### *Central Hudson*

#### Business Description and Strategy

Central Hudson's earnings are derived primarily from the revenue it generates from delivering energy to approximately 300,000 electric customers and 76,100 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 providing the opportunity to earn a fair and reasonable return on its capital.

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

- practicing continuous improvement in everything it does;
- investing in transmission and infrastructure to enhance reliability, improve customer satisfaction and reduce risk;
- moderating cost pressures that increase customer bill levels and variability; and
- advocating on behalf of customers and other stakeholders.

#### Opportunities and Risks

Central Hudson invests significant capital on an annual basis.  Central Hudson's investments enhance safety and reliability through cost-beneficial solutions, which improve customer satisfaction and reduce risk.  Opportunities to enhance transmission and distribution systems and information systems technologies are evaluated and prioritized based on their designed benefits, projected costs and estimated risks.

Future legislative or political actions could result in additional opportunities for infrastructure enhancement.  Following Superstorm Sandy, Governor Cuomo formed the Moreland Commission to investigate utility storm preparedness and response.  The ultimate recommendations of this Commission, if adopted, could result in increased investment with the goal of reducing damage from storms in the future, but may also create potential financial risks from new or increased performance standards, with associated penalties.

Central Hudson also believes there is an opportunity related to the expansion of its current natural gas customer base as a result of the differential in costs to heat a home with natural gas versus heating oil.  Natural gas prices have declined as a result of the development of the Marcellus Shale formation and other shale formations. Management believes the resulting significant price advantage natural gas enjoys over alternative fuels will make natural gas more attractive to customers.

The key risks management sees in achieving this strategy are the regulatory environment, cost pressures and the economy in Central Hudson's service territory.

Central Hudson's ability to meet its financial objectives is largely dependent on supportive ratemaking practices by the PSC. Risks related to these practices include (1) reduced allowed returns on equity and/or reduced probabilities of achieving allowed returns, (2) declining support for strong capital structures and credit ratings, (3) changes in deferral accounting that increase volatility of earnings and/or defer cash recovery of our costs, (4) elimination of RDMs, and (5) changes in the mechanisms currently in place for recovery of Central Hudson's commodity purchases. Falling interest rates since Central Hudson's last rate case decision could lead to a decrease in the authorized ROE in a future rate proceeding. Management believes Central Hudson's commitments to providing safe and reliable service, customer satisfaction, operational excellence and promoting positive customer and regulatory relations are important for supportive regulatory relationships and obtaining full cost recovery and competitive returns for Central Hudson's shareholders.

The key provisions of the current rate plan – which will continue until June 30, 2015 – include an authorized regulatory return on equity of 10.0% and a 48% regulatory equity ratio; the continuation of RDMs; full recovery and deferral provisions for purchased electric and gas, MGP site remediation, pension and OPEB expenses. The rate plan also contains service quality thresholds, performance below which entails financial penalties.

In addition to the recovery of costs of operation, Central Hudson's current rate structure includes a return on its projected rate base. Rate base represents Central Hudson's investment in its utility infrastructure, less depreciation, adjusted for certain required regulatory items. Changes in tax legislation or regulatory accounting can reduce the amount of Central Hudson rate base, reducing Central Hudson's future rates and potential earnings. For additional discussion of these tax items, see Note 4 – "Income Tax."

Another risk is the ability to effectively manage costs, which is a key component of Central Hudson's strategy. The continued implementation of Lean Six Sigma techniques – a data driven approach to develop processes that are faster, higher quality and less costly – to streamline existing business processes and foster innovation to create new value will play critical roles in managing the costs of doing business in a sustainable manner.

The third risk, the economy in Central Hudson's service territory, affects the growth of utility rate base and earnings through a direct relationship to customer additions and peak demand growth as well as affecting Central Hudson's ability to collect receivables. Management believes the economy in Central Hudson's service territory has good long-term growth prospects, but unexpected prolonged downturns could inhibit its ability to meet long-term business objectives. Central Hudson has an economic development program intended to increase job growth and income in its service territory.

### *Griffith*

**Business Description and Strategy**

Griffith provides fuel distribution products and services installation and maintenance of heating, ventilating and air conditioning ("HVAC") equipment to approximately 65,400 customers in Delaware, Washington, D.C., Maryland, Pennsylvania, Virginia and West Virginia.

Griffith's strategy is to provide premium service to customers and to increase its profitability and reduce earnings volatility by:

- practicing continuous improvement in everything we do;
- growing through selective "tuck-in" acquisitions;
- using derivative instruments to minimize the impacts of weather on earnings; and
- expanding its service offerings.

