



CH ENERGY GROUP, INC.
&
CENTRAL HUDSON GAS & ELECTRIC CORP.

ANNUAL FINANCIAL REPORT
for the period ended

DECEMBER 31, 2023

YEAR ENDED DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and Board of Directors of CH Energy Group, Inc.

Opinion

We have audited the consolidated financial statements of CH Energy Group Inc. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2023, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information Included in the Annual Financial Report

Management is responsible for the other information included in the annual financial report. The other information comprises the information included in the annual financial report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Deloitte & Touche LLP

Hartford, Connecticut

February 8, 2024



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder and Board of Directors of Central Hudson Gas & Electric Corporation

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Central Hudson Gas & Electric Corporation (the “Company”) as of December 31, 2023 and 2022, the related statements of income, comprehensive income, equity, and cash flows, for each of the three years in the period ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 8, 2024 expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion

on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate-Regulation—Refer to Notes 1 and 4 to the financial statements

Critical Audit Matter Description

The Company is a regulated electric and natural gas transmission and distribution utility in the state of New York and is subject to regulation by the New York Public Service Commission (“Commission”). The Company defers costs and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those costs and revenues will be recoverable/refundable through the rate-making process in a period different from when they otherwise would have been reflected in income. For the Company, these deferred regulatory assets and liabilities are recovered from or reimbursed to customers either by offset as directed by the Commission, through an approved surcharge mechanism or through incorporation in the determination of the revenue requirement used to set new rates. Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of cost-based rate regulation.

Rates are generally designed for but do not guarantee the recovery of the Company’s cost of service, including a return on equity. Regulatory decisions can have an impact on the recovery of costs, refunds to customers, the rate of return earned on investment, and the timing and amount of assets to be recovered or liabilities to be refunded through rates. Future recovery of costs and refunds that may be required are dependent upon factors, such as (1) changes in the regulatory environment, (2) the ability to recover costs through regulated rates, (3) recent rate orders to the Company and other regulated entities, and (4) the status of any pending or potential deregulation legislation. While the Company has indicated it expects to recover costs from customers through regulated rates, there is a risk that the Commission will not approve full recovery of such costs or approve recovery on a timely basis in future regulatory decisions. The Commission can reach different conclusions about the recovery of costs, which can have a material impact on the Company’s financial statements.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery of regulatory assets through future rates, and (2) whether a regulatory liability is due to customers. Given that management’s accounting judgments are based on assumptions about the outcome of future decisions by the Commission, auditing these judgments requires specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures to evaluate the accounting for the effects of cost-based rate regulation, including the probable recovery or refund of regulatory assets and liabilities, included the following, among others:

- We tested the effectiveness of internal controls over the initial recognition of amounts as regulatory assets and liabilities, the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates, and the related disclosures in the notes to the financial statements.
- We obtained and evaluated an analysis from management describing the orders and filings that support management’s assertions regarding the probability of recovery for certain regulatory assets or refund or future reduction in rates for certain regulatory liabilities to assess management’s assertion that amounts are probable of recovery or a future reduction in rates.

- We read and evaluated relevant regulatory orders issued by the Commission for the Company, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess whether this information was properly considered by management in concluding upon the financial statement impacts of rate regulation.
- For regulatory matters in process, we inspected associated documents and testimony filed with the Commission for any evidence that might contradict management's assertions.
- We read and evaluated the minutes of the Board of Directors of the Company for discussions of changes in legal, regulatory, or business factors which could impact management's conclusions with respect to the impact of rate regulation.
- We evaluated the Company's disclosures related to the impacts of rate regulation, including regulatory developments.

Deloitte & Touche LLP

Hartford, Connecticut

February 8, 2024

We have served as the Company's auditor since 2017.



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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder and Board of Directors of Central Hudson Gas & Electric Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Central Hudson Gas & Electric Corporation (the “Company”) as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and in accordance with auditing standards generally accepted in the United States of America, the financial statements as of and for the year ended December 31, 2023, of the Company and our report dated February 8, 2024, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management on Internal Control over Financial Reporting – Central Hudson. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance

with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Deloitte & Touche LLP

Hartford, Connecticut

February 8, 2024

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING – CENTRAL HUDSON

The management of Central Hudson Gas & Electric Corporation (“management”) is responsible for establishing and maintaining adequate internal control over financial reporting for Central Hudson Gas & Electric Corporation (the “Corporation”) as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporation;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and that receipts and expenditures of the Corporation are being made only in accordance with authorization of management and directors of the Corporation; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices), and actions taken to correct deficiencies as identified.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2023. Management based this assessment on criteria for effective internal control over financial reporting described in “*Internal Control - Integrated Framework*” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management determined that, as of December 31, 2023, the Corporation maintained effective internal control over financial reporting.

The effectiveness of the Corporation's internal control over financial reporting as of December 31, 2023, has been audited by Deloitte and Touche LLP, an independent registered public accounting firm, as stated in their report which appears herein.

	
1/s/ Christopher M. Capone President and Chief Executive Officer	1/s/ Lora Gescheidle Chief Financial Officer and Treasurer

February 8, 2024

CH ENERGY GROUP CONSOLIDATED STATEMENT OF INCOME

(In Thousands)

	Year Ended December 31,		
	2023	2022	2021
Operating Revenues			
Electric	\$ 786,749	\$ 797,612	\$ 623,823
Natural gas	220,990	220,744	172,425
Total Operating Revenues	1,007,739	1,018,356	796,248
Operating Expenses			
Operation:			
Purchased electricity	294,642	323,503	178,737
Purchased natural gas	75,566	79,074	48,260
Other expenses of operation - regulated activities	359,499	361,265	323,707
Other expenses of operation - non-regulated	342	136	176
Depreciation and amortization	83,502	80,016	72,715
Taxes, other than income tax	85,563	78,247	72,837
Total Operating Expenses	899,114	922,241	696,432
Operating Income	108,625	96,115	99,816
Other Income and Deductions			
Income from unconsolidated affiliates	3,910	2,547	1,969
Interest on regulatory assets and other interest income	6,631	3,204	2,925
Regulatory adjustments for interest costs	1,567	(85)	(891)
Non-service cost components of pension and other post-employment benefits ("OPEB")	26,280	39,165	20,903
Other - net	1,564	268	2,648
Total Other Income	39,952	45,099	27,554
Interest Charges			
Interest on long-term debt	50,647	40,137	34,231
Interest on regulatory liabilities and other interest	(1,304)	764	2,370
Total Interest Charges	49,343	40,901	36,601
Income Before Income Taxes	99,234	100,313	90,769
Income Tax Expense	21,456	21,180	16,816
Net Income	\$ 77,778	\$ 79,133	\$ 73,953

CH ENERGY GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In Thousands)

	Year Ended December 31,		
	2023	2022	2021
Net Income	\$ 77,778	\$ 79,133	\$ 73,953
Other Comprehensive Income ("OCI"):			
Employee future (expenses)/benefits, net of tax expense	(1)	147	180
Comprehensive Income	\$ 77,777	\$ 79,280	\$ 74,133

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS

(In Thousands)

	Year Ended December 31,		
	2023	2022	2021
Operating Activities:			
Net income	\$ 77,778	\$ 79,133	\$ 73,953
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	66,538	62,580	58,910
Amortization	16,964	17,436	13,805
Deferred income taxes - net	21,376	21,118	16,653
Uncollectible expense	8,040	8,170	6,074
Distributed (undistributed) equity in earnings of unconsolidated affiliates	293	41	(1,844)
Pension credit	(8,140)	(7,507)	(400)
OPEB credit	(6,564)	(7,057)	(6,048)
Regulatory liability - rate moderation	(18,150)	(4,371)	(8,543)
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	(14,919)	2,868	12,806
Changes in operating assets and liabilities - net:			
Accounts receivable, unbilled revenues, and other receivables	(23,427)	(114,231)	(53,956)
Fuel, materials, and supplies	(4,948)	(7,122)	(439)
Special deposits and prepayments	6,189	(6,498)	(3,997)
Income and other taxes	51	229	(198)
Accounts payable	(18,670)	20,729	3,703
Accrued interest	2,289	2,500	571
Customer advances	1,201	(1,152)	2,812
Other advances	(1,777)	(10,622)	3,738
Coronavirus Aid, Relief, and Economic Security ("CARES") Act	-	(2,603)	(2,603)
Pension plan contribution	(1,655)	(1,468)	(1,475)
OPEB contribution	(22)	(528)	(812)
Regulatory asset - RDM collected/(refunded)	7,806	(6,341)	(34,069)
Regulatory asset - major storm	(17,590)	(37,067)	(7,404)
Regulatory asset - site investigation and remediation ("SIR")	8,526	6,815	5,083
Regulatory asset - Arrears Management Program ("AMP")	(18,894)	(3,039)	-
Regulatory asset - uncollectible write-offs	(9,138)	(4,144)	-
Regulatory liability - energy efficiency ("EE") programs including clean energy fund ("CEF")	(8,038)	(16,375)	(21,103)
Regulatory asset - rate adjustment mechanisms ("RAM")	12,219	13,121	10,651
Regulatory asset - deferred natural gas and electric costs	26,855	(35,037)	(17,454)
Other - net	10,267	(3,870)	12,491
Net cash provided by (used in) operating activities	114,460	(34,292)	60,905
Investing Activities:			
Additions to utility plant	(252,995)	(224,842)	(231,582)
Proceeds from sale of assets	-	4,574	-
Other - net	6,715	(4,331)	(8,687)
Net cash used in investing activities	(246,280)	(224,599)	(240,269)
Financing Activities:			
Repayment of long-term debt	(2,100)	(25,364)	(45,987)
Proceeds from issuance of long-term debt	150,000	220,000	130,000
Net change in short-term borrowings	(84,000)	(2,000)	92,000
Capital contributions	73,500	54,300	9,396
Dividends paid on Common Stock	(5,400)	-	-
Other - net	(870)	(1,164)	(723)
Net cash provided by financing activities	131,130	245,772	184,686
Net Change in Cash, Cash Equivalents, and Restricted Cash	(690)	(13,119)	5,322
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	5,010	18,129	12,807
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 4,320	\$ 5,010	\$ 18,129
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	\$ 47,154	\$ 37,132	\$ 32,528
Federal and state income taxes paid, net	\$ 2,796	\$ 2,671	\$ 2,387
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:			
Operating cash flows used in operating leases	\$ (564)	\$ (409)	\$ (542)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 85	\$ 387
Non-Cash Investing Activities:			
Accrued capital expenditures	\$ 25,058	\$ 16,472	\$ 21,683

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP

CONSOLIDATED BALANCE SHEET

(In Thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Utility Plant (Note 3)		
Electric	\$ 1,884,513	\$ 1,768,092
Natural gas	845,649	788,978
Common	476,744	448,796
Gross Utility Plant	3,206,906	3,005,866
Less: Accumulated depreciation	758,277	698,940
Net	2,448,629	2,306,926
Construction work in progress	183,204	146,661
Net Utility Plant	2,631,833	2,453,587
Non-utility property & plant	524	524
Net Non-Utility Property & Plant	524	524
Current Assets		
Cash and cash equivalents (Note 1)	3,624	3,237
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million and \$11.0 million, respectively (Note 2)	239,862	216,680
Accounts receivable - affiliates (Note 18)	158	441
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million and \$0.2 million, respectively (Note 2)	28,615	27,823
Other receivables	18,326	25,906
Fuel, materials, and supplies (Note 1)	36,186	31,238
Regulatory assets (Note 4)	110,621	125,980
Income tax receivable	442	502
Fair value of derivative instruments (Note 16)	161	315
Special deposits and prepayments	36,517	42,706
Total Current Assets	474,512	474,828
Deferred Charges and Other Assets		
Regulatory assets - other (Note 4)	254,079	226,069
Prefunded pension costs (Note 12)	113,229	59,365
Prefunded OPEB costs (Note 12)	46,185	31,462
Investments in unconsolidated affiliates (Note 6)	29,711	23,523
Other investments (Note 17)	46,001	54,179
Other	8,505	10,497
Total Deferred Charges and Other Assets	497,710	405,095
Total Assets	<u>\$ 3,604,579</u>	<u>\$ 3,334,034</u>

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP

CONSOLIDATED BALANCE SHEET (CONT'D)

(In Thousands, except share amounts)

	December 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization (Note 10)		
CH Energy Group Common Shareholders' Equity		
Common Stock (30,000,000 shares authorized; \$0.01 par value; 15,961,400 shares issued and outstanding)	\$ 160	\$ 160
Paid-in capital	561,602	488,102
Retained earnings	656,812	584,434
Accumulated OCI	165	166
Total Equity	1,218,739	1,072,862
Long-term debt (Note 11)		
Principal amount	1,241,801	1,124,046
Unamortized debt issuance costs	(6,143)	(5,838)
Net long-term debt	1,235,658	1,118,208
Total Capitalization	2,454,397	2,191,070
Current Liabilities		
Current maturities of long-term debt (Note 11)	32,245	2,100
Short-term borrowings (Note 9)	21,000	105,000
Accounts payable	72,122	81,110
Accounts payable - affiliates (Note 18)	199	624
Accrued interest	12,974	10,685
Accrued vacation and payroll	10,780	10,861
Customer advances	18,154	16,953
Customer deposits	6,686	6,846
Regulatory liabilities (Note 4)	62,647	75,053
Fair value of derivative instruments (Note 16)	12,499	14,034
Accrued environmental remediation costs (Note 14)	1,066	3,717
Other advances	10,103	10,803
Other current liabilities	21,187	21,123
Total Current Liabilities	281,662	358,909
Deferred Credits and Other Liabilities		
Regulatory liabilities - deferred pension costs (Note 4)	121,166	74,898
Regulatory liabilities - deferred OPEB costs (Note 4)	32,633	24,652
Regulatory liabilities - other (Note 4)	271,792	262,735
Operating reserves	3,495	2,892
Accrued environmental remediation costs (Note 14)	71,236	70,156
Other liabilities	37,506	32,361
Total Deferred Credits and Other Liabilities	537,828	467,694
Accumulated Deferred Income Tax (Note 5)	330,692	316,361
Commitments and Contingencies		
Total Capitalization and Liabilities	\$ 3,604,579	\$ 3,334,034

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP
CONSOLIDATED STATEMENT OF EQUITY

(In Thousands, except share amounts)

	CH Energy Group Common Shareholders					
	Common Stock Shares Issued	Common Stock Amount	Paid-In Capital	Retained Earnings	Accumulated OCI	Total Equity
Balance at December 31, 2020	15,961,400	\$ 160	\$ 424,406	\$ 431,348	\$ (161)	\$ 855,753
Contribution from Parent - tax sharing agreement			4,996			4,996
Net income				73,953		73,953
Capital contributions			4,400			4,400
Employee future benefits, net of tax					180	180
Balance at December 31, 2021	15,961,400	\$ 160	\$ 433,802	\$ 505,301	\$ 19	\$ 939,282
Net income				79,133		79,133
Capital contributions			54,300			54,300
Employee future benefits, net of tax					147	147
Balance at December 31, 2022	15,961,400	\$ 160	\$ 488,102	\$ 584,434	\$ 166	\$ 1,072,862
Net income				77,778		77,778
Capital contributions			73,500			73,500
Dividends declared on common stock				(5,400)		(5,400)
Employee future expenses, net of tax					(1)	(1)
Balance at December 31, 2023	15,961,400	\$ 160	\$ 561,602	\$ 656,812	\$ 165	\$ 1,218,739

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON STATEMENT OF INCOME

(In Thousands)

	Year Ended December 31,		
	2023	2022	2021
Operating Revenues			
Electric	\$ 786,749	\$ 797,612	\$ 623,823
Natural gas	220,990	220,744	172,425
Total Operating Revenues	<u>1,007,739</u>	<u>1,018,356</u>	<u>796,248</u>
Operating Expenses			
Operation:			
Purchased electricity	294,642	323,503	178,737
Purchased natural gas	75,566	79,074	48,260
Other expenses of operation	359,499	361,265	323,707
Depreciation and amortization	83,502	80,016	72,715
Taxes, other than income tax	85,180	78,068	72,795
Total Operating Expenses	<u>898,389</u>	<u>921,926</u>	<u>696,214</u>
Operating Income	<u>109,350</u>	<u>96,430</u>	<u>100,034</u>
Other Income and Deductions			
Interest on regulatory assets and other interest income	6,631	3,204	2,924
Regulatory adjustments for interest costs	1,567	(85)	(891)
Non-service cost components of pension and OPEB	26,300	39,192	20,932
Other - net	1,489	229	2,652
Total Other Income	<u>35,987</u>	<u>42,540</u>	<u>25,617</u>
Interest Charges			
Interest on long-term debt	50,229	39,583	33,550
Interest on regulatory liabilities and other interest	(1,304)	764	2,370
Total Interest Charges	<u>48,925</u>	<u>40,347</u>	<u>35,920</u>
Income Before Income Taxes	<u>96,412</u>	<u>98,623</u>	<u>89,731</u>
Income Tax Expense	<u>20,664</u>	<u>20,531</u>	<u>16,108</u>
Net Income	<u>\$ 75,748</u>	<u>\$ 78,092</u>	<u>\$ 73,623</u>

CENTRAL HUDSON STATEMENT OF COMPREHENSIVE INCOME

(In Thousands)

	Year Ended December 31,		
	2023	2022	2021
Net Income	\$ 75,748	\$ 78,092	\$ 73,623
OCI:			
Employee future (expenses)/benefits, net of tax expense	(1)	147	180
Comprehensive Income	<u>\$ 75,747</u>	<u>\$ 78,239</u>	<u>\$ 73,803</u>

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON STATEMENT OF CASH FLOWS

(In Thousands)

	Year Ended December 31,		
	2023	2022	2021
Operating Activities:			
Net income	\$ 75,748	\$ 78,092	\$ 73,623
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation	66,538	62,580	58,910
Amortization	16,964	17,436	13,805
Deferred income taxes - net	20,678	20,541	16,107
Uncollectible expense	8,040	8,170	6,074
Pension credit	(8,140)	(7,507)	(400)
OPEB credit	(6,564)	(7,057)	(6,048)
Regulatory liability - rate moderation	(18,150)	(4,371)	(8,543)
Regulatory asset - RDM recorded	(14,919)	2,868	12,806
Changes in operating assets and liabilities - net:			
Accounts receivable, unbilled revenues, and other receivables	(23,703)	(115,321)	(53,769)
Fuel, materials, and supplies	(4,948)	(7,122)	(439)
Special deposits and prepayments	6,332	(6,489)	(3,997)
Income and other taxes	647	(2)	(31)
Accounts payable	(18,166)	20,673	4,487
Accrued interest	2,295	2,506	575
Customer advances	1,201	(1,152)	2,812
Other advances	(1,777)	(10,622)	3,738
CARES Act	-	(2,603)	(2,603)
Pension plan contribution	(1,655)	(1,468)	(1,475)
OPEB contribution	(22)	(528)	(812)
Regulatory asset - RDM collected/(refunded)	7,806	(6,341)	(34,069)
Regulatory asset - major storm	(17,590)	(37,067)	(7,404)
Regulatory asset - SIR	8,526	6,815	5,083
Regulatory asset - AMP	(18,894)	(3,039)	-
Regulatory asset - uncollectible write-offs	(9,138)	(4,144)	-
Regulatory liability - EE programs including CEF	(8,038)	(16,375)	(21,103)
Regulatory asset - RAM	12,219	13,121	10,651
Regulatory asset - deferred natural gas and electric costs	26,855	(35,037)	(17,454)
Other - net	11,317	(773)	11,904
Net cash provided by (used in) operating activities	113,462	(34,216)	62,428
Investing Activities:			
Additions to utility plant	(252,995)	(224,842)	(231,582)
Proceeds from sale of assets	-	4,574	-
Other - net	13,250	3,878	(4,626)
Net cash used in investing activities	(239,745)	(216,390)	(236,208)
Financing Activities:			
Repayment of long-term debt	-	(23,400)	(44,150)
Proceeds from issuance of long-term debt	150,000	220,000	130,000
Net change in short-term borrowings	(84,000)	(2,000)	92,000
Capital contributions	60,000	46,000	6,000
Other - net	(870)	(1,164)	(723)
Net cash provided by financing activities	125,130	239,436	183,127
Net Change in Cash, Cash Equivalents, and Restricted Cash	(1,153)	(11,170)	9,347
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	3,371	14,541	5,194
Cash, Cash Equivalents, and Restricted Cash - End of Period	\$ 2,218	\$ 3,371	\$ 14,541
Supplemental Disclosure of Cash Flow Information:			
Interest paid, net of amounts capitalized	\$ 46,730	\$ 36,573	\$ 31,842
Federal and state income taxes paid, net	\$ 1,879	\$ 2,172	\$ 2,021
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:			
Operating cash flows used in operating leases	\$ (564)	\$ (409)	\$ (542)
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 85	\$ 387
Non-Cash Investing Activities:			
Accrued capital expenditures	\$ 25,058	\$ 16,472	\$ 21,683

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON
BALANCE SHEET

(In Thousands)