**Opportunities and Risks**

Griffith has a strong regional brand that management believes stands for quality, reliability and value. Griffith intends to continue its marketing efforts and focus on customer satisfaction, which management believes will help to minimize customer attrition.

Management also continues to focus on improving the profitability of operations and expanding products and services in the Mid-Atlantic region. Griffith continues to seek selective oil and HVAC "tuck-in" acquisitions to be funded from internally generated cash. This growth strategy focuses on acquiring and retaining customers in geographic areas that overlap Griffith's existing operations. Griffith also expects to generate additional earnings and cash flow as a result of the organic expansion of its HVAC business. These growth strategies are not expected to result in the growth of CH Energy Group's total invested capital in Griffith.

Management sees three key risks associated with this strategy. The primary factor that could prevent Griffith from achieving earnings growth is a sustained, significant increase in wholesale oil prices, which could (1) reduce residential sales volumes, (2) put downward pressure on margins, and (3) increase operating costs and bad debt expense. While management believes that margin expansion would still be possible in this environment, it would likely lag with continuously increasing commodity prices. Additionally, weakness in Griffith's regional economy could limit the ability to expand margins. The third risk relates to customer attrition which could be driven by increasing wholesale prices and margin expansion or as a result the industry contraction due to conversions to alternative heating fuel sources or as a result of competitive pressures from within the industry.

### *Other Businesses and Investments*

CHEC's remaining investments represent 0.1% of CH Energy Group's assets and are not a part of its core business.  No further capital investment in them is planned.

## *Appendix D – Risk Factors*

***<u>Storms and other events beyond the Companies' control:</u>*** In order to conduct their businesses, (1) Central Hudson must have access to natural gas and electric supplies and be able to utilize its electric and natural gas infrastructure, and (2) Griffith needs access to petroleum supplies from storage facilities in its service and operating systems territories. Any one or more of the following could impact either or both of the companies' ability to access supplies and/or utilize critical facilities: (1) storms, natural disasters, wars, terrorist acts, cyber incidents, failure of critical equipment and other catastrophic events occurring both within and outside their service territories (2) third-party facility owner or supplier financial distress, (3) unfavorable governmental actions or judicial orders, (4) bulk power system and gas transmission pipeline system capacity constraints, and (5) unfavorable developments in the world oil markets.

***Potential Impacts:*** The Companies could experience service disruptions leading to lower earnings and/or reduced cash flows if the situation is not resolved in a timely manner or the financial impacts of restoration are not alleviated through insurance policies, regulated rate recovery for Central Hudson or higher sales prices for Griffith.

***<u>Recovery of costs through rates:</u>*** Central Hudson's retail rates generally may not be changed during their respective terms, absent an increase that meets the PSC's requirements for deferral accounting. Examples of costs that may not be fully recovered include: (1) higher expenses than reflected in current rates, (2) penalties for failing to achieve performance metrics or violation of PSC Orders, (3) higher capital project costs, and (4) a determination by the PSC that the cost to place a project in service is above a level which is deemed prudent.

***Potential Impacts:*** Central Hudson could have lower earnings and/or reduced cash flows if cost management and/or regulatory relief are not sufficient to alleviate the higher costs.

***<u>Griffith's customer count, sales volumes and margins:</u>*** Lower sales can occur for various reasons, including the following: (1) warmer weather than normal, (2) changes in customers' usage patterns driven by customer responses to product prices, (3) economic conditions, (4) energy efficiency programs, and/or (5) the loss of major customers, the loss of a large number of residential customers, or the addition of fewer new customers than expected. Additionally, significant increases in wholesale oil prices could negatively impact margins and/or cause current and/or prospective full service customers to reduce their usage and/or purchase fuel from discount distributors.

***Potential Impacts:*** Any one or more of the following could result from these events: (1) an adverse impact on obtaining new – and retaining existing– full-service residential customers, (2) sales volume reductions, (3) compressed margins, or (4) increased working capital requirements stemming from an increase in oil and/or propane prices. These events could materially reduce Griffith's earnings and cash flow.

***<u>Asbestos litigation and Manufactured Gas Plant facilities (MGP):</u>*** Litigation has been commenced by third parties against Central Hudson arising from the use of asbestos at certain of its previously owned electric generating stations. Central Hudson is also involved in a number of matters arising from contamination at former MGP sites.

***Potential Impacts:*** To the extent not covered by insurance or recovered through rates, remediation costs, court decisions and settlements could reduce earnings and cash flows.

## *Appendix E – Regulatory Proceedings*

***Recovery of Deferred Incremental Costs Associated with Tropical Storm Irene and SnowFall:*** On April 22, 2013, the Commission issued Orders approving deferral of $8.9 million and denying deferral of $3.7 million of the incremental electric storm restoration expense related to Tropical Storm Irene and the October snowstorm. The PSC's decision stated that the Company did not meet the third prong requirement for deferral approval, which requires the Company not being in an over earnings position. Central Hudson filed a petition for reconsideration and rehearing on the Orders on May 22, 2013 challenging the exclusion of the Company's normalization adjustments used to measure earnings, seeking recovery of the full $3.7 million that was denied. Central Hudson cannot predict whether the PSC will approve the petition or the final outcome of this proceeding.

***Recovery of Deferred Incremental Costs Associated with Superstorm Sandy*:** On February 6, 2013, Central Hudson filed a petition with the PSC seeking approval to recover $9.7 million of incremental electric storm restoration expense, with carrying charges associated with Superstorm Sandy, which occurred on October 29, 2012, impacting approximately 103,000 electric customers. The application is currently under review by the PSC. Management cannot predict when the PSC will complete its review and issue an order.

***Potential Impacts:*** If the PSC approves any amount less than the $9.7 million reflected in the petition, Central Hudson's expenses would increase by the unapproved amount.

***Recovery of Site Investigation and Remediation ("SIR") Costs*:** In February 2011, the PSC initiated a proceeding to review and evaluate the treatment of MGP SIR costs. Among the approaches explored during the proceeding were adoption of a generic cost sharing policy and other cost recovery mechanisms.

***Final Order:*** On November 28, 2012, the Commission issued its Order in this proceeding. The Order does not call for an allocation of costs between ratepayers and shareholders due to concerns that instituting such a policy could lead to adverse credit action against utilities by rating agencies. Therefore, no change in the current recovery structure of MGP SIR costs was ordered. However there is a future possibility of sharing on a case by case basis, (1) as an incentive to constrain SIR costs of companies that appear to need such an incentive; or (2) in negotiation in rate plans where an earnings sharing mechanism is a provision, utilities may be directed to allocate some of the excess earnings to pay down deferred SIR costs.

***Central Hudson Financing Petition*:** On April 13, 2012, Central Hudson filed a petition with the PSC seeking approval to (a) enter into multi-year committed credit agreements to provide committed funding to meet expected liquidity needs, in amounts not to exceed $175 million in the aggregate and maturities not to exceed five years, and (b) approval to issue and sell long-term debt, commencing immediately upon issuance of an order regarding the petition, and from time to time through December 31, 2015, in an amount not to exceed $250 million in the aggregate.

***Final Order and Impacts:*** On September 14, 2012, the PSC issued its Order Authorizing Issuance of Securities for Central Hudson in this proceeding. The Order granted the authorization requested for $175 million of committed credit and the authorization requested, with conditions, for $250 million of long-term debt. The PSC's order provides Central Hudson with the ability to meet its projected working capital, construction financing and maturing debt needs.

***Moreland Commission*:** On November 13, 2012, Governor Cuomo established a commission under the Moreland Act to investigate the response, preparation and management of New York State's power utility companies related to major storms that hit the state over the past two years.

***Gas Expansion Case*:** On November 30, 2012, the PSC issued an order instituting a new proceeding to consider policy revisions in hopes of expanding natural gas delivery service in order to take full advantage of prices and other benefits of natural gas. Three working groups to develop approaches to address expansion of gas service for each customer group.

***AC Transmission Upgrades Proceeding*:** Following the release of the Governor's New York Energy Highway Blueprint, the PSC issued an order on November 30, 2012 instituting a new proceeding to solicit Statements of Intent from transmission owners and developers to address solutions for selected congested transmission corridors. The PSC held a Technical Conference on December 17, 2012 to provide technical assistance to potential developers and transmission owners contemplating the submittal of Statements of Intent. On January 25, 2013, New York Transco, owned by Central Hudson and the other New York transmission owners ("NYTOs"), filed a Statement of Intent, outlining five transmission infrastructure projects totaling $1.2 billion of investment that improve grid reliability, relieve system bottlenecks, provide economic benefits and protect the environment.

***Potential Impacts:*** No prediction can be made regarding the outcome of these matters or the potential impacts to Central Hudson at this time.

### *Other PSC Proceedings*

For the year ended December 31, 2012, there has been no significant activity related to the following proceedings:

- Advanced Metering Infrastructure
- The American Recovery and Reinvestment Act of 2009
- Management Audit
- Energy Efficiency Portfolio Standard and State Energy Planning