	December 31, 2023	December 31, 2022
ASSETS		
Utility Plant (Note 3)		
Electric	\$ 1,884,513	\$ 1,768,092
Natural gas	845,649	788,978
Common	476,744	448,796
Gross Utility Plant	3,206,906	3,005,866
Less: Accumulated depreciation	758,277	698,940
Net	2,448,629	2,306,926
Construction work in progress	183,204	146,661
Net Utility Plant	2,631,833	2,453,587
Non-Utility Property and Plant	524	524
Net Non-Utility Property and Plant	524	524
Current Assets		
Cash and cash equivalents (Note 1)	1,522	1,598
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million and \$11.0 million, respectively (Note 2)	239,862	216,680
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million and \$0.2 million, respectively (Note 2)	28,615	27,823
Other receivables	18,503	26,121
Fuel, materials, and supplies (Note 1)	36,186	31,238
Regulatory assets (Note 4)	110,621	125,980
Fair value of derivative instruments (Note 16)	161	315
Special deposits and prepayments	36,365	42,697
Total Current Assets	471,835	472,452
Deferred Charges and Other Assets		
Regulatory assets - other (Note 4)	254,079	226,069
Prefunded pension costs (Note 12)	113,404	59,559
Prefunded OPEB costs (Note 12)	46,185	31,462
Other investments (Note 17)	45,053	53,294
Other	8,502	10,495
Total Deferred Charges and Other Assets	467,223	380,879
Total Assets	<u>\$ 3,571,415</u>	<u>\$ 3,307,442</u>

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON
BALANCE SHEET (CONT'D)

(In Thousands, except share amounts)

	December 31, 2023	December 31, 2022
CAPITALIZATION AND LIABILITIES		
Capitalization (Note 10)		
Common Stock (30,000,000 shares authorized: \$5 par value; 16,862,087 shares issued and outstanding)	\$ 84,311	\$ 84,311
Paid-in capital	386,452	326,452
Accumulated OCI	165	166
Retained earnings	725,861	650,113
Capital stock expense	(4,633)	(4,633)
Total Equity	<u>1,192,156</u>	<u>1,056,409</u>
Long-term debt (Note 11)		
Principal amount	1,239,400	1,119,400
Unamortized debt issuance costs	(6,124)	(5,810)
Net long-term debt	<u>1,233,276</u>	<u>1,113,590</u>
Total Capitalization	<u>2,425,432</u>	<u>2,169,999</u>
Current Liabilities		
Current maturities of long-term debt (Note 11)	30,000	-
Short-term borrowings (Note 9)	21,000	105,000
Accounts payable	73,378	82,288
Accrued interest	12,961	10,666
Accrued vacation and payroll	10,780	10,861
Customer advances	18,154	16,953
Customer deposits	6,686	6,846
Regulatory liabilities (Note 4)	62,647	75,053
Fair value of derivative instruments (Note 16)	12,499	14,034
Accrued environmental remediation costs (Note 14)	1,066	3,717
Accrued income and other taxes	614	-
Other advances	10,103	10,803
Other current liabilities	21,168	19,989
Total Current Liabilities	<u>281,056</u>	<u>356,210</u>
Deferred Credits and Other Liabilities		
Regulatory liabilities - deferred pension costs (Note 4)	121,166	74,898
Regulatory liabilities - deferred OPEB costs (Note 4)	32,633	24,652
Regulatory liabilities - other (Note 4)	271,792	262,735
Operating reserves	3,495	2,892
Accrued environmental remediation costs (Note 14)	71,236	70,156
Other liabilities	36,359	31,299
Total Deferred Credits and Other Liabilities	<u>536,681</u>	<u>466,632</u>
Accumulated Deferred Income Tax (Note 5)	<u>328,246</u>	<u>314,601</u>
Commitments and Contingencies		
Total Capitalization and Liabilities	<u>\$ 3,571,415</u>	<u>\$ 3,307,442</u>

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON
STATEMENT OF EQUITY

(In Thousands, except share amounts)

	Central Hudson Common Shareholders						
	Common Stock Shares Issued	Common Stock Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	Accumulated OCI	Total Equity
Balance at December 31, 2020	16,862,087	\$ 84,311	\$ 274,452	\$ (4,633)	\$ 498,398	\$ (161)	\$ 852,367
Net income					73,623		73,623
Capital contributions			6,000				6,000
Employee future benefits, net of tax						180	180
Balance at December 31, 2021	16,862,087	\$ 84,311	\$ 280,452	\$ (4,633)	\$ 572,021	\$ 19	\$ 932,170
Net income					78,092		78,092
Capital contributions			46,000				46,000
Employee future benefits, net of tax						147	147
Balance at December 31, 2022	16,862,087	\$ 84,311	\$ 326,452	\$ (4,633)	\$ 650,113	\$ 166	\$ 1,056,409
Net income					75,748		75,748
Capital contributions			60,000				60,000
Employee future expenses, net of tax						(1)	(1)
Balance at December 31, 2023	16,862,087	\$ 84,311	\$ 386,452	\$ (4,633)	\$ 725,861	\$ 165	\$ 1,192,156

The Notes to Financial Statements are an integral part hereof.

NOTE 1 – Summary of Significant Accounting Policies

Corporate Structure

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation (“Central Hudson” or the “Company”), Central Hudson Electric Transmission LLC (“CHET”), Central Hudson Enterprises Corporation (“CHEC”), and Central Hudson Gas Transmission LLC (“CHGT”). CH Energy Group’s common stock is indirectly owned by Fortis Inc. (“Fortis”), which is a leader in the North American regulated electric and natural gas utility industry. Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its ownership interest in New York Transco LLC (“Transco”). CHGT was formed to hold CH Energy Group’s ownership stake in possible natural gas transmission pipeline opportunities in New York State (“NYS”). As of December 31, 2023, there has been no activity in CHGT. CHEC has ownership interests in certain non-regulated subsidiaries that are less than 100% owned. At December 31, 2023, CHEC’s investments had a cost basis of \$0.

Basis of Presentation

This Annual Financial Report is a combined report of CH Energy Group and Central Hudson. The Notes to the Consolidated Financial Statements apply to both CH Energy Group and Central Hudson. CH Energy Group’s Consolidated Financial Statements include the accounts of CH Energy Group and its wholly owned subsidiaries, which include Central Hudson, CHET, CHGT, and CHEC. All intercompany balances and transactions have been eliminated in consolidation. CHEC’s investments in limited partnerships and limited liability companies and CHET’s investment in Transco are accounted for under the equity method.

The Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which for regulated utilities, includes specific accounting guidance for regulated operations.

Preparation of the financial statements in accordance with GAAP includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities, and the disclosures of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Current estimates as of and for the year ended December 31, 2023 reflect management’s best assumptions at this time. As with all estimates, actual results may differ from those estimated. Estimates may be subject to future uncertainties, including the continued impacts on Central Hudson’s service territory and customers resulting from legislative mandates and policies, which could affect the allowance for uncollectible accounts.

Estimates are also reflected for certain commitments and contingencies, where there is sufficient basis to project a future obligation. Disclosures related to these certain commitments and contingencies are included in Note 14 - “Commitments and Contingencies”.

Regulatory Accounting Policies

Central Hudson is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Regulatory accounting guidance results in differences in the application of GAAP between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expense or revenue in non-regulated businesses. Regulated utilities, such as Central Hudson, defer costs and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those costs and revenues will be recoverable/refundable through the rate-making process in a period different from when they otherwise would have been reflected in income. For Central Hudson, these deferred regulatory assets and liabilities and the related deferred taxes, are recovered from or

reimbursed to customers either by offset as directed by the NYS Public Service Commission (“PSC” or “Commission”), through an approved surcharge mechanism or through incorporation in the determination of revenue requirement used to set new rates. Regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets. Changes in regulatory assets and liabilities are reflected in the Consolidated Statement of Income either in the period in which the amounts are recovered through a surcharge, are reflected in rates or when the criteria for recording the revenues are met. Current accounting practices reflect the regulatory accounting authorized in Central Hudson’s Rate Orders. On June 14, 2018, the PSC issued an Order Approving Rate Plan in Cases 17-E-0459 and 17-G-0460 (the “2018 Rate Order”) and on November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429 (the “2021 Rate Order”). On October 4, 2021, Federal Energy Regulatory Commission (“FERC”) approved Facilities Charge for System Deliverability Upgrades (“SDU”) under Rate Schedule 12 of the New York Independent System Operator (“NYISO”) Open Access Transmission Tariff (“OATT”). On December 22, 2023, FERC approved, effective September 21, 2023, Facilities Charge for PSC approved Transmission Projects (Phase 2 Transmission Projects) under Rate Schedule 19 of the NYISO OATT, pending a compliance filing to correct material errors. The Order also set for hearing and settlement the proposed ceiling ROE. See Note 4 – “Regulatory Matters” for additional information regarding regulatory accounting.

Management periodically assesses whether the regulatory assets are probable of future recovery by considering factors, such as current regulatory and political environments and the ability to recover costs through regulated rates based on rate orders applicable to Central Hudson or other regulated entities. Based on this assessment, management believes the existing regulatory assets are probable for recovery. If the future recovery of costs ceases to be probable, that regulatory asset would be written off, which could materially impact earnings.

Rates, Revenues, and Adjustment Mechanisms

Central Hudson’s electric and natural gas retail rates are regulated by the PSC. Wholesale transmission rates, facilities charges, and rates for electricity sold for resale in interstate commerce are regulated by the FERC and are collected via the OATT administered by the NYISO or directly by the Company.

Central Hudson’s tariffs for retail electric and natural gas service include purchased electricity and purchased natural gas cost adjustment mechanisms, by which electric and natural gas rates are set to recover the actual purchased electricity and purchased natural gas costs, including hedging costs, incurred in providing these services. In addition, the tariffs include adjustment mechanisms to recover from, or refund to, customers certain revenues and costs that have been deferred such as RDMs, Rate Moderators, incentives earned, or other earnings adjustment mechanisms (“EAMs”) and other specified accumulated deferred balances recovered via the RAM as defined in the Rate Orders. See Note 4 – “Regulatory Matters” for definitions. RDMs generally provide the ability to record revenue equal to revenue targets authorized by the PSC and used for the development of rates for most of Central Hudson’s customers.

Revenue Recognition

Revenue from Contracts with Customers

Central Hudson records revenue as electric and natural gas is delivered based on either the customers’ meter read or estimated usage for the month. For full-service customers, this includes delivery and supply of electricity and natural gas. For retail choice customers, this includes delivery only as these customers purchase supply from a retail marketer. Customers simultaneously receive and consume the benefits provided by Central Hudson. Revenue consists of a fixed customer charge and a charge per kilowatt hour (“kWh”) or 100 cubic feet (“Ccf”), that is fixed at the time of delivery. Additionally, certain non-residential electric service customers pay a per kW (“kilowatt”) demand charge, which is also fixed

at the time of delivery. All performance obligations are satisfied for tariff sales at the time of delivery. Amounts billed to customers are due within 20 days from the date the bill was rendered, and any payment not received by the due date is considered delinquent and can incur a late payment fee. Effective April 1, 2020, Central Hudson temporarily suspended finance charges on past due balances to help mitigate the impacts of the Coronavirus pandemic (“COVID-19”) on our customers. The 2021 Rate Order provided authorization to defer for future recovery from customers any over or under collection of finance charges, including retroactive recovery of the amounts from 2020. As such, this suspension of finance charges did not have an impact on earnings. See Note 4 – “Regulatory Matters” for further details.

Central Hudson records an estimate of unbilled revenue for service rendered to customers after their billing date and through the end of the month. Unbilled revenues are dependent on several factors that require management’s judgment, including estimates of retail sales and customer usage patterns.

Central Hudson receives payments from certain customers based on a predetermined budget billing schedule. Budget billing does not represent a contract asset or liability, but rather just a receivable/liability because there are no further performance obligations required to be satisfied before the Company has the right to collect/refund the customer’s consideration. Consideration is due when control of the energy is transferred to the customer and is satisfied with the passage of time. Budget billing liability balances are recorded within the customer advances line item in the balance sheet.

Central Hudson provides discounts through certain customer assistance programs intended to help low to moderate income families manage their energy burden as prescribed in the 2021 Rate Order with a full deferral mechanism. Discounts available under these programs are determined at the time the performance obligation is satisfied and are recorded as an expense to match revenue collected in rates for the benefit of eligible customers.

Alternative Revenues

In accordance with Accounting Standard Codification (“ASC”) 980 and as authorized by the PSC, Central Hudson records alternative revenues in response to past activities or completed events, if certain criteria are met. Central Hudson has identified alternative revenue programs in both its electric and natural gas revenues. Alternative revenues are generally intended to compensate a regulated utility for fluctuations in revenue due to weather abnormalities, external factors, and demand side initiatives promoted by the regulator, as well as incentive awards if the utility achieves certain objectives, such as reaching specified milestones associated with EE programs. Central Hudson recognizes alternative revenues when the criteria defined in ASC 980 have been met and not when billed to customers.

Other Revenues

Other revenues, which are not contract revenues, consist of pole attachment rents, miscellaneous fees, and other revenue adjustments. Included in other revenue adjustments is the reversal of previously recognized deferrals as they are billed (collected/refunded to customers) pursuant to PSC Orders.

Cash and Cash Equivalents

CH Energy Group and Central Hudson consider temporary cash investments with a maturity (when purchased) of three months or less to be cash equivalents.

Restricted Cash

Restricted cash as of December 31, 2023, primarily consists of cash held in escrow as security deposits from other utilities attaching to Central Hudson’s poles. Restricted cash as of December 31, 2022, primarily consisted of cash collected from developers and held in escrow related to a SDU project

pursuant to terms and conditions of the NYISO OATT, which has been drawn and applied as payment against work performed and completed.

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

CH Energy Group

(In Thousands)

	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 3,624	\$ 3,237
Restricted cash included in other long-term assets	696	1,773
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 4,320</u>	<u>\$ 5,010</u>

Central Hudson

(In Thousands)

	December 31, 2023	December 31, 2022
Cash and cash equivalents	\$ 1,522	\$ 1,598
Restricted cash included in other long-term assets	696	1,773
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 2,218</u>	<u>\$ 3,371</u>

Accounts Receivable and Allowance for Uncollectible Accounts

Receivables and unbilled utility revenues are carried at net realizable value, based on the allowance for credit losses model. The accounts receivable balance also reflects Central Hudson's purchase of receivables from energy service companies to support the retail choice programs. The allowance for uncollectible accounts reflects management's best estimate of expected credit losses to reduce accounts receivable for amounts estimated to be uncollectible. Estimates for uncollectible accounts are based on accounts receivable aging data, as well as consideration of various quantitative and qualitative factors, including special collection issues and current and forecasted economic conditions. Finance charges can be charged on accounts receivable balances that have been outstanding for more than 20 days, see Note 2 – "Revenue and Receivables" for further details.

Financial Instruments

CH Energy Group and Central Hudson use reasonable and supportable forecasts in the estimate of credit losses and the recognition of expected losses upon initial recognition of a financial instrument, in addition to using past events and current conditions. At December 31, 2023 and December 31, 2022, there were no expected credit losses on financial instruments other than those on accounts receivable and unbilled utility revenues.

Fuel, Materials, and Supplies

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

	December 31, 2023	December 31, 2022
Fuel used in electric generation	\$ 521	\$ 434
Materials and supplies	35,665	30,804
Total	<u>\$ 36,186</u>	<u>\$ 31,238</u>

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

Utility Plant - Central Hudson

The regulated assets of Central Hudson include electric, natural gas, and common assets, which are listed under the heading “Utility Plant” on CH Energy Group’s Consolidated Balance Sheet and Central Hudson’s Balance Sheet. The accumulated depreciation associated with these regulated assets is also reported on the Balance Sheets.

The cost of additions to the utility plant and replacements of retired units of property are capitalized at original cost. Capitalized costs include labor, including service cost components of pension and other employee benefits, materials and supplies, indirect charges for items such as transportation, certain administrative costs, and certain taxes, and allowances for funds used during construction (“AFUDC”), less contributions in aid of construction (“CIAC”).

AFUDC is defined as the net cost of borrowed funds used for construction purposes and a reasonable rate on other funds when so used. The concurrent credit for the amount so capitalized is reported in the Consolidated Statement of Income as follows: the portion applicable to borrowed funds is reported as a reduction of interest charges, while the portion applicable to other funds (the equity component) is reported as other income. AFUDC rates are determined in accordance with FERC and PSC regulations. The AFUDC rates were approximately 6.2% in 2023, 3.7% in 2022, and 6.2% in 2021.

The replacement of minor items of property is included in operating expenses. The original cost of property, together with removal cost less salvage, is charged to accumulated depreciation at the time the property is retired and removed from service as required by the PSC.

For additional information see Note 3 – “Utility Plant – Central Hudson.”

Depreciation and Amortization

Central Hudson’s depreciation and amortization provisions are computed on the straight-line method using PSC-approved rates. The anticipated costs of removing assets upon retirement are generally provided for over the life of those assets as a component of depreciation expense and, for regulatory reporting purposes, are reflected in accumulated depreciation until the costs are incurred, which is consistent with industry practice. Current accounting guidance related to asset retirement 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. Central Hudson reclassifies the amount of cost of removal (“COR”) recovered in excess of amounts incurred to date from accumulated depreciation to regulatory liabilities for presentation in its Balance Sheet in accordance with GAAP.

Central Hudson performs depreciation studies periodically and, upon approval by the PSC, adjusts the depreciation rates of its various classes of depreciable property. Central Hudson’s composite rates for depreciation, inclusive of intangible amortization, were 2.95% in 2023, 2.99% in 2022, and 2.92% in 2021 of the original average cost of depreciable property. The ratio of the amount of accumulated depreciation to the original cost of the depreciable property at December 31, 2023, 2022, and 2021 was 23.9%, 23.5%, and 23.0%, respectively.

Asset Retirement Obligations (“AROs”)

Central Hudson records AROs for incremental removal costs, resulting from legal and environmental obligations associated with the retirement of certain utility plant assets, as a liability at fair value with a corresponding increase to utility capital assets, in the period in which the costs are known and estimable. The fair value of AROs is based on an estimate of the present value of expected future cash outlays, discounted at a credit-adjusted risk-free interest rate. AROs are adjusted at the end of each reporting period to accrete the liability for the passage of time and record any changes in the estimated future cash flows of the incremental obligation. Actual costs incurred reduce the liability. Accretion and depreciation expenses associated with AROs are recorded as regulatory assets, which are recovered through the accumulated depreciation reserve upon the retirement of the asset.

Impairment of Long-Lived Assets

Central Hudson reviews long-lived assets for impairment at least annually. Asset-impairment testing at the regulated utilities is carried out at the enterprise level to determine if assets are impaired. The recovery of regulated assets' carrying value, including a fair rate of return, is provided through customer electricity and natural gas delivery rates approved by the PSC. The net cash flows for regulated entities are not asset-specific but are pooled for the entire regulated utility.

Leases

When a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, a right-of-use asset and lease liability are recognized. Central Hudson measures the right-of-use asset and lease liability at the present value of future lease payments, excluding variable payments based on usage or performance. Central Hudson calculates the present value using a lease-specific secured borrowing rate based on the remaining lease term. Central Hudson has elected the practical expedient to combine lease components (e.g. rent, real estate taxes, and insurance costs) and non-lease components (e.g. common area maintenance costs) and account for them as a single lease component. Central Hudson includes options to extend a lease in the lease term when it is reasonably certain that the option will be exercised. Leases with a term, including renewal options, of twelve months or less are not recorded on the balance sheet. See Note 8 – “Leases” for additional details.

Research and Development (“R&D”)

Central Hudson is engaged in the conduct and support of R&D activities that are focused on the improvement of existing energy technologies and the development of new technologies for the delivery and customer use of energy. R&D expenditures are provided for in Central Hudson's rates charged to customers for electric and natural gas delivery service, with any differences between actual R&D expense and the rate allowances deferred for future recovery from or return to customers. See Note 7 – “Research and Development” for additional details.

Debt Issuance Costs

Expenses incurred in connection with CH Energy Group's or Central Hudson's debt issuance and any discount or premium on debt are deferred and amortized over the lives of the related issues. When long-term debt is reacquired or redeemed, regulatory accounting permits the deferral of related unamortized debt expense and reacquisition costs to be amortized over the remaining original life of the debt retired. The amortization of debt costs for reacquired debt is incorporated in the revenue requirement for delivery rates as authorized by the PSC. See Note 11 – “Capitalization – Long-Term Debt” for additional details.

Income Tax

CH Energy Group and its subsidiaries file consolidated federal income tax returns with FortisUS Inc. ("FortisUS") and, depending on the state, either standalone or consolidated state income tax returns. Income taxes are deferred for all temporary differences between the financial statement and the tax basis of assets and liabilities, under the asset and liability method in accordance with current accounting guidance for income taxes. Certain deferred income taxes are recorded with offsetting regulatory assets or liabilities by Central Hudson to recognize that income taxes will be recovered or refunded through future rates. For federal and state income tax purposes, CH Energy Group and its subsidiaries use an accelerated method of depreciation and generally use the shortest life permitted for each class of assets. Central Hudson follows the normalization method of accounting, which spreads the tax benefits associated with utility assets over the same time period that the costs of those assets are recovered from customers. Normalization is required as a prerequisite for utilities claiming accelerated depreciation and certain tax credits. Deferred investment tax credits are amortized over the estimated life of the properties giving rise to the credits. For state income tax purposes, Central Hudson uses book depreciation for property placed in service in 1999 or earlier in accordance with transition property rules under Article 9-A of the New York State Tax Law. See Note 5 – "Income Tax" for additional information regarding income taxes and the Tax Cuts and Jobs Act.

Post-Employment and Other Benefits

Central Hudson sponsors a noncontributory Retirement Income Plan ("Retirement Plan") for all management, professional, and supervisory employees hired before January 1, 2008 and for all Union employees hired before May 1, 2008. Benefits are based on years of service and compensation. Additionally, Central Hudson maintains a Supplemental Executive Retirement Plan ("SERP") for certain members of management. Central Hudson also provides OPEB plans, which include certain health care and life insurance benefits for retirees hired within the same time periods as stated above.

Central Hudson recognizes the funded status of the Retirement Plan and SERP (collectively "Pension") and OPEB defined benefit plans on its balance sheet. The funded status is measured as the difference between the fair value of qualified plans' assets and the projected benefit obligation ("PBO") for the plans. The Pension funded status includes the SERP PBO although it does not take into consideration the SERP trust assets. The SERP is a non-qualified plan under the Employee Retirement Income Security Act guidelines and therefore, although funded annually to achieve 110% of the plan's accumulated benefit obligation, the trust assets of this plan are not included in the calculation of the funded status for accounting purposes. Central Hudson recognizes a regulatory liability or asset for the portion of the over or underfunded amount that is probable of return to or recovery from customers in future rates. The amounts reported as a component of OCI, net of tax, relate to a former Central Hudson officer who transferred to an affiliated company. The related amounts are charged to and reimbursed by the affiliated company.

Pension and OPEB benefit expenses are determined by actuarial valuations based on assumptions that Central Hudson evaluates annually. Central Hudson capitalizes a portion of the service cost component. The PSC has authorized deferral accounting treatment for any variations between actual Pension and OPEB expenses and the amount included in the current delivery rate structure.

Any unamortized balances related to net actuarial gains and losses, past service costs, and transitional obligations, which are recoverable from Central Hudson customers and would otherwise be recognized in accumulated OCI, are subject to deferral accounting treatment.

Central Hudson also sponsors two contributory retirement plans for its employees. The 401(k) retirement plan provides for employee tax-deferred salary deductions for participating employees as well as employer contributions. The other contributory plan provides additional retirement savings to

eligible employees who do not qualify for Central Hudson's Retirement Income Plan. For more information see Note 12 – "Post-Employment Benefits".

Additionally, Central Hudson sponsors a contributory Deferred Compensation Plan ("Deferred Compensation Plan") for certain members of management and members of the Central Hudson Board of Directors. Although the Deferred Compensation Plan is a non-qualified plan, Central Hudson has established a trust for funding the associated liability to participants. For more information, see Note 17 – "Other Fair Value Measurements".

Equity-Based Compensation

Officers of CH Energy Group and Central Hudson were granted share unit plan ("SUP") shares under various plans as part of the officers' long-term incentives. Compensation expense and the related liability associated with the SUPs are recorded based on the fair value at each reporting date until settlement, reflecting expected future payout and time elapsed within the terms of the award, typically at the end of the three-year vesting period. The fair value of the SUPs' liability is based on Fortis' common share 5-day volume weighted average trading price at the end of each reporting period. CH Energy Group and Central Hudson have elected to recognize forfeitures when they occur due to the limited number of participants in the equity-based compensation plans. For more information, see Note 13 – "Equity-Based Compensation".

Common Stock Dividends

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The Federal Power Act ("FPA") limits the payment of annual dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group. See Note 10 – "Capitalization-Common and Preferred Stock" for additional information. CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

Derivatives

From time to time, Central Hudson enters into derivative contracts in conjunction with the Company's enterprise risk management program to hedge certain risk exposures related to its business operations. Central Hudson uses derivative contracts to reduce the impact of volatility in the supply prices of natural gas and electricity and to hedge exposure to volatility in interest rates for its variable rate long-term debt. Central Hudson records all derivatives at fair value with certain exceptions including those derivatives that qualify for the normal purchase exception. The fair value of derivative instruments are estimates of the amounts that Central Hudson would receive or have to pay to terminate the outstanding contracts at the balance sheet dates. Unrealized gains and losses on Central Hudson's derivative contracts have no impact on earnings since the energy contracts are subject to regulatory deferral.

Realized gains and losses on Central Hudson's derivative instruments are returned to or recovered from customers through PSC-authorized deferral accounting mechanisms, with no material impact on cash flows, results of operations, or liquidity. Realized gains and losses on Central Hudson's energy derivative instruments and all associated costs are reported as part of purchased natural gas and purchased electricity in CH Energy Group's and Central Hudson's Statements of Income as the corresponding amounts are either recovered from or returned to customers through fuel cost adjustment mechanisms in revenues. See Note 16 – "Accounting for Derivative Instruments and Hedging Activities" for further details.

Normal Purchases and Normal Sales

Central Hudson enters into forward energy purchase contracts, including options, with counterparties that have generating capacity to support current load forecasts or counterparties that can meet Central Hudson's load serving obligations. Central Hudson has elected the normal purchase exception for these contracts, which are not required to be measured at fair value and are accounted for on an accrual basis. See Note 14 – "Commitments and Contingencies" for further details.

Reclassification

Certain amounts shown in the CH Energy Group and Central Hudson Balance Sheets, Note 4 – "Regulatory Matters" and Note 5 – "Income Tax" have been reclassified to conform to the 2023 presentation. These reclassifications had no effect on the reported results of operations.

Future Accounting Pronouncements To Be Adopted

Soon to be adopted accounting guidance is summarized below, including explanations for any applicable new guidance issued by the Financial Accounting Standards Board ("FASB") and the expected impact on CH Energy Group and its subsidiaries.

Segment Reporting

Accounting Standards Update ("ASU") No. 2023-06, *Improvements to Reportable Segment Disclosures* requires incremental disclosures about an entity's reportable segments but does not change the definition of a segment or the guidance for determining reportable segments. The new guidance requires disclosure of significant segment expenses that are (1) regularly provided to (or easily computed from information regularly provided to) the chief operating decision maker and (2) included in the reported measure of segment profit or loss. The new standard also allows companies to disclose multiple measures of segment profit or loss if those measures are used to assess performance and allocate resources. This update is effective January 1, 2024 and should be adopted retrospectively unless impracticable. CH Energy Group and its subsidiaries are currently evaluating the impact, if any, that the adoption of this standard will have on financial disclosures.

Income Taxes

ASU No. 2023-09, *Improvements to Income Tax Disclosures* requires entities to disclose in their rate reconciliation table additional categories of information about federal, state and foreign income taxes and provide more details about the reconciling items in some categories if items meet a quantitative threshold. Entities would have to provide qualitative disclosures about the new categories. The guidance will require all entities to disclose income taxes paid, net of refunds, disaggregated by federal (national), state and foreign taxes for annual periods and to disaggregate the information by jurisdiction based on a quantitative threshold. The guidance makes several other changes to the disclosure requirements. Entities are required to apply the guidance prospectively, with the option to apply it retrospectively. The guidance is effective for fiscal years beginning in 2025. CH Energy Group and its subsidiaries are currently evaluating the impact, if any, that the adoption of this standard will have on financial disclosures.

Note 2 – Revenues and Receivables

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

Revenue from Contracts with Customers

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

Alternative Revenues

Central Hudson's alternative revenue programs include electric and natural gas RDMs, lost finance charges, as established in the 2021 Rate Order, Gas Merchant Function Charge lost revenue, and revenue requirements effects for certain incremental capital projects. In addition, Central Hudson records alternative revenues related to positive revenue adjustments ("PRAs") and EAMs related to NYS clean energy goals, when prescribed targets are met.

Other Revenues

Other revenues consist of pole attachment rents, miscellaneous fees, and other revenue adjustments. Included in other revenue adjustments are changes to regulatory deferral balances to reverse the impact of refunds/(collections) of previously recognized deferrals and negative revenue adjustments ("NRAs") pursuant to PSC Orders.

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

	Year Ended December 31,		
	2023	2022	2021
Electric			
Revenues from contracts with customers	\$ 772,987	\$ 787,340	\$ 596,007
Alternative revenues	15,434	(2,967)	(10,887)
Other revenue adjustments	(1,672)	13,239	38,703
Total Operating Revenues Electric	\$ 786,749	\$ 797,612	\$ 623,823
Natural Gas			
Revenues from contracts with customers	\$ 211,752	\$ 218,238	\$ 170,233
Alternative revenues	15,001	7,394	8,484
Other revenue adjustments	(5,763)	(4,888)	(6,292)
Total Operating Revenues Natural Gas	\$ 220,990	\$ 220,744	\$ 172,425

The year over year decrease in electric and natural gas revenues from contracts with customers was primarily driven by lower billed purchased commodity costs partially offset by approved increases in delivery rates effective July 1, 2023 and 2022.

The increase in electric and natural gas alternative revenue programs year over year is due to higher RDM deferrals recorded for the differences between lower billed revenues when compared to prescribed targets and incentives earned for achieving certain targets and milestones associated with EE programs as provided in the 2021 Rate Order.

The year over year decreases in other electric and natural gas revenue adjustments is primarily driven by higher collections of previously deferred RDM revenues and higher NRAs recorded for performance metrics below the 2021 Rate Order prescribed targets. Partially mitigating these decreases were higher rate moderation revenue offsets provided to customers in 2023 as compared to 2022.

Allowance for Uncollectible Accounts

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

	Year Ended December 31,	
	2023	2022
Balance at Beginning of Period	\$ (11,200)	\$ (11,200)
Uncollectible expense	(8,040)	(8,170)
Uncollectible write-off deferral	(9,138)	(4,130)
Uncollectible write-offs - net	17,178	12,300
Balance at End of Period	\$ (11,200)	\$ (11,200)

Growth in arrears of accounts receivable began with the suspension of collection efforts required during COVID-19, which has impacted certain customers' payment behavior and has been further compounded by increased commodity prices. On June 16, 2022, the PSC approved Phase 1 of the AMP, which provided arrears relief for certain residential utility customers who received income-qualified government assistance for utility bills and other expenses and had past-due balances for services through May 1, 2022. The Company provided approximately \$7.6 million in AMP Phase 1 relief via bill credits and has substantially recovered these amounts as of December 31, 2023. On January 19, 2023, the PSC issued Order for Phase 2 AMP which provided arrears relief for certain residential and small commercial customers that had arrears balances as of May 1, 2022, which were not eligible for Phase 1. Central Hudson processed approximately \$22.4 million in credits in 2023, which will be recovered over a seven-year period via a surcharge. Central Hudson does not anticipate any further credits will be issued under these AMP programs.

On May 3, 2023, the 2024 NYS budget signed by the Governor included the appropriation of \$200 million for affordability assistance to provide utility arrears relief to customers. The Department of Public Service ("DPS") will administer the funds in consultation with the Energy Affordability Policy Working Group ("EAPWG"), which includes utilities and other stakeholders. This will provide additional future credits to eligible customers; management estimates funds will be allocated to Central Hudson in the first half of 2024. While credits have provided some relief to customers, they have further impacted customer payment behaviors and the accounts receivable arrears have continued to grow. Central Hudson initiated focused collection efforts beginning in the second half of 2022 for certain customers with large balances in arrears through communications urging payment and notifying customers that finance charges and termination efforts would be forthcoming. Collection efforts have further expanded in 2023, including issuing final termination notices and locking service for non-payment for certain commercial customers. Outreach and collection efforts for residential customers where termination of service has not yet been enforced, have provided some success with a leveling off in the number of customers in arrears. For commercial customers, where the Company has employed full termination activities, collection efforts have generated even greater success with payment or payment arrangements from customers. These efforts have resulted in a reduction to the total amount in arrears for commercial customers. As termination activities are further expanded in 2024, the Company expects to see collection results and customer payment behavior consistent with pre-COVID levels. There has not been a significant change in the economic conditions or customers within the service territory and the Company believes the increasing arrears balances associated with those customers choosing not to pay is not indicative of customers' inability to pay. As such, the Company believes the recorded reserve is reflective of the ultimate expected credit losses.

Management conducted quantitative and qualitative assessments of the allowance for uncollectible accounts as of December 31, 2023, including consideration of the differences in the current customers with arrears compared to past history, differences in payment behaviors of customers, including

economic factors impacting payment behavior compared to the current economic environment and the success of collection efforts to date. Based on its analysis and taking all qualitative factors into consideration, the Company concluded that the reserve of \$11.2 million should be maintained as of December 31, 2023.

Under the terms of the 2021 Rate Order, Central Hudson is authorized to defer bad debt write-offs if they exceed 10 basis points above the amounts billed to customers through delivery rates and applicable surcharges. Accounts written off as uncollectible, which are deferred as uncollectible write-offs are presented in the allowance for uncollectible accounts chart above.

NOTE 3 – Utility Plant – Central Hudson

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

	Estimated Depreciable Life in Years	Utility Plant	
		December 31, 2023	December 31, 2022
Electric:			
Production	25-95	\$ 54,996	\$ 43,767
Transmission	30-90	508,937	469,800
Distribution	8-80	1,313,501	1,247,465
Other	40	7,079	7,060
Total		\$ 1,884,513	\$ 1,768,092
Natural Gas:			
Transmission	19-85	\$ 71,250	\$ 64,679
Distribution	28-95	773,957	723,857
Other	N/A	442	442
Total		\$ 845,649	\$ 788,978
Common:			
Land and structures	50	\$ 117,533	\$ 114,656
Office and other equipment, radios, and tools	8-35	93,295	87,303
Transportation equipment	10-12	87,965	82,520
Other	3-15	177,951	164,317
Total		\$ 476,744	\$ 448,796
Gross Utility Plant		\$ 3,206,906	\$ 3,005,866

The borrowed component of funds used during construction and recorded as a reduction of interest expense was \$3.8 million, \$2.9 million, and \$1.5 million for the years ended December 31, 2023, 2022, and 2021. The equity component of funds used during construction and recorded as a reduction of other income was \$3.3 million, \$0 million, and \$3.0 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Included in the Net Utility Plant balance of \$2.6 billion and \$2.5 billion at December 31, 2023 and 2022 was \$215.5 million and \$195.0 million of intangible utility plant assets, comprised primarily of computer software costs and land, transmission, water, and other rights and the related accumulated amortization of \$111.2 million and \$95.9 million, respectively. Amortization expense for the years 2024-2028 is estimated to be \$15.5 million, \$11.7 million, \$8.9 million, \$6.7 million, and \$5.4 million, respectively.

As of December 31, 2023 and 2022, Central Hudson has reclassified \$50.8 million and \$47.4 million, respectively, of COR recovered through delivery rates in excess of amounts incurred to date from accumulated depreciation to a regulatory liability.

AROs for Central Hudson were approximately \$5.9 million and \$3.1 million as of December 31, 2023 and 2022, respectively. These amounts have been classified in the above chart under "Electric - Other" and "Common - Other" based on the nature of the ARO and are reflected as "Other - long-term liabilities" in the CH Energy Group and Central Hudson Balance Sheets.

NOTE 4 – Regulatory Matters

Summary of Regulatory Assets and Liabilities

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

	December 31, 2023	December 31, 2022
Regulatory Assets:		
Deferred purchased electric costs (Note 1)	\$ 32,972	\$ 43,490
Deferred purchased natural gas costs (Note 1)	586	16,923
Deferred unrealized losses on derivatives—electric and natural gas (Note 16)	12,499	14,034
RAM – electric	16,976 ⁽³⁾⁽⁴⁾	16,109
RAM – natural gas	3,890 ⁽³⁾⁽⁴⁾	1,560
EAMs – electric	8,235	7,140
RDM and carrying charges – electric	5,638	2,064
RDM and carrying charges – natural gas	7,720	4,511
Energy efficiency programs	35,772	28,829
Electric vehicle ("EV") make ready program and carrying charges	4,676	1,879 ⁽²⁾
Demand management programs	5,796	7,359
Deferred and accrued SIR costs (Note 14)	61,340	71,436
Deferred storm costs	59,253	41,846
Deferred vacation pay accrual	8,760	9,010
Income taxes recoverable through future rates	37,807	42,704
Tax reform – unprotected impacts (Note 5)	23,733	23,733
Deferred interest cost	5,443	1,013 ⁽²⁾
AMP and carrying charges	21,842	3,102
Uncollectible write offs	948 ⁽³⁾	4,130 ⁽⁴⁾
Other	10,814 ⁽¹⁾	11,177 ⁽¹⁾⁽²⁾⁽⁴⁾
Total Regulatory Assets	\$ 364,700	\$ 352,049
Less: Current Portion of Regulatory Assets	\$ 110,621	\$ 125,980
Total Long-term Regulatory Assets	\$ 254,079	\$ 226,069
Regulatory Liabilities:		
Rate moderator – electric	\$ 27,786	\$ 16,376
Rate moderator – natural gas	9,745	8,739
Deferred unrealized gains on derivatives – electric and natural gas (Note 16)	161	315
CEF and carrying charges	49,664	49,027
Tax reform – protected deferred tax liability (Note 5)	145,859	176,075
Deferred COR (Note 3)	50,826	47,357
Deferred pension costs (Note 12)	121,166	74,898
Deferred property taxes	4,969	2,109 ⁽²⁾
Income taxes refundable through future rates	11,887	10,711
Deferred OPEB costs (Note 12)	32,633	24,652
Energy Affordability Program ("EAP")	3,776	4,428
Net plant and depreciation targets	4,072 ⁽⁵⁾	764 ⁽²⁾
Fast charging infrastructure program and carrying charges	5,556	5,516
NRAs	8,282	2,597
Deferred unbilled revenue	5,082	5,082
Utility asset sale to Transco	4,338	4,338

Other	2,436 ⁽¹⁾	4,354 ⁽¹⁾⁽²⁾
Total Regulatory Liabilities	<u>\$ 488,238</u>	<u>\$ 437,338</u>
Less: Current Portion of Regulatory Liabilities	<u>\$ 62,647</u>	<u>\$ 75,053</u>
Total Long-term Regulatory Liabilities	<u>\$ 425,591</u>	<u>\$ 362,285</u>
Net Regulatory Liabilities	<u>\$ (123,538)</u>	<u>\$ (85,289)</u>

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

(2) Certain amounts included in Other related to prior periods, have been reclassified to conform to the December 31, 2023 presentation.

(3) Approximately \$6.0 million and \$1.2 million of electric and natural gas uncollectible write-offs were transferred to the electric and natural gas RAM at December 31, 2023, respectively.

(4) Approximately \$3.0 million and \$1.1 million of electric and natural gas uncollectible write-offs and \$2.1 million and \$0.6 million of electric and natural gas lost finance charge revenue at December 31, 2022 were transferred to the electric and natural gas RAM, respectively at December 31, 2023.

(5) Included in Net plant and depreciation targets is approximately \$2.6 million related to revenues set aside for the return to customers associated with a system replacement that was postponed.

The significant regulatory assets and liabilities include:

RAM: Mechanism prescribed in the 2021 Rate Order to recover from or refund to customers certain previously deferred balances up to annual threshold amounts prescribed during the term of the Rate Order. Deferred balances that may be recovered through the RAM include major storms costs, EE programs, environmental SIR costs in excess of the three-year cumulative rate allowance, incentives earned, unencumbered NRAs, deferred property taxes, uncollectible accounts, finance charges, and accrued carrying charges.

EAMs: EAMs to be recovered from customers for incentives earned related to EE targets met as prescribed in the 2021 Rate Order.

RDM and carrying charges: Mechanism prescribed in the 2021 Rate Order to recover from or refund to customers the difference between actual revenues and forecasted revenues.

EE Programs: This regulatory asset represents amounts spent on Central Hudson's internally administered programs in excess of amounts collected in rates.

EV Make Ready Program: The regulatory asset represents amounts spent to support the infrastructure and equipment necessary to accommodate increased electricity demands associated with the deployment of EVs, as prescribed in Case 18-E-0138.

Demand Management Programs: This regulatory asset represents deferred balances for costs incurred and incentives earned in excess of amounts collected related to Central Hudson's Non-Wires Alternative and Dynamic Load Management initiatives.

Deferred Storm Costs: Central Hudson's rates include a collection of funds for a major storm reserve, which are deferred as an offset against incremental costs incurred for major storm restoration. Incremental costs incurred in excess of the reserve funds are authorized to be collected in the current rate term via the RAM, to the extent sufficient.

Deferred Vacation Pay Accrual: In accordance with Rate Order 84-2 a regulatory asset has been established to offset the accrued vacation liability since the accrued compensation is included in future allowable costs on an as paid basis and there is reasonable assurance of recovery.

Income Taxes Recoverable: This regulatory asset has been established to offset certain deferred tax liabilities because Central Hudson believes it is probable that they will be recoverable from customers.

Deferred Interest Cost: This regulatory asset represents the deferral of actual interest costs above levels included in rates in the current delivery rate structure.

AMP and carrying charges: This regulatory asset represents the deferral of amounts credited to customers, net of funding from NYS, which is being collected through a surcharge effective August 1, 2022, as approved by the PSC in the under Case 20-M-0479.

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

Rate Moderator – Electric and Natural Gas: This regulatory liability balance represents the net balance after offset under the terms of the 2021 Rate Orders, which were and will be used for future customer rate moderation, as well as deferred Danskammer Generating Station delivery revenues for future natural gas rate moderation.

CEF: This regulatory liability represents amounts collected from customers primarily under the CEF, the Renewable Portfolio Standards and System Benefit Charge (as prescribed in the CEF 2021 Rate Order), in excess of amounts remitted to the New York State Energy Research and Development Authority (“NYSERDA”) to fund its EE programs.

Deferred Property Taxes: This regulatory liability represents amounts deferred for the benefit of or recovery from customers up to 90% of any difference between actual property tax expense and the amounts provided in rates for each Rate Year. Central Hudson’s portion is limited to 5 basis points, with a maximum of approximately \$0.6 million, pre-tax per Rate Year.

Income Taxes Refundable: This regulatory liability was established to offset certain deferred tax assets because Central Hudson believes it is probable that the related balances will be refundable to customers.

EAP: This regulatory liability represents deferred balances for amounts collected in excess of credits provided for EAPs.

Net Plant and Depreciation Targets: This regulatory liability represents a deferral of the revenue requirement effect of net plant in service and depreciation expense below the defined targets as prescribed in the 2021 Rate Order.

Fast Charging Infrastructure Program and carrying charges: This regulatory liability represents amounts provided by NYSERDA and collected from customers to fund the fast-charging stations’ annual incentive payments, as prescribed under Case 18-E-0138.

NRA: This regulatory liability represents the deferral of revenue for the future benefit of customers resulting from performance metrics below the 2021 Rate Order targets.

Deferred Unbilled Electric and Natural Gas Revenue: On July 20, 2016, the PSC issued the “Order Approving Accounting Change with Modification”, allowing Central Hudson to realize unbilled revenue as revenue on the income statement, but required that \$5.1 million of unbilled revenues remain as a regulatory liability.

Utility Asset Sale to Transco: This regulatory liability represents the gain on the sale of a utility asset to Transco, which has been deferred for the benefit of customers in accordance with Case 22-E-0077.

In terms of the expected timing for recovery, regulatory asset balances reflect the following amounts (In Thousands):

	December 31,	
	2023	2022
Balances with offsetting accrued liability balances recoverable when future costs are actually incurred:		
Income taxes recoverable through future rates	\$ 37,807	\$ 42,704
Deferred unrealized losses on derivatives - electric	12,092	13,075
Deferred unrealized losses on derivatives - natural gas	407	959
Accrued SIR costs	61,340	69,832
Deferred ARO	1,077	823
Deferred vacation pay accrual	8,760	9,010
	<u>\$ 121,483</u>	<u>\$ 136,403</u>
Balances earning a return via inclusion in rates and/or the application of carrying charges:		
AMP ⁽²⁾	17,401	-
EE programs	\$ 35,772	\$ 28,829
Uncollectible write-offs	948	4,130
Deferred storm costs	59,253	41,846
EV make ready program ⁽²⁾	4,314	1,801
Tax reform - unprotected impacts	23,733	23,733
Other ⁽²⁾	17,806	7,121
	<u>\$ 159,227</u>	<u>\$ 107,460</u>
Subject to current recovery:		
Deferred purchased electric costs	\$ 32,972	\$ 43,490
Deferred purchased natural gas costs	586	16,923
RAM - electric and natural gas	20,865	17,669
EAMs - electric and natural gas	8,312	7,140
RDM - electric and natural gas	13,358	6,575
Demand management programs ⁽¹⁾	2,046	7,359
Lost finance charge revenue	-	2,746
AMP and carrying charges ⁽²⁾	4,441	3,102
Other	3,640	4,562
	<u>\$ 86,220</u>	<u>\$ 109,566</u>
Accumulated carrying charges:		
Carrying charges balancing	\$ (2,230)	\$ (1,380)
	<u>\$ (2,230)</u>	<u>\$ (1,380)</u>
Total Regulatory Assets	<u>\$ 364,700</u>	<u>\$ 352,049</u>

⁽¹⁾ These amounts are subject to recovery over prescribed PSC timeframes unique to each program (most over 5 or 10 years). Balances subject to recovery over a period greater than 1 year are authorized to earn carrying charges at the pre-tax weighted average cost of capital.

⁽²⁾ Certain amounts shown for the period ended December 31, 2022 have been reclassified to conform to the December 31, 2023 presentation.

PSC Proceedings

2018 Rate Order / 2021 Rate Order

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

The 2021 Rate Order adopts the terms set forth in the August 24, 2021 Joint Proposal. The 2021 Rate Order also fully resolved all issues associated with the Sales Tax Refund Proceeding (Case 20-M-0134). The 2021 Rate Order was effective December 1, 2021 and included a make-whole provision that

provided new rates effective retroactive to July 1, 2021, with RY 1 through 3 defined as the twelve months ending June 30, 2022, June 30, 2023, and June 30, 2024, respectively.

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

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

⁽¹⁾ ROE > 9.5% and up to 10.0%, is shared 50% to customers, > 10.0% and up to 10.5%, is shared 75% to customers, and > 10.5% is shared 90% to customers.

The 2021 Rate Order utilizes existing regulatory balances to reduce bill impacts for customers during the term of the agreement. The 2021 Rate Order also reflects a postponement of certain capital projects, as well as reductions to operations and maintenance (“O&M”) costs to help manage customer bill impacts. The total electric revenue (decrease)/increase, after bill credits, is (0.2%) for RY1 and 1.2% for RY2 and RY3 and the total natural gas revenue increase, after bill credits, is 1.9% for RY1 and 1.8% for RY2 and RY3. The rate plan also includes an allowed ROE of 9.0% and an equity ratio of 50%, 49%, and 48% for RY1 through RY3, respectively.

The 2021 Rate Order:

- establishes the Company’s future energy infrastructure investments, programs, and operations;
- stabilizes electric delivery rates in the first year, with a slight decrease for residential customers;
- reflects modest increases in natural gas delivery rates producing bill impacts just under two percent each RY;
- includes increased electric bill discounts for income qualified households and expanded access into Central Hudson’s EAP;
- reflects investments in clean EE ground and air-source electric heat pumps, EV charging, and system upgrades that support utilization of renewable sources;
- implements 10 EAMs, which reflect a maximum earnings potential of 100 basis points;
- maintains the current Customer Average Interruption Duration Index (“CAIDI”) metric and reflects increasingly stringent System Average Interruption Frequency Index (“SAIFI”) targets, continues and further enhances existing natural gas safety performance metrics and public safety programs, and includes higher performance requirements for Customer Service Performance Indicators, with a net increase in total potential NRAs;
- provides Central Hudson with necessary resources to support ongoing O&M and necessary investments to reinforce electric and natural gas system reliability and resiliency through storm hardening, expanded vegetation management/tree trimming, continued investment for leak prone pipe (“LPP”) replacement or elimination, and deployment of new technologies, as well as information technology (“IT”) systems to further protect against cyber security risks; and
- includes several deferrals that authorize the Company to defer COVID-19 incremental O&M Costs, net of savings, lost revenues (finance charges and reconnection fee revenues), and uncollectible write-offs.

2023 Rate Case Filing

On July 31, 2023, Central Hudson filed electric and natural gas rate Cases 23-E-0418 and 23-G-0419 with the PSC requesting increases in electric and natural gas delivery rates to be effective July 1, 2024. The main drivers of the rate filing include (1) replacement of aging or obsolete infrastructure (2) workforce expansion (3) capitalization costs (4) major storm restoration costs and (5) program costs in support of New York's clean energy goals and bill affordability.

DPS Staff ("Staff") and intervenor testimony was filed on November 21, 2023. Central Hudson and certain intervenors filed rebuttal testimony on December 19, 2023. As of rebuttal, the Company is seeking approval of an increase of \$139.4 million in its electric delivery revenue and \$44.2 million in its natural gas delivery revenues. Evidentiary hearings are being held in January and Initial and Reply Briefs are expected through March 2024. A Recommended Decision by the Administrative Law Judges ("ALJ") assigned to the proceeding is expected in April with a final Order expected to be issued in June 2024. If approved, the 12-month rate proceeding is expected to increase Central Hudson's revenue, cash flow and earnings. No prediction can be made as to the final outcome of the rate filing.

FERC SDU Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO OATT to establish a Facilities Charge for SDUs being installed on Central Hudson's transmission facilities, which are required to provide four large generating facility developers with capacity resource interconnection service. This charge provides Central Hudson with full recovery of and return on all reasonably incurred costs related to the development, construction, operation, and maintenance of the SDU and a reasonable return on its investment. FERC approved an Offer of Settlement on October 4, 2021, which included a ROE of 9.4% plus a 50-basis point adder for a total ROE of 9.9%. Project costs are to be recovered by Central Hudson and allocated to the Load Serving Entities pursuant to Rate Schedule 12 of the NYISO OATT plus O&M and other applicable costs. The FERC formula was posted for comment on the NYISO website on April 14, 2023, which included estimated project costs of \$9.8 million plus O&M and other applicable costs. The FERC formula rate was filed with FERC on May 15, 2023, for collection over the period June 2023 through May 2024. The FERC formula rate will be updated annually going forward.

Energy Affordability & COVID-19 Proceeding

On June 11, 2020, the PSC established a new proceeding, Case 20-M-0266, to identify and address the effects of the COVID-19 pandemic on utility service in NYS. The proceeding included, but is not limited to, impacts on rate-setting, rate design, utility financial strength, low-income programs, collections, and termination of service.

On August 12, 2021, the PSC issued an Order in Case 14-M-0565 adopting modifications to the utilities' EAP for low-income customers, establishing an EAPWG, and directing the utilities to file several compliance filings. Central Hudson is an active participant in the EAPWG, which continues to address various aspects of the Order, including an AMP designed to forgive a portion of the utility arrears accrued during the COVID-19 pandemic.

On April 7, 2022, \$250 million was approved in the NYS budget to provide funding for utility arrears relief for customers eligible for EAP. On June 16, 2022, the PSC approved Phase 1 of the AMP, whereby residential utility customers who received income-qualified government assistance for utility bills and other expenses and had past-due balances for service through May 1, 2022, would have those balances forgiven. The Phase 1 program was funded in part through the \$250 million in NYS relief, \$2.8 million of which was dispersed to Central Hudson. The remainder of the program cost was recovered over a one-year period through a temporary surcharge on utility bills not to exceed a 0.5% bill impact for residential customers.

On January 19, 2023, the PSC issued an Order for Phase 2 AMP providing arrears relief for certain residential and small commercial customers with arrears balances as of May 1, 2022, which were not eligible for Phase 1. Central Hudson processed approximately \$22.4 million in credits in 2023, which will be recovered over a seven-year period via a surcharge. The Company was directed to utilize deferred economic development balances to offset a portion of the program cost.

The 2024 State budget signed by the Governor on May 3, 2023, included the appropriation of \$200 million for affordability assistance to utility customers. The 2024 State budget also requires Staff to establish a new, expanded discount program in consultation with the EAPWG to provide relief to customers that do not currently qualify for EAPs, but earn less than the state median income, as well as establish an Energy Affordability Guarantee designed to ensure that participating residential customers in the NYSEERDA EmPower Plus Program have electric utility cost burdens less than 6% of household income. The final appropriation of the \$200 million to the utilities and their customers is still in process.

Customer Information System (“CIS”) Show Cause Order

During the March 2022 PSC session, the PSC directed Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents. In connection with that investigation, the Company has answered numerous data requests regarding the CIS implementation. On December 15, 2022, the PSC issued its Order to Commence Proceeding and Show Cause, under Case 22-M-0645. The Order discussed issues related to the CIS project, including system defects, training, testing, staffing, and cited alleged apparent violations of Public Service Law (“PSL”), New York Codes, Rules and Regulations, and prior PSC Orders. Central Hudson filed its response on January 17, 2023, acknowledging the unintended disruptive impact on customers affirmed that the Company did not violate the PSL, rules, or Commission Orders and that neither penalties under PSL § 25, 25-a nor a prudence review is warranted. Central Hudson cited in its response its legal position that the Office of Investigation and Enforcement report misinterpreted or misapplied specific sections of statutes, rules, and Commission Orders.

On July 27, 2023, the Company entered into an Interim Agreement with the DPS, which references Central Hudson’s continued efforts to improve billing and customer service since the deployment of its new CIS and reiterates its commitment to investigate all complaints of billing errors and to promptly refund any overpayments. The Interim Agreement also announced Central Hudson’s plans to accelerate the roll out of monthly meter reading and outlines mutually agreed upon terms of an independent third-party review and verification of the accuracy of the data and billings issued from the new CIS. The independent third-party review is on-going, and their report of initial findings is due February 29, 2024.

Agway Energy Services LLC Petition (“Agway”)

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

On March 18, 2022, Central Hudson filed its Verified Motion to Dismiss and Opposition to the Petition of Agway for a Declaratory Ruling (“Motion”). The Motion argues that the Petition should be dismissed because it is not a proper Petition for Declaratory Ruling because it fails to seek a PSC interpretation to a statute or rule and is deficient because it fails to allege a specific violation of either the UBP or BSA. Central Hudson’s Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC’s jurisdiction to provide. On June 24, 2022, the Company entered mediation with Agway and held weekly meetings to discuss, investigate, and resolve issues. On March 21, 2023, Agway filed a Motion of Agway Energy Services, LLC for an Initial Decision and Request to Supplement the Record. Central Hudson filed its response on March 29, 2023. On September 19, 2023, Central Hudson and Agway agreed to change the cadence of the meetings to monthly.

Sale of Utility Asset to Transco

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

NOTE 5 – Income Tax

Uncertain Tax Positions

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

On April 14, 2023, the IRS issued Revenue Procedure 2023-15 (“REV Proc”). The Company has assessed its methodology related to certain repair deductions taken for income tax purposes. As a result of this, the Company intends to file a change in accounting method with the filing of its 2023 Federal Income Tax Return. The Company re-assessed the deduction taken for the 2012-2023 tax years under the new methodology, recording an increase to the net operating loss deferred tax asset, with an offsetting increase to the repair deferred tax liability of \$27.3 million.

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

	Year Ended December 31,	
	2023	2022
Unrecognized tax benefits balance, beginning of the period	\$ 10,538	\$ 10,640
Additions related to the current year	\$ 1,228	\$ 1,336
Decreases related to the prior year	\$ (3,492)	\$ (1,438)
Unrecognized tax benefits balance, end of the period	\$ 8,274	\$ 10,538
Offset per ASU No. 2013-11 ⁽¹⁾	\$ -	\$ (10,538)
Impact of REV Proc 2023-15	\$ (8,274)	\$ -
Tax reserve balance, end of the period	\$ -	\$ -

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

Income Tax Examinations

Jurisdiction	Tax Years Open for Audit
Federal	2020-2022
New York State	2020-2022

Components of Tax Reform Regulatory Balances

As a result of the Tax Cuts and Jobs Act, the Company was required to revalue its deferred tax assets and liabilities at the federal corporate income tax rate of 21%. Central Hudson recorded a regulatory liability due to the revaluation of plant related deferred tax liabilities, which are protected under tax normalization rules. The regulatory liability is adjusted monthly to reflect the amortization of the balance to the income statement under the tax normalization rules. The Company also recorded a regulatory asset due to the revaluation of all other deferred tax balances, which are not subject to the normalization rules. The excess deferred tax balance of \$23.7 million as of December 31, 2023 and 2022 is expected to be addressed in the Company's 2023 rate case filing discussed above.

The following is a summary of Central Hudson's activity in its regulatory liability balance related to the protected deferred tax liability (In Thousands):

	December 31, 2023	December 31, 2022
Protected regulatory liability, beginning of the period	\$ 176,075	\$ 179,900
Amortization of protected tax liability	(533)	(3,825)
Adoption of REV Proc 2023-15	1,483	-
Balance Sheet reclassification of unprotected liability ⁽¹⁾	(31,166)	-
Protected regulatory liability, end of the period	\$ 145,859	\$ 176,075

⁽¹⁾ Reclassification of non-depreciation plant related deferred taxes to the rate moderator for Rate Year 3, per the 2021 Rate Order.

The unprotected regulatory tax asset consisted of an excess deferred tax asset balance, which was partially offset by a regulatory liability resulting from the overcollection of tax from the effective date of the Tax Cuts and Jobs Act and the date delivery rates were reset. The excess deferred tax balance of \$23.7 million on December 31, 2023, and 2022 will be addressed in the Company's next rate case filing.

Inflation Reduction Act of 2022

In August 2022, the President signed into law the Inflation Reduction Act of 2022 (“IRA”), which enacted several changes to federal tax law. These changes include the introduction of a new 15% corporate Alternative Minimum Tax on applicable corporations which became effective for tax years ending after May 1, 2023. Enactment of the new law had no material impact to Central Hudson or CH Energy Group’s results of operations or cash flows for the year ended December 31, 2023. The IRA also includes numerous tax credits which currently do not apply to Central Hudson and CH Energy Group.

NYS 2022 and 2024 Budget Bill

On April 6, 2021, the NYS fiscal year 2022 budget bill was enacted. The budget bill included an increase in the corporate tax rate for businesses with taxable income over \$5 million from 6.5% to 7.25% for tax years beginning on or after January 1, 2021, and ending before January 1, 2024, and extended the capital base tax rate of 0.1875%, which was previously set to phase out in 2021. The NYS fiscal year 2024 budget bill enacted on May 3, 2023, further extended both the 7.25% corporate tax rate for businesses with taxable income over \$5 million through tax years ending on or before January 1, 2027, and the capital base tax to phase out for tax years beginning on and after January 1, 2027. CH Energy Group and Central Hudson had state net operating losses (“NOLs”) that reduced taxable income below the \$5 million threshold for the tax years ended December 31, 2023 and 2022. The state NOLs are expected to reduce the taxable income below the \$5 million threshold for the remaining duration of the increased tax rate period and, therefore, that tax increase is not expected to have an impact on the Company’s earnings or cash flows. Both CH Energy Group and Central Hudson expect to be subject to the capital base tax during this period. For the years ended December 31, 2023 and 2022, Central Hudson recorded \$2.1 million and \$1.8 million of capital base tax, respectively. Capital base tax is included in “Taxes, other than income tax” in the CH Energy Group and Central Hudson Statements of Income. The increase in capital base tax is included in the tax calculation used to set rates in the 2021 Rate Order.

Reconciliations

The following are reconciliations 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 and Central Hudson’s Statement of Income (In Thousands):

CH Energy Group

	Year Ended December 31,		
	2023	2022	2021
Net income	77,778	\$ 79,133	\$ 73,953
Current federal income tax expense/(benefit)	57	64	(62)
Current state income tax expense/(benefit)	23	(2)	225
Deferred federal income tax expense	15,611	15,334	11,897
Deferred state income tax expense	5,765	5,784	4,756
Income before income taxes	<u>99,234</u>	<u>\$ 100,313</u>	<u>\$ 90,769</u>
Computed federal tax at 21%	20,839	\$ 21,066	\$ 19,061
State income tax net of federal tax benefit	4,572	4,568	3,935
Amortization of protected deferred tax liability ⁽¹⁾	(2,159)	(2,356)	(3,093)
Depreciation flow-through	(13)	349	(552)
COR	(1,549)	(2,348)	(2,220)
Other	(234)	(99)	(315)
Total income tax expense	<u>21,456</u>	<u>\$ 21,180</u>	<u>\$ 16,816</u>

Effective tax rate - federal	15.8%	15.3%	13.0%
Effective tax rate - state	5.8%	5.8%	5.5%
Effective tax rate - combined	21.6%	21.1%	18.5%

(1) Under normalization rules, plant-related deferred taxes reverse at the same rate as the original deferral.

Central Hudson

	Year Ended December 31,		
	2023	2022	2021
Net income	\$ 75,748	\$ 78,092	\$ 73,623
Current federal income tax benefit	(14)	(10)	-
Deferred federal income tax expense	14,911	14,988	11,313
Deferred state income tax expense	5,767	5,553	4,795
Income before income taxes	\$ 96,412	\$ 98,623	\$ 89,731
Computed federal tax at 21%	\$ 20,246	\$ 20,711	\$ 18,844
State income tax net of federal tax benefit	4,556	4,387	3,788
Amortization of protected deferred tax liability ⁽¹⁾	(2,159)	(2,356)	(3,093)
Depreciation flow-through	(13)	349	(552)
COR	(1,549)	(2,348)	(2,220)
Other	(417)	(212)	(659)
Total income tax expense	\$ 20,664	\$ 20,531	\$ 16,108
Effective tax rate - federal	15.4%	15.2%	12.6%
Effective tax rate - state	6.0%	5.6%	5.4%
Effective tax rate - combined	21.4%	20.8%	18.0%

(1) Under normalization rules, plant-related deferred taxes reverse at the same rate as the original deferral.

For the years ended December 31, 2023, 2022, and 2021, the combined effective tax rates for CH Energy Group and Central Hudson are lower than the statutory rate due to tax normalization rules and the timing of flow through tax items related to capital expenditures. For the year ended December 31, 2021, the lower effective tax rate in relation to the comparable periods is primarily driven by lower income before taxes, which is subject to the statutory rate.

The following is a summary of the components of deferred taxes as reported in CH Energy Group's Consolidated Balance Sheets (In Thousands):

	December 31,	
	2023	2022
Accumulated Deferred Income Tax Asset:		
Unbilled revenues	\$ 1,794	\$ 6,603
Federal R&D credit carryforward	1,421	1,058
Tax reform - protected deferred tax liability	38,366	46,606
Income taxes refundable through future rates	11,887	10,711
Federal NOL carryforwards	66,723	28,504
New York State NOL carryforwards, net of federal benefit	23,990	12,854
CEF	3,534	5,075
Rate moderator	9,809	6,564
CIAC	9,941	10,154
Directors and officers deferred compensation	13,664	13,263
Deferred property taxes	1,299	-
COR	8,598	6,209
Utility asset sale to Transco	1,134	1,134
R&D costs	1,584	696
Fast charging infrastructure	1,452	1,442
SIR costs and recovery	2,865	637

EAP	987	1,134
Other	5,286	1,932
Accumulated Deferred Income Tax Asset	\$ 204,334	\$ 154,576
Accumulated Deferred Income Tax Liability:		
Depreciation	\$ 283,093	\$ 273,857
Repair allowance	3,518	3,718
Pension costs	2,318	1,860 ⁽¹⁾
Repair deduction	165,395	120,815
EAM	2,173	1,862
OPEB	3,835	2,073
Income taxes recoverable through future rates	19,122	21,030
Tax reform - unprotected deferred tax asset	6,203	6,203
AMP	5,682	836 ⁽¹⁾
RDM	3,680	1,718
Demand management programs	1,514	1,923
Purchased electric costs	8,617	11,366
Purchased natural gas costs	153	4,423
Storm costs	15,486	10,936
RAM	5,453	4,618
Transco investment	2,033	1,735
Other	6,751	1,964 ⁽¹⁾
Accumulated Deferred Income Tax Liability	\$ 535,026	\$ 470,937
Net Deferred Income Tax Liability	\$ 330,692	\$ 316,361

⁽¹⁾ Certain amounts included in Other related to prior periods have been reclassified to conform to the December 31, 2023 presentation.

The following is a summary of the components of deferred taxes as reported in Central Hudson's Balance Sheet (In Thousands):

	December 31,	
	2023	2022
Accumulated Deferred Income Tax Asset:		
Unbilled revenues	\$ 1,794	\$ 6,603
Federal R&D credit carryforward	1,421	1,058
Tax reform - protected deferred tax liability	38,917	47,048
Income taxes refundable through future rates	11,887	10,711
Federal NOL carryforwards	67,248	28,866
New York State NOL carryforwards, net of federal benefit	24,148	12,989
CEF	3,534	5,075
Rate moderator	9,809	6,564
SIR cost and recovery	2,865	637
CIAC	9,941	10,154
Directors and officers deferred compensation	13,664	12,932
COR	8,598	6,209
Fast charging infrastructure	1,452	1,442
Deferred property taxes	1,299	-
EAP	987	1,134
Utility asset sale to Transco	1,134	1,134
R&D costs	1,584	696
Other	4,213	1,586
Accumulated Deferred Income Tax Asset	\$ 204,495	\$ 154,838

Accumulated Deferred Income Tax Liability:

Depreciation	\$ 282,846	\$ 273,555
Repair allowance	3,518	3,718
Pension costs	2,318	3,896 ⁽¹⁾
Repair deduction	165,395	120,815
EAM	2,173	1,862
OPEB	3,835	2,073
Income taxes recoverable through future rates	19,122	21,030
Tax reform - unprotected deferred tax asset	6,203	6,203
AMP	5,682	836 ⁽¹⁾
RDM	3,680	1,718
Demand management programs	1,514	1,923
Purchased electric costs	8,617	11,366
Purchased natural gas costs	153	4,423
Storm costs	15,486	10,936
RAM	5,453	4,618
Other	6,746	467 ⁽¹⁾
Accumulated Deferred Income Tax Liability	\$ 532,741	\$ 469,439
Net Deferred Income Tax Liability	\$ 328,246	\$ 314,601

⁽¹⁾ Certain amounts included in Other related to prior periods, have been reclassified to conform to the December 31, 2023 presentation.

NOTE 6 – Investments in Unconsolidated Affiliates

In April 2019, National Grid and Transco were awarded the Segment B portion of one of their proposals related to the Alternating Current Transmission Order with NYISO for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid (“AC Project”). Transco is authorized to earn a return on equity invested in the project, up to 53% of the project cost, of 9.65%, with up to an additional 1% available for incentives. The project has an estimated cost of \$600 million plus interconnection costs and CHET’s 6.1% share of the equity funding requirement, as an owner of this project in Transco, is expected to be \$19.4 million, not including interconnection costs. As of December 31, 2023, CHET has made capital contributions of \$23.0 million to Transco to fund a portion of the Segment B project costs plus interconnection costs. At December 31, 2023 and 2022, CHET’s total investment in Transco for all projects was approximately \$29.7 million and \$23.5 million, respectively.

On June 20, 2023, a proposal by Transco, in partnership with the New York Power Authority (“NYPA”) was selected as the most cost-efficient project by the NYISO in response to a solicitation for the Long Island Offshore Wind Export Public Policy Transmission Need to provide transfer capability of at least 3,000 megawatts (“MW”)s from the Long Island transmission district to the Consolidated Edison transmission infrastructure. Transco is authorized to earn a return on equity invested in the project of 10.7%, with up to an additional 1.25% available for incentives. This project, titled Propel NY Energy Project, will cost Transco approximately \$2.2 billion, excluding certain interconnection costs that are not yet finalized. CHET’s contribution for the Propel NY Energy Project will be 10% of Transco’s ownership interest in the project.

During the first quarter of 2022, CHEC received a final distribution from one of its remaining investments following termination of the partnership, and there is no remaining value associated with CHEC’s equity investments.

NOTE 7 – Research and Development

Central Hudson's R&D expenditures were \$4.3 million in 2023, \$3.6 million in 2022, and \$4.1 million in 2021. These expenditures were for internal research programs and for contributions to research administered by NYSERDA, the Electric Power Research Institute and other industry organizations.

NOTE 8 – Leases

On December 31, 2023, CH Energy Group did not have any leases other than leases from Central Hudson. Central Hudson's leasing activities accounted for as operating leases include office facilities and equipment with remaining terms of approximately one to six years and communication tower space with remaining terms of approximately three to 13 years including options to renew existing leases for an additional 10 to 15 years. Most leases include one or more options to renew, with renewal terms that may extend the lease term from 15 to 20 years. Certain lease agreements include periodic escalation clauses based on an index or fixed rate or require Central Hudson to pay real estate taxes, insurance, maintenance, or other operating expenses associated with the lease premises.

The following table details supplemental balance sheet information related to CH Energy Group and Central Hudson's operating leases (In Thousands):

Leases	Classification	December 31, 2023	December 31, 2022
Operating Lease Assets	Other Assets	\$ 2,591	\$ 3,082
Current operating lease liabilities	Other Current Liabilities	\$ 444	\$ 470
Noncurrent operating lease liabilities	Other Liabilities	2,315	2,759
Total Lease Liabilities		\$ 2,759	\$ 3,229

Operating and variable lease costs, as well as short-term lease costs for the years ended December 31, 2023, 2022, and 2021, were not material to CH Energy Group or Central Hudson's results of operations.

As of December 31, 2023, CH Energy Group and Central Hudson had the following minimum future maturities of operating lease liabilities (In Thousands):

Year Ending December 31,	Operating Leases
2024	\$ 525
2025	469
2026	422
2027	414
2028	420
Thereafter	874
Total Lease Payments	\$ 3,124
Less: imputed interest	365
Total Lease Liabilities	\$ 2,759
Less: current portion	444
Total Non-Current Lease Liabilities	\$ 2,315

The following table includes supplemental information related to CH Energy Group and Central Hudson's operating leases:

	December 31, 2023	December 31, 2022
Weighted-Average Remaining Lease Term (years)	7	9
Weighted-Average Discount Rate	3.14%	3.10%

NOTE 9 – Short-Term Borrowing Arrangements

Committed Credit Facilities

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

The Central Hudson credit agreement includes a covenant that its total funded debt to total capital will not exceed 0.65 to 1.00. Borrowing under the credit agreement is also subject to certain restrictions and conditions, including that there will be no event of default and, subject to certain exceptions, that Central Hudson will not sell, lien or otherwise encumber its assets or enter into certain transactions including certain transactions with affiliates. Central Hudson is also required to pay a commitment fee calculated at a rate based on the applicable Standard and Poor’s (“S&P”) or Moody’s rating on the average daily unused portion of the credit facility. At December 31, 2023, Central Hudson was in compliance with all financial debt covenants.

Uncommitted Credit

At December 31, 2023, CH Energy Group and Central Hudson had \$160 million and \$60 million respectively, in uncommitted short-term credit arrangements. Proceeds from these credit arrangements are used to diversify cash sources and, for Central Hudson, to provide competitive options to minimize its cost of short-term debt.

At December 31, 2022, CH Energy Group entered into \$10 million in uncommitted short-term credit agreements.

On November 3, 2023, CH Energy Group renewed the \$10 million, short-term uncommitted credit agreement with a commercial bank to continue to provide liquidity to meet short term cash needs.

On December 13, 2023, CH Energy Group entered into a \$150 million, short-term uncommitted intercompany credit agreement with FortisUS to provide liquidity for general corporate purposes. At December 31, 2023, there were no outstanding balances under this credit facility.

On December 15, 2022, Central Hudson entered into a \$30 million, short-term uncommitted credit agreement with a commercial bank not included in its current credit facility to provide additional liquidity to its existing portfolio. In December 2023, an amendment was executed to extend the termination date through December 6, 2024. Proceeds received from the new credit agreement are to be used for working capital needs and general corporate purposes.

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

	CH Energy Group		Central Hudson	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Committed credit	\$ 15,000	\$ 90,000	\$ 15,000	\$ 90,000
Uncommitted credit	6,000	15,000	6,000	15,000
Total	\$ 21,000	\$ 105,000	\$ 21,000	\$ 105,000
Weighted Average Interest Rate	6.33%	5.17%	6.33%	5.17%

NOTE 10 – Capitalization – Common and Preferred Stock

Capital Contributions

During 2023, CH Energy Group received a capital contribution of \$73.5 million from FortisUS and Central Hudson received a capital contribution of \$60.0 million from its parent CH Energy Group. Additionally, during 2023 CHET received capital contributions of \$3.2 million from its parent CH Energy Group in order to fund capital expenditures related to the Transco AC project.

During 2022, CH Energy Group received capital contributions of \$54.3 million from its parent FortisUS. Additionally, during 2022, Central Hudson received capital contributions of \$46.0 million from its parent CH Energy Group and CHET received capital contributions of \$7.9 million from its parent CH Energy Group in order to fund capital expenditures related to the Transco AC Project.

During 2021, CH Energy Group received a contribution of approximately \$5.0 million under the tax sharing agreement with its parent FortisUS. Additionally, during 2021, CH Energy Group received capital contributions of \$4.4 million from FortisUS and Central Hudson received a capital contribution of \$6.0 million from its parent company CH Energy Group. During 2021, CHET received capital contributions of \$4.0 million from its parent CH Energy Group in order to fund capital expenditures related to the Transco AC Project.

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

Common Stock Dividends

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The FPA limits the payment of annual dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group, which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation, Central Hudson was restricted to a maximum annual dividend of \$77.0 million, \$76.0 million, and \$71.0 million to CH Energy Group for the periods ended December 31, 2023, 2022, and 2021, respectively. Central Hudson's ability to pay dividends would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below "BBB+" by more than one rating agency, if the stated reason for the downgrade is related to any of CH Energy Group's or Central Hudson's affiliates. Further restrictions are imposed for rating downgrades below this level. In addition, Central Hudson would not be allowed to pay dividends if its average common equity ratio for the 13 months prior to a proposed dividend was more than 200 basis points below the ratio used in setting rates. CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

During 2023, CH Energy Group declared and paid dividends of \$5.4 million to FortisUS, the sole shareholder of CH Energy Group. During 2022 and 2021, CH Energy Group did not pay any dividends to FortisUS.

Central Hudson did not pay any dividends to its parent CH Energy Group in 2023, 2022, and 2021.

During 2023, CHET did not pay dividends to its parent CH Energy Group. During 2022, CHET paid dividends to its parent CH Energy Group of \$1.0 million. CHET did not pay dividends to its parent CH Energy Group during 2021.

CHEC did not pay any dividends to its parent CH Energy Group during 2023 and 2022. CHEC paid dividends of \$1.0 million to its parent CH Energy Group in 2021.

Preferred Stock

Other than one share of Junior Preferred Stock, Central Hudson had no outstanding preferred stock as of December 31, 2023 and 2022.

NOTE 11 – Capitalization – Long-Term Debt

The majority of the long-term debt instruments are redeemable at the discretion of CH Energy Group and Central Hudson, at any time, at the greater of par or a specified price as defined in the respective long-term debt agreements, together with accrued and unpaid interest.

A summary of CH Energy Group's and Central Hudson's long-term debt is as follows (In Thousands):

Series	Maturity Date	December 31, 2023		December 31, 2022	
		Principal	Unamortized Debt Issuance Costs	Principal	Unamortized Debt Issuance Costs
Central Hudson:					
Promissory Notes:					
2006 Series E (5.76%) ⁽⁴⁾	Nov. 17, 2031	\$ 27,000	\$ 136	\$ 27,000	\$ 153
1999 Series B ^{(1),(2)}	Jul. 01, 2034	33,700	181	33,700	199
2005 Series E (5.84%) ⁽⁴⁾	Dec. 05, 2035	24,000	119	24,000	129
2007 Series F (5.804%) ⁽⁵⁾	Mar. 23, 2037	33,000	183	33,000	197
2009 Series F (5.80%) ⁽⁵⁾	Nov. 01, 2039	24,000	172	24,000	183
2010 Series B (5.64%) ⁽⁶⁾	Sep. 21, 2040	24,000	84	24,000	89
2010 Series G (5.716%) ⁽⁶⁾	Apr. 01, 2041	30,000	178	30,000	188
2011 Series G (4.707%) ⁽⁶⁾	Apr. 01, 2042	10,000	79	10,000	83
2012 Series G (4.776%) ⁽⁶⁾	Apr. 01, 2042	48,000	386	48,000	408
2012 Series G (4.065%) ⁽⁶⁾	Oct. 01, 2042	24,000	234	24,000	246
2013 Series D (4.09%) ⁽⁷⁾	Dec. 2, 2028	16,700	51	16,700	62
2014 Series E ^{(7),(11)}	Mar. 30, 2024	30,000	8	30,000	24
2015 Series F (2.98%) ⁽⁷⁾	Mar. 31, 2025	20,000	19	20,000	35
2016 Series H (2.56%) ⁽⁸⁾	Oct. 28, 2026	10,000	25	10,000	35
2016 Series I (3.63%) ⁽⁸⁾	Oct. 28, 2046	20,000	108	20,000	112
2017 Series J (4.05%) ⁽⁸⁾	Aug. 31, 2047	30,000	151	30,000	158
2017 Series K (4.20%) ⁽⁸⁾	Aug. 31, 2057	30,000	161	30,000	166
2018 Series L (4.27%) ⁽⁸⁾	Jun. 15, 2048	25,000	156	25,000	162
2018 Series M (3.99%) ⁽⁸⁾	Oct. 28, 2026	40,000	86	40,000	117
2018 Series N (4.21%) ⁽⁸⁾	Oct. 28, 2033	40,000	162	40,000	179
2019 Series O (3.89%) ⁽⁹⁾	Oct. 28, 2049	50,000	241	50,000	250
2019 Series P (3.99%) ⁽⁹⁾	Oct. 28, 2059	50,000	250	50,000	257
2020 Series Q (3.42%) ⁽⁹⁾	May 14 2050	30,000	154	30,000	160
2020 Series R (3.62%) ⁽⁹⁾	Jul. 14, 2060	30,000	161	30,000	165
2020 Series S (2.03%) ⁽⁹⁾	Sep. 28, 2030	40,000	147	40,000	169
2020 Series T (2.03%) ⁽⁹⁾	Nov. 17, 2030	30,000	122	30,000	139

2021 Series U (3.29%) ⁽⁹⁾	Mar. 16, 2051	75,000	378	75,000	392
2021 Series V (3.22%) ⁽⁹⁾	Oct. 30, 2051	55,000	284	55,000	295
2022 Series W (2.37%) ⁽¹⁰⁾	Jan. 27, 2027	50,000	161	50,000	215
2022 Series X (2.59%) ⁽¹⁰⁾	Jan. 27, 2029	60,000	227	60,000	273
2022 Series Y (5.07%) ⁽¹⁰⁾	Sept. 28, 2032	100,000	452	100,000	504
2022 Series Z (5.42%) ⁽¹⁰⁾	Sept. 28, 2052	10,000	64	10,000	66
2023 Series AA (5.68%) ⁽¹⁰⁾	Mar. 28, 2033	40,000	193	-	-
2023 Series BB (5.78%) ⁽¹⁰⁾	Mar. 28, 2035	15,000	77	-	-
2023 Series CC (5.88%) ⁽¹⁰⁾	Mar. 28, 2038	35,000	189	-	-
2023 Series DD (6.17%) ⁽¹⁰⁾	Nov. 7, 2028	60,000	345	-	-
Total Central Hudson		\$ 1,269,400	\$ 6,124	\$ 1,119,400	\$ 5,810
Less: current portion of long-term debt		(30,000)		-	
Central Hudson Net Long-term Debt		\$ 1,239,400		\$ 1,119,400	
CH Energy Group:					
Promissory Notes:					
2009 Series B (6.80%) ⁽³⁾	Dec. 15, 2025	\$ 4,646	\$ 19	\$ 6,746	\$ 28
Less: current portion of long-term debt		(2,245)		(2,100)	
CH Energy Group Net Long-term Debt		\$ 1,241,801	\$ 6,143	\$ 1,124,046	\$ 5,838

(1) Promissory Notes issued in connection with the sale by NYSEERDA of tax-exempt pollution control revenue bonds.

(2) Variable (auction) rate notes.

(3) The maturity date represents the final repayment date, principal repayments are due semi-annually.

(4) Issued pursuant to a 2004 PSC Order approving the issuance by Central Hudson prior to December 31, 2006, of up to \$85 million of unsecured medium-term notes.

(5) Issued pursuant to a 2006 PSC Order approving the issuance by Central Hudson prior to December 31, 2009, of up to \$120 million of unsecured medium-term notes.

(6) Issued pursuant to a 2009 PSC Order approving the issuance by Central Hudson prior to December 31, 2012, of up to \$250 million of unsecured medium-term notes or other forms of long-term indebtedness.

(7) Issued pursuant to a 2012 PSC Order approving the issuance by Central Hudson prior to December 31, 2015, of up to \$250 million of unsecured medium-term notes or other forms of long-term indebtedness.

(8) Issued pursuant to a 2015 PSC Order approving the issuance by Central Hudson prior to December 31, 2018, of up to \$350 million of unsecured medium-term notes or other forms of long-term indebtedness.

(9) Issued pursuant to a 2018 PSC Order approving the issuance by Central Hudson prior to December 31, 2021, of up to \$425 million of unsecured medium-term notes or other forms of long-term indebtedness.

(10) Issued pursuant to a 2021 PSC Order approving the issuance by Central Hudson prior to December 31, 2024, of up to \$412 million of unsecured medium-term notes or other forms of long-term indebtedness.

(11) Variable rate notes.

On November 7, 2023, Central Hudson issued \$60 million of Series DD 5-year Senior Notes with an interest rate of 6.17% per annum and a maturity date of November 7, 2028. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

On March 28, 2023, Central Hudson issued \$40 million of Series AA, 10-year Senior Notes with an interest rate of 5.68% per annum, \$15 million of Series BB, 12-year Senior Notes with an interest rate of 5.78% per annum, and \$35 million of Series CC, 15-year Senior Notes with an interest rate of 5.88% per annum. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

During 2022, Central Hudson issued \$220 million of unsecured Senior Notes, with various interest rates and maturities. Central Hudson used the proceeds from the sale of the Senior Notes to repay \$23.4 million of maturing debt and for general corporate purposes, including the repayment of short-term borrowings.

At December 31, 2023, Central Hudson had \$30 million of 2014 Series E 10-year notes with a floating interest rate. On May 26, 2023, in anticipation of scheduled sunseting of the LIBOR interest rate on June 30, 2023, Central Hudson executed a second amendment on its 2014 Series E 10-year Variable Rate Note Purchase Agreement to transition the floating interest rate to Term Secured Overnight Financing Rate ("SOFR") plus 1.26% effective July 1, 2023.

To mitigate the potential cash flow impact from unexpected increases in short-term interest rates, Central Hudson purchased a four-year interest rate cap that would have expired on March 30, 2024. The rate cap had a notional amount equal to the outstanding principal amount of the 2014 Series E notes and was based on the quarterly reset of LIBOR rate on the quarterly interest payment dates. On June 16, 2023, Central Hudson also amended the interest rate cap associated with this 2014 Series E variable rate note. The amended rate cap remains at 3%, but is now based on the Term SOFR Rate, with a spread of 0.18%. Central Hudson received a payout of \$0.5 million during the year ended December 31, 2023. Central Hudson received an immaterial payout during the year ended December 31, 2022.

The principal amount of Central Hudson's outstanding 1999 Series B NYSEDA Bonds totaled \$33.7 million at December 31, 2023. These are tax-exempt multi-modal bonds that are currently in a variable rate mode and mature in 2034. To mitigate the potential cash flow impact from unexpected increases in short-term interest rates on Series B NYSEDA Bonds, Central Hudson purchased a one-year interest rate cap on March 30, 2023. The rate cap has a notional amount equal to the outstanding principal amount of the Series B bonds and expires on April 1, 2024. The cap is based on the monthly weighted average of the Securities Industry and Financial Markets Association ("SIFMA") index, multiplied by 1.75%. Central Hudson receives a payout if the adjusted index exceeds 7% for a given month. This interest rate cap replaced a similar interest rate cap that expired on April 1, 2023. Central Hudson received an immaterial payout during the years ended December 31, 2023 and 2022.

See Note 16 – "Accounting for Derivative Instruments and Hedging Activities" for fair value disclosures related to these interest rate cap agreements.

In its 2021 Rate Order, the PSC extended the continued deferral accounting treatment for variations in the interest costs of the 1999 Series B NYSEDA Bonds and the Series E 10-year notes. 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. The regulatory asset or liability related to the variable rate note is included in the "other" category, see Note 4 – "Regulatory Matters".

Long-Term Debt Maturities

See Note 17 – "Other Fair Value Measurements" for a schedule of long-term debt maturing or to be redeemed during the next five years and thereafter.

Financing Petition

Central Hudson 2021 Financing Order

On November 18, 2021, the PSC approved the Company's request in Case 21-M-0365 authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed \$445.7 million, including \$412 million for traditional utility purposes and up to \$33.7 million to refinance its variable interest debt.

Central Hudson 2023 Financing Order

On November 21, 2023, the PSC approved the Company's request in Case 23-M-0286 authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$350 million; and approval to issue and sell new long-term debt from time to time from January 1, 2024 through December 31, 2026, in an aggregate amount not to exceed \$380 million, including \$346.3 million for traditional utility purposes and \$33.7 million to refinance its variable interest debt; and to enter into or continue derivative transactions to hedge interest rate risk associated with its variable rate debt

obligation. This Order replaces the authorization granted in the 2021 Financing Order in Case 21-M-0365.

Debt Covenants

CH Energy Group's \$6.8 million of privately placed notes require compliance with certain covenants including maintaining a ratio of total consolidated debt to total consolidated capitalization of no more than 0.65 to 1.00 and not permitting certain debt, other than the privately placed notes, associated with the unregulated operations of CH Energy Group to exceed 10% of total consolidated assets.

Central Hudson, under the terms of the various note purchase agreements, is subject to similar financial covenants and restrictions to those of CH Energy Group, including restrictions with respect to Central Hudson's indebtedness and assets. As of December 31, 2023, CH Energy Group and Central Hudson were in compliance with all covenants.

NOTE 12 – Post-Employment Benefits

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

Pension Benefits

Central Hudson has a non-contributory Retirement Plan covering substantially all of its employees hired before January 1, 2008 and a non-qualified SERP for certain executives. The Retirement Plan is a defined benefit plan, which provides pension benefits based on an employee's compensation and years of service. In 2007, Central Hudson amended the Retirement Plan to eliminate these benefits for managerial, professional, and supervisory employees hired on or after January 1, 2008. The Retirement Plan for unionized employees was similarly amended for all employees hired on or after May 1, 2008. As of December 31, 2023, 24% of all active employees were eligible to participate in the Retirement Plan. The Retirement Plan's assets are held in a trust fund. Central Hudson has provided periodic updates to the benefit formulas stated in the Retirement Plan.

Central Hudson's funded status for Pension benefits was \$111.4 million at December 31, 2023 and \$57.8 million at December 31, 2022. The fluctuation in Central Hudson's prefunded status of approximately \$53.6 million was the result of an increase in the plan assets of approximately \$68.2 million, partially offset by the increase of \$14.6 million in PBO liabilities. The increase in plan assets was driven by investment gains, partially offset by the increase in liabilities driven by a decrease in the discount rate.

The funded status includes the difference between the PBO for the Retirement Plan and the market value of the pension assets, net of any liability for the non-qualified SERP. The funded status does not reflect approximately \$29.9 million and \$39.7 million of SERP trust assets at December 31, 2023 and 2022.

The employer contributions at December 31, 2023 were in excess of the cumulative amount of net periodic benefit cost by \$2.7 million. The cumulative amount of net periodic benefit cost in excess of employer contributions at December 31, 2022 was \$9.6 million. This does not include any cumulative contributions to the SERP as it is a non-qualified plan.

The difference between these amounts and the prefunded assets, totaling \$108.5 million at December 31, 2023 and \$67.3 million at December 31, 2022, represents the required funded status adjustment and will be recognized in Central Hudson's future expense. 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 OCI, net of tax. However, Central Hudson has PSC approval to record regulatory assets or liabilities rather than adjusting comprehensive income to offset the funding status adjustment for amounts recoverable from customers in future rates. Therefore, these funded status adjustments have been recorded as a regulatory asset for the portion recoverable from Central Hudson customers in accordance with the 1993 PSC Policy and as OCI for the portion, relates to a former Central Hudson officer who transferred to an affiliated company. These amounts reported as OCI are charged to and reimbursed by the affiliated company.

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

	December 31, 2023	December 31, 2022
Prefunded pension costs ⁽¹⁾⁽²⁾	\$ 111,403	\$ 57,769

⁽¹⁾ Includes approximately \$0.2 million at December 31, 2023 and December 31, 2022 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

⁽²⁾ Includes approximately \$1.8 million and \$1.6 million at December 31, 2023 and 2022, respectively that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

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):

	December 31, 2023	December 31, 2022
Accrued pension costs prior to funding status adjustment	\$ 2,663	\$ (9,559)
Funding status adjustment required	108,740	67,328
Prefunded Pension Costs ⁽¹⁾⁽²⁾	\$ 111,403	\$ 57,769
Offset to Funding Status Adjustment - Regulatory Liability - Pension Plan	\$ (108,523)	\$ (67,109)
Offset to Funding Status Adjustment - Accumulated OCI, Net of Tax of (\$61) for both periods	\$ (157)	\$ (158)

⁽¹⁾ Includes approximately \$0.2 million at December 31, 2023 and December 31, 2022 of accrued pension liability recorded at CH Energy Group as a result of the resignation in 2014 of a CH Energy Group officer with a change in control agreement.

⁽²⁾ Includes approximately \$1.8 million and \$1.6 million at December 31, 2023 and 2022, respectively. that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

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

In accordance with the terms of the Trust agreement for the SERP, following the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, Central Hudson is required to maintain a funding level for the SERP at 110% of the present value of the accrued benefits payable under the Plan on an annual basis. The Trust agreement also allows for a return of funding levels that exceed the 110% requirement. Central Hudson elected to withdraw \$9.5 million of excess funds above the required funding level in the first quarter of 2023. The funds were used for general corporate purposes, including repayment of short-term borrowings.

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

	Year Ended December 31,		
	2023	2022	2021
Retirement Plan	\$ -	\$ -	\$ -
SERP	\$ -	\$ -	\$ 8,115

Retirement Plan Discount Rate

The valuation of the current and prior year PBO was determined using discount rates of 4.98% and 5.21% for December 31, 2023 and 2022, respectively, as determined from the Mercer Pension Discount Yield Curve reflecting projected pension cash flows. A 1.0% increase in the discount rate would decrease the projection of the pension PBO by approximately \$60.6 million. Central Hudson accounts for pension activity in accordance with PSC-prescribed provisions, which among other things, requires a ten-year amortization of actuarial gains and losses.

The 2018 and 2021 Rate Orders include rate allowances for pension and OPEB expense, which approximate the recent actuarial cost associated with these benefits. Authorization remains in effect for the deferral of any differences between rate allowances and actual costs under the 1993 PSC Policy to counteract the volatility of these costs.

Retirement Plan Expected Long-Term Rates of Return

The expected long-term rate of return on the Retirement Plan assets utilized in the calculation of the net periodic benefit cost, net of investment expense for December 31, 2023 and 2022 is 6.19% and 4.73%, respectively. In determining the expected long-term rate of return on plan assets, Central Hudson considered forward-looking estimated returns evaluated in light of current economic conditions and based on internally consistent economic models. The expected long-term rate of return is a weighted average based on each plan's investment mix and the forward-looking estimated returns for each investment class. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets in accordance with the Retirement Plan strategy. A 1.0% decrease in the expected long-term rate of return would have increased the 2023 net periodic benefit cost by approximately \$6.3 million.

Retirement Plan Policy and Strategy

Central Hudson's Retirement Plan investment policy seeks to reduce the plan's funded status volatility while targeting a rate of growth equivalent to that of the liability within reasonable risk tolerance levels. In addition to traditional risk and return measures, the policy reflects liability-based considerations, including the Retirement Plan's funded status, contribution requirements, and financial statement items. Due to market fluctuations, Retirement Plan assets require rebalancing from time to time to maintain the asset allocation within target ranges.

Asset allocation targets in effect as of December 31, 2023, as well as actual asset allocations as of December 31, 2023 and December 31, 2022 expressed as a percentage of the market value of Retirement Plan assets, are summarized in the table below:

Asset Class	Target			December 31, 2023	December 31, 2022
	Minimum	Average	Maximum		
Equity Securities	45%	50%	55%	53.4%	52.0%
Debt Securities	45%	50%	55%	44.9%	45.3%
Other ⁽¹⁾	0%	0%	10%	1.7%	2.7%

⁽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.

Management uses outside consultants and outside investment managers to aid in the determination of the Retirement Plan's asset allocation and to provide the management of actual plan assets, respectively.

Retirement Plan Investment Valuation

The Retirement Plan assets consist primarily of investment funds which are valued using Net Asset Value, which is not considered fair value. For those assets that are valued under the current fair value framework, the inputs or methodology used are not necessarily an indication of the risk associated with investing in those securities. See Note 16 – "Accounting for Derivative Instruments and Hedging Activities" for further discussion regarding the definition and levels of fair value hierarchy established by accounting guidance.

Below is a listing of the major categories of plan assets held as of December 31, 2023 and 2022, that are reported at net asset value or fair value, as indicated (Dollars In Thousands):

Investment Type	Value at 12/31/23	% of Total	Value at 12/31/22	% of Total
At Net Asset Value:				
Investment funds - equities	\$ 386,443	53.4%	\$ 341,011	52.0%
Investment funds - fixed income	108,541	15.0	99,281	15.1
At Fair Value:				
Level 2:				
Cash equivalents	9,994	1.4	15,680	2.4
Investment funds - fixed income	216,547	29.9	197,603	30.2
Other investments	2,393	0.3	2,058	0.3
	<u>\$ 723,918</u>	<u>100.0%</u>	<u>\$ 655,633</u>	<u>100.0%</u>

OPEB

Central Hudson also provides certain health care and life insurance benefits for certain retired employees through its post-retirement benefit plans. Substantially all of Central Hudson's unionized employees and managerial, professional, and supervisory employees ("non-union") hired prior to January 1, 2008, may become eligible for these benefits if they reach retirement age while employed by Central Hudson. Central Hudson amended its OPEB programs for existing non-union and certain retired employees effective January 1, 2008, which eliminated post-retirement benefits for non-union employees hired on or after January 1, 2008. OPEB plans were also amended to eliminate post-retirement benefits for union employees hired on or after May 1, 2008. Benefits for retirees and active employees are provided through insurance companies whose premiums are based on the benefits paid during the year.

The significant assumptions used to account for these benefits are the discount rate, expected long-term rate of return on plan assets, and health care cost trend rate. Central Hudson currently selects the discount rate using the Mercer Pension Discount Yield Curve reflecting projected cash flows. The expected long-term rates of return and the investment policy and strategy for these plan assets are similar to those used for pension benefits previously discussed in this Note. The estimates of health care cost trend rates are based on a review of actual recent trends and projected future trends.

Central Hudson fully recovers its net periodic post-retirement benefit costs in accordance with the 1993 PSC Policy. Under these guidelines, the difference between the amounts of post-retirement benefits recoverable in rates and the amounts of post-retirement benefits determined by an actuarial consultant in accordance with current accounting guidance related to OPEB is deferred as either a regulatory asset or a regulatory liability, as appropriate.

Central Hudson's prefunded asset for OPEB was \$46.2 million and \$31.5 million at December 31, 2023 and 2022, respectively. The increase in the over-funded status of approximately \$14.7 million resulted from an increase in plan assets of \$15.6 million, partially offset by an increase in plan liabilities of approximately \$0.9 million. The increase in plan assets was primarily driven by investment gains. The increase in plan liabilities was driven by a decrease in the discount rate.

The cumulative amount of net periodic benefit cost in excess of employer contributions at December 31, 2023 and December 31, 2022 was \$17.6 million and \$9.6 million, respectively. The difference between these amounts and the over-funded asset balance, totaling \$28.6 million at December 31, 2023 and \$21.7 million at December 31, 2022, will be recognized as a credit in Central Hudson's future expense and has been recorded as a regulatory liability in accordance with the 1993 PSC Policy.

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

Contributions to the Central Hudson OPEB Plans were as follows (In Thousands):

	Year Ended December 31,		
	2023	2022	2021
OPEB Plans	\$ 22	\$ 528	\$ 812

OPEB Healthcare Cost Trend Rate

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plan. A 1.0% change in assumed health care cost trend rates would have the following effects (In Thousands):

	One Percentage Point	
	Increase	Decrease
Effect on total of service and interest cost components for 2023	\$ 644	\$ (533)
Effect on year-end 2023 post-retirement benefit obligation	\$ 9,001	\$ (7,557)

OPEB Discount Rate

The PBO for Central Hudson's obligation for OPEB costs was determined using a discount rate of 4.97% and 5.21% for December 31, 2023 and 2022, respectively. This rate was determined using the Mercer Pension Discount Yield Curve reflecting projected cash flows. A 1.0% increase in the discount rate for 2023 would have decreased the projection of the OPEB obligation by approximately \$10.7 million.

OPEB Expected Long-Term Rates of Return

The expected long-term rate of return on OPEB assets utilized in the calculation of the net periodic benefit cost, net of investment expense for December 31, 2023 and 2022 is 6.26% and 5.14%, respectively. In determining the expected long-term rate of return on plan assets, Central Hudson considered forward-looking estimated returns for each asset class evaluated in light of current economic conditions. The expected long-term rate of return is a weighted average based on each plan's investment mix and the forward-looking estimated returns for each investment class. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets, as deemed appropriate, in accordance with the OPEB plan's strategy. A 1.0% decrease in the expected long-term rate of return would have increased the 2023 net periodic benefit cost by \$1.4 million.

OPEB Policy and Strategy

Central Hudson currently funds its union OPEB obligations through a voluntary employee's beneficiary association ("VEBA") and funds its management OPEB liabilities through a 401(h) plan. The VEBA and 401(h) plan are both a form of trust fund. Central Hudson's VEBA investment policy seeks to achieve a rate of return for the VEBA over the long term that contributes to meeting the VEBA's current and future obligations, including interest and benefit payment obligations. The policy also seeks to earn long-term returns from capital appreciation and current income that at least keep pace with inflation over the long term. Central Hudson's 401(h) plan is invested with the previously mentioned Retirement Plan's investments. However, there are no assurances that the OPEB plan's return objectives will be achieved.

The asset allocation strategy employed in the VEBA reflects Central Hudson's return objectives and what management believes is an acceptable level of short-term volatility in the market value of the VEBA's assets in exchange for potentially higher long-term returns. The mix of assets are broadly diversified by asset class and investment styles within asset classes, based on the following asset allocation targets, expressed as a percentage of the market value of the VEBA's assets, summarized in the table below:

Asset Class	Minimum	Target Average	Maximum	December 31, 2023	December 31, 2022
Equity Securities	55%	65%	75%	67.8%	66.9%
Debt Securities	25%	35%	45%	32.2%	32.5%
Other	- %	- %	- %	- %	0.6%

Due to market value fluctuations, the OPEB plan's assets require periodic rebalancing from time to time to maintain the asset allocation within target ranges.

Management uses outside consultants and outside investment managers to aid in the determination of the OPEB plan's asset allocation and to provide the management of actual plan assets, respectively.

OPEB Investment Valuation

The OPEB plan's assets consist primarily of investment funds that are valued using Net Asset Value, which is not considered fair value. For those assets that are valued under the current fair value framework, the inputs or methodology used are not necessarily an indication of the risk associated with investing in those securities. See Note 16 – "Accounting for Derivative and Hedging Activities" for further discussion regarding the definition and levels of fair value hierarchy established by guidance.

Below is a listing of the major categories of plan assets held as of December 31, 2023 and 2022, that are reported at net asset value or fair value, as indicated (Dollars In Thousands):

401(h) Plan Assets

Investment Type	Market Value at 12/31/23		Market Value at 12/31/22	
		% of Total		% of Total
At Net Asset Value:				
Investment funds - equities	\$ 14,468	53.4%	\$ 13,308	52.0%
Investment funds - fixed income	4,063	15.0	3,875	15.1
At Fair Value:				
Level 2:				
Cash equivalents	383	1.4	605	2.4
Investment funds - fixed income	8,107	29.9	7,712	30.2
Other investments	80	0.3	87	0.3
	<u>\$ 27,101</u>	<u>100.0%</u>	<u>\$ 25,587</u>	<u>100.0%</u>

Union VEBA Plan Assets

Investment Type	Market Value at 12/31/23	% of Total	Market Value at 12/31/22	% of Total
At Fair Value:				
Level 1:				
Cash equivalents	\$ -	- %	\$ 723	0.6 %
Investment funds - equities	88,208	67.8	77,686	66.9
Investment funds - fixed income	41,984	32.2	37,671	32.5
	<u>\$ 130,192</u>	<u>100.0 %</u>	<u>\$ 116,080</u>	<u>100.0 %</u>

Details of the change in Central Hudson's Pension and OPEB benefit obligations, fair value of plan assets, and funded status as of and for the periods ended December 31, 2023 and 2022 are as follows (In Thousands):

	Pension Benefits ⁽¹⁾		Other Post Retirement Benefits	
	2023	2022	2023	2022
Change in Benefit Obligation:				
Benefit Obligation at beginning of year	\$ 597,864	\$ 807,331	\$ 110,205	\$ 149,237
Service cost	7,333	12,938	1,044	1,588
Interest cost	30,403	22,033	5,542	3,989
Participant contributions	-	-	1,705	1,506
Plan amendments	-	-	-	896
Benefits paid	(38,483)	(37,808)	(9,084)	(8,620)
Actuarial gain (loss)	15,398	(206,630)	1,696	(38,391)
Benefit Obligation at end of year	<u>\$ 612,515</u>	<u>\$ 597,864</u>	<u>\$ 111,108</u>	<u>\$ 110,205</u>
Change in Value of Plan Assets:				
Fair Value of Plan Assets at beginning of year	\$ 655,633	\$ 876,059	\$ 141,667	\$ 179,717
Actual return on plan assets	106,929	(182,163)	23,072	(31,363)
Employer contributions	1,677	1,488	22	528
Participant contributions	-	-	1,705	1,506
Benefits paid	(38,483)	(37,808)	(9,084)	(8,620)
Other	(1,838)	(1,943)	(89)	(101)
Fair Value of Plan Assets at end of year	<u>\$ 723,918</u>	<u>\$ 655,633</u>	<u>\$ 157,293</u>	<u>\$ 141,667</u>
Funded Status at end of year	<u>\$ 111,403</u>	<u>\$ 57,769</u>	<u>\$ 46,185</u>	<u>\$ 31,462</u>

⁽¹⁾ The plan assets as presented in this chart do not include approximately \$29.9 million and \$39.7 million of SERP trust assets at December 31, 2023 and 2022.

The following table summarizes the employee future benefit assets and liabilities and their classifications on the Consolidated Balance Sheets and Statements of Comprehensive Income at December 31 (In Thousands):

	Pension Benefits ⁽¹⁾		Other Post Retirement Benefits	
	2023	2022	2023	2022
Amounts Recognized on Balance Sheet:				
Noncurrent assets	\$ 113,229	\$ 59,365	\$ 46,185	\$ 31,462
Current liabilities	(1,826)	(1,596)	-	-
Funded Status at end of year	<u>\$ 111,403</u>	<u>\$ 57,769</u>	<u>\$ 46,185</u>	<u>\$ 31,462</u>
Regulatory (liability) asset:				
Net actuarial gain	\$ (109,344)	\$ (68,452)	\$ (28,509)	\$ (21,224)
Prior service costs (credit)	\$ 604	\$ 1,124	\$ (112)	\$ (518)
Other comprehensive income:				
Net actuarial gain, net of tax	\$ (157)	\$ (158)	\$ (6)	\$ (6)
Prior service costs, net of tax	\$ (2)	\$ (2)	\$ -	\$ -

⁽¹⁾ The funded status in this chart does not reflect approximately \$29.9 million and \$39.7 million of SERP trust assets at December 31, 2023 and 2022.

Central Hudson's net periodic benefit costs for its Pension and OPEB plans for the periods ended December 31, 2023 and 2022 are as follows (In Thousands):

	Pension Benefits		Other Post Retirement Benefits	
	2023	2022	2023	2022
Components of Net Periodic (Benefit) Cost:				
Service cost	\$ 7,333	\$ 12,938	\$ 1,044	\$ 1,588
Interest cost	30,403	22,033	5,542	3,989
Expected return on plan assets	(38,297)	(39,412)	(8,525)	(8,970)
Amortization of prior service cost (credit)	521	521	(406)	(427)
Amortization of recognized actuarial net gain	(10,505)	(11,102)	(4,979)	(5,726)
Net Periodic Benefit	\$ (10,545)	\$ (15,022)	\$ (7,324)	\$ (9,546)

The following table provides the components recognized in net periodic benefit cost and as regulatory assets, which otherwise would have been recognized in comprehensive income, as well as the weighted average assumptions used in the periods (Dollars In Thousands):

	Pension Benefits ⁽¹⁾		Other Post Retirement Benefits	
	2023	2022	2023	2022
Other Changes in Plan Assets and Benefit Obligation Recognized in Regulatory Assets:				
Net loss (gain) loss	\$ (51,398)	\$ 16,888	\$ (12,264)	\$ 2,313
Amortization of actuarial net gain	10,505	11,102	4,979	5,726
Plan amendments	-	-	-	896
Amortization of prior service (cost) credit	(521)	(521)	406	427
Total recognized in regulatory asset	\$ (41,414)	\$ 27,469	\$ (6,879)	\$ 9,362
Total Recognized in Net Periodic Cost (Benefit) and Regulatory Asset	\$ (51,959)	\$ 12,447	\$ (14,203)	\$ (184)
Weighted-average assumptions used to determine benefit obligations:				
Discount rate	4.98%	5.21%	4.97%	5.21%
Rate of compensation increase (average)	3.90%	3.90%	3.90%	3.90%
Measurement date	12/31/23	12/31/22	12/31/23	12/31/22
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:				
Discount rate	5.21%	2.76%	5.21%	2.74%
Expected long-term rate of return on plan assets	6.19%	4.73%	6.26%	5.14%
Rate of compensation increase (average)	3.90%	3.90%	3.90%	3.90%
Assumed health care cost trend rates at December 31:				
Health care cost trend rate assumed for next year	N/A	N/A	6.48%	6.84%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	N/A	N/A	4.00%	4.00%
Year that the rate reaches the ultimate trend rate	N/A	N/A	2047	2047
Accumulated Benefit Obligation	\$ 586,528	\$ 570,905	N/A	N/A

⁽¹⁾ The fair value of plan assets presented in this chart does not include approximately \$29.9 million and \$39.7 million of SERP trust assets at December 31, 2023 and 2022.

Estimated net loss of \$7.7 million and prior service cost of \$0.5 million for the defined benefit pension plans will be amortized from regulatory asset and OCI respectively, into net periodic benefit cost over the next fiscal year. Estimated net gain of \$3.1 million and prior service credit of \$0.4 million for the other defined benefit post-retirement plans will be amortized from regulatory asset and OCI respectively, into net periodic benefit cost over the next fiscal year. The remaining amount of transitional obligation, which will be fully amortized from regulatory asset and OCI during 2023, is not material.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service as appropriate, are expected to be paid (In Thousands):

Year	Pension Benefits - Gross	Other Benefits - Gross	Other Benefits - Net ⁽¹⁾
2024	\$ 40,214	\$ 8,416	\$ 7,919
2025	40,864	8,588	8,077
2026	41,688	8,864	8,342
2027	42,315	8,945	8,405
2028	42,590	9,040	8,485
Next five years	\$ 211,642	\$ 42,537	\$ 39,533

⁽¹⁾ Estimated benefit payments reduced by estimated gross amount of Medicare Act of 2003 subsidy receipts expected.

Other Retirement Savings Plans

Central Hudson sponsors a 401(k) plan for its employees. The 401(k) plan provides for employee tax-deferred salary deductions for participating employees and employer matches. The matching benefit varies by employee group. Central Hudson's matching contributions for the years ended December 31, 2023, 2022, and 2021 were \$6.5 million, \$6.0 million, and \$5.8 million, respectively. Central Hudson also provides an additional contribution of 4% to the 401(k) plan of annualized base salary for eligible employees who do not qualify for Central Hudson's Retirement Income Plan. The additional non-discretionary contribution was approximately \$3.8 million, \$3.2 million, and \$2.8 million for 2023, 2022, and 2021, respectively.

Effective May 1, 2022, Central Hudson began offering a new Plan to provide additional retirement savings to eligible employees who do not qualify for Central Hudson's Retirement Income Plan. The Plan includes a one-time contribution of 1% of annualized base salary for the eligible employees for the year 2022 and 1.25% every year thereafter. For the year ended December 31, 2023 contributions were \$1.2 million. Contributions for the year ended December 31, 2022 were made in the first quarter of 2023 in the amount of \$0.7 million.

NOTE 13 – Equity-Based Compensation

SUP Units

Officers of Central Hudson are granted Units under two long-term incentive plans, SUP and the Fortis 2020 Restricted Share Unit Plan ("RSUP") as amended from time to time. Each granted Unit has an underlying value equivalent to the value of one share of Fortis common stock, and each Unit accrues notional dividend equivalents declared by the Board of Directors of Fortis Inc. on Fortis Inc. common stock. The foreign exchange rate utilized for the payout is the US dollar equivalent for each plan that corresponds to the exchange rate on the business day prior to the date of the grant of each Unit. The Units issued under the SUPs are performance based and vest at the end of the three-year performance period upon achievement of specified cumulative performance goals, with any earned and vested Units settling in cash. Units issued under the RSUP are time-based, vesting at the end of the three-year period without regard to performance. At the election of participants, Units issued, earned and vested, can settle in either cash or shares of Fortis common stock; provided, however, that for any participant who has not satisfied the participant's share ownership requirements, the vested Units are to settle at least 50% in shares of Fortis common stock. The settlement in shares by a participant will result in the modification from a liability award to an equity award and an election to settle in shares cannot be made later than 30 days prior to the Units vesting.

Central Hudson granted 43,327 and 21,664 Units under its 2023 long term incentive plans, 25,562 and 12,781 Units under its 2022 long term incentive plans and 28,497 and 14,249 Units under its 2021 SUP and RSUP long term incentive plans, respectively.

Awards granted in 2020 to Central Hudson officers vested on December 31, 2022 and were paid out in either cash or shares during the first quarter of 2023.

CH Energy Group:	Grant Date	Grant Date Fair Value	Time Based		Performance Based	
			Granted	Outstanding ⁽⁵⁾	Granted	Outstanding ⁽⁵⁾
2020 RSUP ⁽²⁾	January 1, 2020	\$ 41.55	7,257	-	-	-
2020 PSUP ⁽¹⁾	January 1, 2020	\$ 41.55	-	-	21,770	-

Central Hudson:	Grant Date	Grant Date Fair Value	Time Based		Performance Based	
			Granted	Outstanding ⁽⁵⁾	Granted	Outstanding ⁽⁵⁾
2023 RSUP	January 1, 2023	\$ 40.35	21,664	22,578	-	-
2023 SUP	January 1, 2023	\$ 40.35	-	-	43,327	45,156
2022 RSUP ^{(3),(4)}	January 1, 2022	\$ 48.18	12,781	6,920	-	-
2022 SUP	January 1, 2022	\$ 48.18	-	-	25,562	27,646
2021 RSUP ^{(3),(4)}	January 1, 2021	\$ 41.12	14,249	8,040	-	-
2021 SUP	January 1, 2021	\$ 41.12	-	-	28,497	32,000
2020 RSUP ^{(1),(3)}	January 1, 2020	\$ 41.55	12,655	-	-	-
2020 SUP ⁽¹⁾	January 1, 2020	\$ 41.55	-	-	25,311	-

⁽¹⁾In the first quarter of 2023, 28,272 Units under the 2020 SUP, 13,164 Units under the 2020 RSUP and 24,317 Units under the 2020 PSUP ("Performance SUP") vested and were paid out for a total of approximately \$2.9 million.

⁽²⁾In the third quarter of 2022, per the 2020 RSUP agreement, time-based units were paid out related to an Officer retirement at 7,811 shares at approximately \$0.4 million.

⁽³⁾In the fourth quarter of 2022, as a result of a separation of employment, 962 Units of 2020 RSUP, 968 Units of 2021 RSUP and 870 Units of 2022 RSUP were forfeited.

⁽⁴⁾In the fourth quarter of 2023, per the 2021 and 2022 RSUP agreements, time-based units were paid out related to an Officer retirement at 6,728 and 5,804 shares at approximately \$0.6 million.

⁽⁵⁾Includes notional dividends accrued as of December 31, 2023.

Compensation Expense

The following table summarizes compensation expense for SUP units as follows (In Thousands):

	Year Ended December 31,		
	2023	2022	2021
CH Energy Group	\$ 2,161	\$ 44	\$ 2,617
Central Hudson	\$ 2,147	\$ 44	\$ 2,618

The liabilities associated with Units granted either under the 2023 RSUP or 2023 SUP under similar plans in place during 2021 and 2022 (the "Plans") are recorded at fair value at each reporting date until settlement, recognizing compensation expense over the vesting period on a straight-line basis. The fair value of the respective liabilities is based on the Fortis common stock 5-day volume weighted average trading price at the end of each reporting period and the expected payout based on management's best estimate in accordance with the defined metrics of each grant.

Under the Plans, the amount of any outstanding awards payable to an employee who retires during the three-year term of a grant and who has 15 years of service and provides at least six months prior notice of retirement under the terms of the Plans (ninety days prior notice with respect to awards issued under any plan during 2022 and 2023) is determined as if the employee continued to be an employee through the end of the performance period (except that Units issued under a Fortis RSUP in 2020, 2021, and 2022, would vest and be redeemed on the retirement date subject to proper notice and time of service).

In accordance with ASU 2014-12, in this situation, compensation expense for that individual is recognized over the requisite service period, instead of the performance period. In all periods presented, additional expense was recognized in accordance with ASU 2014-12 for Central Hudson officers who are retirement eligible under terms of the Plans in which they have attained the required retirement age and met the required 15 years of service. The compensation expense for the plans will be recognized over a weighted average period of approximately 1.8 years. Fluctuations in compensation expense in the comparative periods can result from changes in the Fortis common stock share price and the projected performance payout percentages.

Employee Share Purchase Plan

Effective May 17, 2017, the Company adopted the Fortis Amended and Restated 2012 Employee Share Purchase Plan (“ESPP”). Fortis authorized 600,000 of its common shares to be offered under the ESPP. The ESPP allows eligible employees of Fortis and adopting subsidiaries to contribute during any investment period an amount not less than 1% and not more than 10% of their eligible compensation to purchase Fortis’ common shares. Under the ESPP, employees are entitled to fund contributions through interest free loans from the Company. At both December 31, 2023 and 2022, employee loans due to the Company related to the ESPP were approximately \$0.3 million, respectively.

The ESPP provides that the Company will contribute as additional salary an amount equal to 10% of an employee’s contribution up to a maximum contribution of 1% of eligible compensation. The Company will also contribute an amount equal to 10% of all dividends payable by Fortis on all common stock allocated to an employee’s ESPP account. Common shares are purchased under the ESPP concurrent with the quarterly dividend payment dates of March 1, June 1, September 1, and December 1.

NOTE 14 – Commitments and Contingencies

Electricity Purchase Commitments

Central Hudson meets its capacity and electricity obligations through contracts with capacity and energy providers, purchases from the NYISO energy and capacity markets, and its own generating capacity.

Energy Credit Purchase Obligations

In August 2016, the PSC issued Order 15-E-0302 adopting a Clean Energy Standard (“CES”) that outlined an LSE obligation for renewable energy credits (“RECs”) and zero-emissions credit (“ZECs”) requirements to meet NYS clean energy goals. This Order charged NYSERDA to work with Staff to develop an Implementation Plan for each CES Program for approval by the PSC. Currently, Tier 2 Competitive RECs and Tier 3 ZECs are applicable to Central Hudson and are “pay-as-you-go” based on Central Hudson’s monthly full-service customer load volume as defined by NYISO billing data and a load modifier adjustment factor. Tier 1 RECs are procured through self-supply, including quarterly REC sales, Alternative Compliance Payment (“ACP”), or Value Stack offset and are reconciled annually. Central Hudson satisfied Tier 1 REC obligations from Value Stack offset through December 2022. At December 31, 2023, Central Hudson obligations were \$4.1 million, \$0 and \$2.7 million for Tier 1 REC, Tier 2 REC, and Tier 3 ZEC obligations, respectively through December 31, 2024. These estimated costs are recoverable from full-service customers through electric cost adjustment mechanism and, therefore, do not impact earnings.

Commitments

The following is a summary of commitments for CH Energy Group and its affiliates as of December 31, 2023 (In Thousands):

	Projected Payments Due By Period						
	Year Ending 2024	Year Ending 2025	Year Ending 2026	Year Ending 2027	Year Ending 2028	Thereafter	Total
Recorded Contractual Obligations:							
Operating leases	\$ 525	469	\$ 422	\$ 414	\$ 420	\$ 874	\$ 3,124
Repayments of long-term debt	32,245	22,401	50,000	50,000	76,700	1,042,700	1,274,046
Current installments of credit facilities	21,000	-	-	-	-	-	21,000
Stock-based compensation obligations	959	739	1,777	-	-	-	3,475
Unrecorded Contractual Obligations:							
Purchased electric contracts ⁽¹⁾	16,470	2,514	129	129	118	-	19,360
REC purchase agreements	6,805	-	-	-	-	-	6,805
Purchased natural gas contracts ⁽¹⁾	27,771	14,373	11,676	8,539	8,281	10,951	81,591
Interest obligations on long-term debt	52,835	51,888	51,467	49,022	48,430	570,411	824,053
Total	\$ 158,610	\$ 92,384	\$ 115,471	\$ 108,104	\$ 133,949	\$ 1,624,936	\$ 2,233,454

⁽¹⁾ Purchased electric and purchased natural gas costs for Central Hudson are fully recovered via their respective regulatory cost adjustment mechanisms.

The following is a summary of commitments for Central Hudson as of December 31, 2023 (In Thousands):

	Projected Payments Due By Period						
	Year Ending 2024	Year Ending 2025	Year Ending 2026	Year Ending 2027	Year Ending 2028	Thereafter	Total
Recorded Contractual Obligations:							
Operating leases	\$ 525	\$ 469	\$ 422	\$ 414	\$ 420	\$ 874	\$ 3,124
Repayments of long-term debt	30,000	20,000	50,000	50,000	76,700	1,042,700	1,269,400
Current installments of credit facilities	21,000	-	-	-	-	-	21,000
Stock-based compensation obligations	959	739	1,777	-	-	-	3,475
Unrecorded Contractual Obligations:							
Purchased electric contracts ⁽¹⁾	16,470	2,514	129	129	118	-	19,360
REC purchase agreements	6,805	-	-	-	-	-	6,805
Purchased natural gas contracts ⁽¹⁾	27,771	14,373	11,676	8,539	8,281	10,951	81,591
Interest obligations on long-term debt	52,557	51,765	51,467	49,022	48,430	570,410	823,651
Total	\$ 156,087	\$ 89,860	\$ 115,471	\$ 108,104	\$ 133,949	\$ 1,624,935	\$ 2,228,406

⁽¹⁾ Purchased electric and purchased natural gas costs for Central Hudson are fully recovered via their respective regulatory cost adjustment mechanisms.

Other Commitments

Capital Expenditures

Central Hudson is a regulated utility and, as such, is obligated to provide service to customers within its service territory. Central Hudson's capital expenditures are largely driven by the need to ensure the

continued and enhanced reliability and safety of the electric and natural gas systems for the long-term benefit of customers.

Pension Benefit and OPEB Funding Contributions

Central Hudson is subject to certain contractual benefit payment obligations. Decisions about how to fund the Retirement and OPEB Plans to meet these obligations are made annually and are primarily affected by the discount rate used to determine benefit obligations, current asset values, corporate resources, and the projection of Retirement, and OPEB Plan assets. Based on the funding requirements of the PPA, Central Hudson plans to make contributions that maintain the target funded percentage for the Retirement Plan at 80% or higher. Actual contributions could vary significantly based upon economic growth, projected investment returns, inflation and interest rate assumptions. Actual funded status could vary significantly based on asset returns and changes in the discount rate used to estimate the present value of future obligations. In January 2023, Central Hudson made an immaterial contribution to the 401(h) Plan to fund the OPEB plan, in accordance with Central Hudson's OPEB policy and strategy. No funding contributions were made to the Retirement and VEBA Plans for the 2023 Plan year.

SERP

As a result of the acquisition of CH Energy Group, Inc. by Fortis on June 27, 2013, and in accordance with the terms of the Trust agreement for the SERP, Central Hudson is required to maintain a funding level at 110% of the present value of the accrued benefits payable under the Plan on an annual basis. Annual contributions to the SERP could vary based on investment returns, discount rates, and participant demographics. Central Hudson expects to make a contribution to the SERP for 2023 of \$1.7 million in March 2024, resulting in a funding status that achieves the requirements of the Trust agreement.

Parental Guarantee

CHET was established to be an investor in Transco, which was created to develop, own and operate electric transmission projects in NYS. CH Energy Group has issued a parental guarantee to Transco based on CHET's maximum commitment associated with the AC Project. The initial parental guarantee to Transco was approved for \$182.0 million in 2014 and has been reduced as portions of the project have been completed and placed in service. The parental guarantee outstanding based on CHET's maximum contribution for the remaining portions of the AC Project to be completed under Transco's original FERC application and the initial guarantee at December 31, 2023, 2022, and 2021, was \$10.2 million, \$54.5 million, and \$65.7 million, respectively. CH Energy Group is currently not aware of any existing condition that would require any payments under this guarantee.

Contingencies

Environmental Matters

Central Hudson

- SIR Program

Central Hudson has been notified by the NYS Department of Environmental Conservation ("DEC") that it believes Central Hudson or its predecessors, at one time, owned and/or operated manufactured gas plants ("MGP") to serve their customers' heating and lighting needs, at seven sites in Central Hudson's franchise territory. The DEC has further requested that Central Hudson investigate and, if necessary, remediate these sites. In addition, Central Hudson is also performing environmental SIR at two non-MGP sites within its service territory, Little Britain Road and Eltings Corners.

Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. At December 31, 2023, Central Hudson has accrued \$72.3 million with respect to all SIR activities, including operation, maintenance, and monitoring costs (“OM&M”), of which \$1.1 million is anticipated to be spent in the next twelve months.

SIR can be divided into various stages of completion based on the milestones of activities completed and reports reviewed. The types of costs accrued during the various stages include:

1. *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.
2. *Remedial Alternatives Analysis* (“RAA”) – Engineering analysis of alternatives for remediation based on the RI is compiled into a RAA Report. 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 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.
3. *Remedial Design* (“RD”) - Upon approval of the RAA and final decision of remediation approach based on alternatives presented, a RD or Remedial Action Work Plan is developed and filed with the DEC for approval.
4. *Remediation* – Completion of the work plan as defined in the approved RD. Upon completion, final reports are filed with the DEC for approval and may include a Construction Completion Report, Final Engineering Report, or other reports required by the DEC based on the work performed.
5. *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 Site Management Plan, 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.
6. *No Action Required* – No further investigation or remedial action is currently required. No further costs are expected, and no amounts are accrued related to this site.

These stages, the costs accrued and the sites currently in each stage include (Dollars In Millions):

Stage	Sites	Total Accrued Cost at December 31, 2023	Estimated spend in the next twelve months
Investigation	Little Britain Road	\$ 2.0	\$ -
Remedial alternatives analysis		-	-
Remedial design		-	-
Remediation	North Water Street	66.2	0.9
Post-remediation monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.1	0.2
No action required	Beacon and Bayeaux Street	-	-
Total		\$ 72.3	\$ 1.1

There were no significant updates during the year ended December 31, 2023, or changes in the nature and amounts of Central Hudson's contingencies related to environmental matters, except as noted below.

➤ **Investigation**

- There is one property owned by Central Hudson, the Newburgh Customer Service Office, undergoing remedial site investigation activities in accordance with a voluntary Brownfield Cleanup Agreement with NYS DEC. This investigation is being performed to establish the extent of subsurface groundwater contamination, which has been attributed to the industrial operations conducted on the site by the property's previous owners prior to acquisition by Central Hudson in 1977. In coordination with the NYS DEC, Central Hudson developed a Soil Vapor Investigation ("SVI") Work Plan, pursuant to which it had conducted testing on the site property and within two adjacent buildings during March 2023. In August 2023, a SVI Summary Report was approved by the NYS DEC and summary letters were sent on October 12, 2023, to the owners of the two adjacent properties at which the testing was conducted. Based on the final report, there is no additional soil vapor sampling to be performed at this time. The ongoing ground water monitoring activities will continue to be performed on a quarterly basis. As requested by the NYS DEC, a desktop review of the available comprehensive geophysical data was completed, and an updated bedrock conceptual site model memo was developed. The memo concluded that reconnaissance of stream reaches-of-interest should be conducted to identify potential tracer-monitoring sites in support of developing a work plan. The memo was submitted to the NYS DEC on October 30, 2023, and a discussion was conducted on January 8, 2024. The NYS DEC agreed with the conclusions and recommendations included in the memo. As such, it is anticipated that development and submittal of a field reconnaissance work plan will be completed in the first quarter of 2024.

➤ **Remediation in Progress - Site – North Water Street**

- In the first quarter of 2020, Central Hudson revised its estimate and recorded the low end of the range of projected costs for remediation activities associated with this site based on an assessment of a high-solids hydraulic dredging remedial alternative, including predictive cost modeling for a pilot test and full-scale remediation.
- In September 2020, the NYS DEC approved the Hydraulic Dredging Pilot Test ("HDPT") Work Plan and Water Supply Protection and Contingency Plan. Preliminary site monitoring and mobilization activities commenced in October 2020 and pilot test activities, including demobilization, were completed in January 2021.
- The goals of the pilot study were successfully achieved. Hydraulic dredging was completed in three areas with different degrees of impacted sediment (no impact, medium impact, and high impact). A draft hydraulic dredge pilot test evaluation summary report was prepared, which summarized the data compiled related to:
 - production rates associated with the hydraulic dredge equipment in each area, including the impacts of the protective shroud attached for additional protection;
 - impacts of sheening events that occurred, the ability to contain them, and the related work stoppages during the pilot;
 - impact of prescribed protective measures regarding the placement of daily clean cover and backfill on the riverbed; and
 - debris encountered in the river and the related mechanical removal.
- The report concluded that the use of hydraulic dredging was technically feasible. However, there were several factors, as noted above, that impacted the previously estimated production rates able to be achieved during the pilot. When extrapolated to full-scale remediation, the cumulative effect of these impacts on the production rates observed during the HDPT significantly increased the total estimated time to complete the dredging and

backfilling remediation and, as a result of this increased time frame, also equated to a significant increase in the projected cost.

- Based on the increase in the projected timeframe and cost, it was concluded by the project's engineer of record ("EOR") that full-scale hydraulic dredging is not practical to pursue as the sole remedial approach. Following review of the evaluation summary report, the NYS DEC concurred that this timeframe was not practical and agreed with the conclusion of the report. At this point, the NYS DEC has communicated that removal of source material is still the best long-term remedy for the site and, as such, is directing Central Hudson to examine other methods, including a mix of alternative approaches taking into consideration the extent of removal that may be feasible.
- A scope of work for limited upland remedial activities was submitted to and approved by the NYS DEC in May 2021. The activities were completed in June 2021.
- During 2021, Central Hudson worked with the EOR to evaluate remedial alternative approaches, including some that still fit within the framework of the NYS DEC approved work plan and achieved the established regulatory clean-up objectives within a reasonable time period, as well as other approaches that considered capping or monitoring-only activities. A Focused Remedial Alternatives Analysis ("FRAA") report presenting the evaluation of alternative approaches was submitted to the NYS DEC in November 2021.
- On April 8, 2022, Central Hudson received a response from the NYS DEC with regard to the November 2021 FRAA. Overall, the comment letter indicated that the tests of alternate containment methods (i.e., Air Bubble Curtain ("ABC") pilot test) should be completed prior to consideration of the alternatives presented in the FRAA report and, therefore, the NYS DEC rejected the report at that time. The comment letter also requested additional information be provided and additional concerns be addressed as the process continues. The comments and additional information requests in the comment letter will be contemplated in a more detailed Remedial Design and/or work plan that will be developed once concurrence is received on an acceptable alternative approach.
- An ABC lab pilot test work plan was provided to the NYS DEC for informational purposes on January 11, 2022. The field portion of the ABC bench scale pilot test activities were completed in December 2022 and modeling and draft reporting were completed in the first quarter of 2023. The findings were presented to and discussed with the NYS DEC in April 2023, prior to submittal of the final report. In summary, it was presented that the ABC would be ineffective at containing non-aqueous phase liquid ("NAPL"), turbidity, or dissolved constituents either as a stand-alone or supplemental protective measure. As such, no additional testing, specifically a full-scale pilot in the Hudson River, is justified nor planned.
- A meeting was conducted with the NYS DEC on September 5, 2023, to discuss the status of their review of the FRAA. During the call, the NYS DEC stated that they had discussed the alternatives presented in the report and reiterated that their focus is on an approach that includes some level of impacted sediment removal, and that further evaluation of appropriate extents of source removal and capping should be discussed and determined. Subsequently, Central Hudson and the NYS DEC conducted a follow-up conference call on December 7, 2023, to discuss the potential extents of impacted sediment removal. Based on this discussion, Central Hudson anticipates a submittal of a summary memo, including information requested by the NYS DEC for further evaluation within the Department in February 2024.
- Management concluded the comment letter from April 2022 and the recent communications with the NYS DEC do not provide evidence of any adjustment required to the low end of the range currently accrued, or the total range of potential costs disclosed at this time, and the most recent communication does not impact management's method of estimating the range and liability recorded as of December 31, 2023. Furthermore, management believes that the alternatives included in the FRAA, which contain a level of sediment removal continue to be the best potential remedial options going forward and, as such, continues to accrue for the cost at the low end of the range.

- The total accrual for remediation as of December 31, 2023, for this site of \$66.2 million reflects management's estimate of the low end of a predictive cost estimate range of potential alternatives and for continued work of the EOR on the development of design and analysis of the FRAA and other associated fees. The FRAA included potential alternatives for remediation with costs estimated as high as \$95 million. The accrual will be updated as the alternative remedial approaches are discussed, and a path forward is agreed upon by all involved parties.
- The estimated spending as of December 31, 2023, for the next 12 months of approximately \$0.9 million is primarily based on anticipated efforts to complete analysis regarding alternative remedial approaches with the NYS DEC.

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

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

- As part of the 2021 Rate Order, Central Hudson maintained previously granted deferral authority and future recovery for the differences between actual environmental SIR costs, including both MGP and non-MGP, and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return.
- The 2021 Rate Order includes cash recovery of approximately \$24.2 million during the three-year rate plan period ending June 30, 2024, with \$20.1 million recovered through December 31, 2023.
- There was no spending for the year ended December 31, 2023, related to SIR. For the year ended December 31, 2022, spending related to SIR was approximately \$1.2 million.
- The regulatory asset balance as of December 31, 2023 and December 31, 2022 was \$61.3 million and \$71.4 million, respectively, which represents the cumulative difference between amounts spent or currently accrued as a liability and the amounts recovered to date through rates or insurance recoveries.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for its costs. Certain insurers have denied coverage. There was \$0.4 million insurance recoveries during the year ended December 31, 2023 and no insurance recoveries for the year ended December 31, 2022. We do not expect insurance recoveries to offset a meaningful portion of total costs.

Litigation

Asbestos Litigation

Central Hudson is involved in various asbestos lawsuits.

As of December 31, 2023, of the 3,388 asbestos cases brought against Central Hudson, 1,164 remain pending. Of the cases no longer pending against Central Hudson, 2,060 have been dismissed or discontinued without payment by Central Hudson and Central Hudson has settled 164 cases. Central Hudson is presently unable to assess the validity of the remaining asbestos lawsuits; however, based on information known to Central Hudson at this time, including Central Hudson's experience in settling asbestos cases and in obtaining dismissals of asbestos cases, Central Hudson believes that the costs, which may be incurred in connection with the remaining lawsuits, will not have a material adverse effect

on the financial position, results of operations, or cash flows of either CH Energy Group or Central Hudson.

Other Litigation

On November 2, 2023, an explosion and fire occurred at a residence located in Wappinger Falls, New York, while a contractor of Central Hudson was performing work on Central Hudson's natural gas infrastructure adjacent to the residence. The cause of the incident is still under investigation. A number of lawsuits have been commenced against Central Hudson, the contractor, and others on behalf of certain parties who allege to have been affected by the incident. CH Energy Group and Central Hudson are also 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, management is not able to estimate the potential loss, but believes their ultimate resolution will not have a material adverse effect on either CH Energy Group's or Central Hudson's financial positions, results of operations, or cash flows. CH Energy Group and Central Hudson expense legal costs as incurred.

NOTE 15 – Segments and Related Information

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

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

CH Energy Group Segment Disclosure

(In Thousands)

	Year Ended December 31, 2023				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	\$ 786,749	\$ 220,990	\$ -	\$ -	\$ 1,007,739
Intersegment revenues	54	416	-	(470)	-
Total operating revenues	786,803	221,406	-	(470)	1,007,739
Energy supply costs	294,697	75,981	-	(470)	370,208
Other operating expenses	357,211	87,468	725	-	445,404
Depreciation and amortization	63,054	20,448	-	-	83,502
Operating income (loss)	71,841	37,509	(725)	-	108,625
Other income, net	28,947	7,040	3,965	-	39,952
Interest charges	34,317	14,608	418	-	49,343
Income before income taxes	66,471	29,941	2,822	-	99,234
Income tax expense	13,461	7,203	792	-	21,456
Net Income	\$ 53,010	\$ 22,738	\$ 2,030	\$ -	\$ 77,778
Segment Assets at December 31, 2023	\$ 2,591,062	\$ 980,353	\$ 34,439	\$ (1,275)	\$ 3,604,579
Capital Expenditures	\$ 175,301	\$ 77,694	\$ -	\$ -	\$ 252,995

CH Energy Group Segment Disclosure

(In Thousands)

	Year Ended December 31, 2022				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	\$ 797,612	\$ 220,744	\$ -	\$ -	\$ 1,018,356
Intersegment revenues	56	1,159	-	(1,215)	-
Total operating revenues	797,668	221,903	-	(1,215)	1,018,356
Energy supply costs	323,558	80,234	-	(1,215)	402,577
Other operating expenses	354,747	84,586	315	-	439,648
Depreciation and amortization	60,624	19,392	-	-	80,016
Operating income (loss)	58,739	37,691	(315)	-	96,115
Other income, net	33,803	8,737	2,559	-	45,099
Interest charges	27,945	12,402	554	-	40,901
Income before income taxes	64,597	34,026	1,690	-	100,313
Income tax expense	12,084	8,447	649	-	21,180
Net Income	\$ 52,513	\$ 25,579	\$ 1,041	\$ -	\$ 79,133
Segment Assets at December 31, 2022	\$ 2,399,549	\$ 907,893	\$ 27,371	\$ (779)	\$ 3,334,034
Capital Expenditures	\$ 158,897	\$ 65,945	\$ -	\$ -	\$ 224,842

CH Energy Group Segment Disclosure

(In Thousands)

	Year Ended December 31, 2021				
	Segments		Other Businesses and Investments	Eliminations	Total
	Central Hudson				
	Electric	Natural Gas			
Revenues from external customers	\$ 623,823	\$ 172,425	\$ -	\$ -	\$ 796,248
Intersegment revenues	59	243	-	(302)	-
Total operating revenues	623,882	172,668	-	(302)	796,248
Energy supply costs	178,795	48,504	-	(302)	226,997
Other operating expenses	320,246	76,256	218	-	396,720
Depreciation and amortization	55,234	17,481	-	-	72,715
Operating income (loss)	69,607	30,427	(218)	-	99,816
Other income, net	20,344	5,273	1,937	-	27,554
Interest charges	25,384	10,536	681	-	36,601
Income before income taxes	64,567	25,164	1,038	-	90,769
Income tax expense	10,700	5,408	708	-	16,816
Net Income	\$ 53,867	\$ 19,756	\$ 330	\$ -	\$ 73,953
Segment Assets at December 31, 2021	\$ 2,169,728	\$ 805,355	\$ 22,458	\$ (882)	\$ 2,996,659
Capital Expenditures	\$ 156,918	\$ 74,664	\$ -	\$ -	\$ 231,582

NOTE 16 – Accounting for Derivative Instruments and Hedging Activities

Purpose of Derivatives

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

- Interest rate caps are used to minimize interest rate risks and to improve the matching of assets and liabilities. An interest rate cap is an interest rate option agreement in which payments are made by the seller of the option when the reference rate exceeds the specified strike rate (or the set rate at which the option contract can be exercised). The purpose of these agreements is to reduce exposure to rising interest rates while still having the ability to take advantage of falling interest rates by putting a "cap" on the interest rate Central Hudson pays on debt for which such caps are purchased. See Note 11 - "Capitalization – Long-Term Debt" for further details regarding Central Hudson's interest rate cap agreements.
- Natural gas futures are used to mitigate commodity price volatility for natural gas purchases. A natural gas futures contract is a standardized contract to buy or sell a specified commodity (natural gas) of standardized quantity at a certain date in the future, at a market determined price (the futures price). Central Hudson's reason for purchasing these contracts is to moderate price fluctuations for natural gas and the impact of volatility in the commodity markets on its customers.
- Electricity swaps are used to mitigate commodity price volatility for electricity purchases for Central Hudson's full-service customers. A swap contract or a contract for differences is the exchange of two payment streams between two counterparties where the cash flows are dependent on the price of the underlying commodity. In an effort to moderate commodity price volatility, Central Hudson enters into contracts to pay a fixed price and receive a market price for a defined commodity and volume. These contracts are aligned with Central Hudson's actual commodity purchases at market price, resulting in a net fixed price payment.
- Weather derivative contracts are used to hedge the effect of significant variances in weather conditions from normal patterns on purchased electricity and natural gas costs, and on the related revenues. Heating degree days ("HDD") are used to measure winter temperature risk where an HDD index is calculated by subtracting the average of the daily high and low temperatures from 65 degrees Fahrenheit, representing the point where space heating is typically switched on. In recent years these daily HDD values are accumulated over the seasonal period of December 1st to March 31st where a strike price is triggered to protect the Company from price volatility when the HDD value is 45 degrees below the stated 65 degree starting point. Central Hudson's weather derivative contracts contain a feature to pay the financial institution, if and when, weather is warmer than normal during the winter seasonal period. While customers are protected by price volatility at 45 degrees below 65 degrees Fahrenheit, there is now a trigger to pay the financial institution when the HDD daily calculation does not fall 20.5 degrees below its 65-degree starting point. These values are

accumulated daily and any payouts earned will continue to be netted with costs on a monthly basis over the term of the contract.

Energy Contracts Subject to Regulatory Deferral

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

The percentage of Central Hudson's electric and natural gas requirements covered with fixed price forward purchases at December 31, 2023 are as follows:

Central Hudson	% of Requirement Hedged ⁽¹⁾
Electric Derivative Contracts:	0.7 million MWh
January 2024 – September 2024	29.6%
Natural Gas Derivative Contracts:	0.4 million Dth
January 2024 – March 2024	8.1%

⁽¹⁾ Projected coverage as of December 31, 2023.

In 2023, OTC derivative contracts covered approximately 34.3% of Central Hudson's total electricity supply requirements as compared to 30.8% in 2022.

Cash Flow Hedges

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

Derivative Risks

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

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

To help limit the credit exposure of derivatives, Central Hudson enters into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position. Of the 24 total agreements held by Central Hudson, 10 agreements contain credit risk contingent features. As of December 31, 2023, eight open contracts with credit risk contingent features were in a liability position. The aggregate fair value of the open derivative contracts that contain contingent features and the amount that would be required to settle these instruments on December 31, 2023, if the contingent features were triggered, are described below.

Contingent Contracts

(Dollars In Thousands)

Triggering Event	As of December 31, 2023		
	# of Contracts in a Liability Position Containing the Triggering Feature	Gross Fair Value of Contract	Cost to Settle if Contingent Feature is Triggered (net of collateral)
Central Hudson:			
Credit Rating Downgrade	6	\$ (6,661)	\$ (6,661)
Adequate Assurance	2	(5,465)	(5,465)
Total Central Hudson	8	\$ (12,126)	\$ (12,126)

Derivative Contracts

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions. On December 31, 2023 and December 31, 2022, Central Hudson did not have collateral posted against the fair value amount of derivatives.

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

Description	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral Received	Net Amount
As of December 31, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
As of December 31, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 315	\$ -	\$ 315	\$ 315	\$ -	\$ -
Total CH Energy Group and Central Hudson Assets	\$ 315	\$ -	\$ 315	\$ 315	\$ -	\$ -

⁽¹⁾ Interest rate cap agreements are not shown in the above chart. As of December 31, 2023 and 2022, the fair value was \$0.2 million and \$0 respectively.

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral Received	Net Amount
As of December 31, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 12,092	\$ -	\$ 12,092	\$ -	\$ -	\$ 12,092
Central Hudson - natural gas	407	-	407	-	-	407
Total CH Energy Group and Central Hudson Liabilities	\$ 12,499	\$ -	\$ 12,499	\$ -	\$ -	\$ 12,499
As of December 31, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 13,389	\$ -	\$ 13,389	\$ 315	\$ -	\$ 13,074
Central Hudson - natural gas	645	-	645	-	-	645
Total CH Energy Group and Central Hudson Liabilities	\$ 14,034	\$ -	\$ 14,034	\$ 315	\$ -	\$ 13,719

⁽¹⁾ Interest rate cap agreements are not shown in the above chart. As of December 31, 2023 and 2022, the fair value was \$0.

Gross Fair Value of Derivative Instruments

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

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

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

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

Derivative contracts are measured at fair value on a recurring basis. As of December 31, 2023 and December 31, 2022, 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 December 31, 2023⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ -	\$ -	\$ -	\$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ -	\$ -	\$ -	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 12,092	\$ -	\$ 12,092	\$ -
Central Hudson - natural gas	407	407	-	-
Total CH Energy Group and Central Hudson Liabilities	\$ 12,499	\$ 407	\$ 12,092	\$ -
As of December 31, 2022⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ 315	\$ -	\$ 315	\$ -
Central Hudson - natural gas	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ 315	\$ -	\$ 315	\$ -

Liabilities:

Derivative Contracts:					
Central Hudson - electric	\$	13,389	\$	-	\$ 13,389 \$ -
Central Hudson - natural gas		645		645	- -
Total CH Energy Group and Central Hudson Liabilities					
	\$	14,034	\$	645	\$ 13,389 \$ -

(1) Interest rate cap agreements are not shown in the above chart. These are classified as Level 2 in the fair value hierarchy using SIFMA Municipal Swap Curves and 3-month US Dollar LIBOR rate forward curves. As of December 31, 2023 and 2022, the fair values were \$0.2 million and \$0, respectively.

The Effect of Derivative Instruments on the Statements of Income

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

For the years ended December 31, 2023, 2022, and 2021 neither CH Energy Group nor Central Hudson had derivatives designated as hedging instruments. The following table summarizes the effects of CH Energy Group's and Central Hudson's derivatives on the Statements of Income (In Thousands):

	Amount of Gain(Loss) Recognized as Increase/(Decrease) in the Statements of Income			Location of Gain (Loss)
	Year Ended December 31,			
	2023	2022	2021	
Central Hudson:				
Electricity swap contracts	\$ 73,261	\$ (3,934)	\$ (1,687)	Deferred purchased electric costs ⁽¹⁾
Natural gas swap contracts	1,079	430	404	Deferred purchased natural gas costs ⁽¹⁾
Total CH Energy Group and Central Hudson	<u>\$ 74,340</u>	<u>\$ (3,504)</u>	<u>\$ (1,283)</u>	

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

Other Hedging Activities

Central Hudson – Electric

In October 2023, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2023 through March 31, 2024, to hedge the effect of significant variances in weather conditions on electricity costs. The aggregate limit on the contract is \$5 million. No premium was paid for the HDD costless collar weather option and there was no associated net payout at the end of December 2023. Central Hudson's expense recorded to purchased electricity cost was \$0.2 million through December 31, 2023.

In 2022, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2022 through March 31, 2023, with an aggregate limit of \$5 million. There was no associated net payout at the end of the contract. Central Hudson recorded \$0.3 million of expense incurred as an increase to purchased electric cost. In 2021, Central Hudson entered into an HDD costless collar

weather option for the period December 1, 2021 through March 31, 2022, with an aggregate limit of \$5 million. There was no associated net payout at the end of the contract. Central Hudson recorded \$0.3 million of expense incurred as an increase to purchased electric cost.

Central Hudson – Natural Gas

In November 2023, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2023 through March 31, 2024, to hedge the effect of significant variances in weather conditions on natural gas costs. The aggregate limit on the contract was \$5 million. No premium was paid for the HDD costless collar weather option and there was no net associated payout at the end of December 2023. Central Hudson’s expense recorded to purchased natural gas cost was \$0.2 million through December 31, 2023.

In 2022, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2022 through March 31, 2023, with an aggregate limit of \$5 million. There was no associated net payout at the end of the contract. Central Hudson recorded \$0.3 million of expense incurred as an increase to natural gas cost. In 2021, Central Hudson entered into an HDD costless collar weather option for the period December 1, 2021 through March 31, 2022, with an aggregate limit of \$5 million. There was no associated net payout at the end of the contract. Central Hudson recorded \$0.3 million of expense incurred as an increase to purchased natural gas cost.

NOTE 17 – Other Fair Value Measurements

Other Assets Recorded at Fair Value

In addition to the derivatives reported at fair value discussed in Note 16 – “Accounting for Derivative Instruments and Hedging Activities,” CH Energy Group and Central Hudson report certain other assets at fair value on the Balance Sheets. The following table summarizes the amounts reported at fair value related to these assets (In Thousands):

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of December 31, 2023:				
Other Investments	\$ 10,724	\$ 10,724	\$ -	\$ -
As of December 31, 2022:				
Other Investments	\$ 20,645	\$ 20,645	\$ -	\$ -

As of December 31, 2023 and 2022, a portion of the trust assets for the funding of the SERP and Deferred Compensation Plan were invested in mutual funds and money market accounts, which are measured at fair value on a recurring basis. These investments are valued at quoted market prices in active markets and, as such, are Level 1 investments as defined in the fair value hierarchy. These amounts are included in “Other investments” within the Deferred Charges and Other Assets section of the CH Energy Group’s and Central Hudson’s Balance Sheets.

The remaining amount reported in “Other investments” within the Deferred Charges and Other Assets section of the CH Energy Group and Central Hudson Balance Sheets represents trust assets for the funding of the SERP and Deferred Compensation Plan held in trust-owned life insurance policies, which are recorded at cash surrender value. As of December 31, 2023 and 2022, the total cash surrender value of trust-owned life insurance held by these trusts was approximately \$35.3 million and \$33.5 million, respectively. The change in the cash surrender value is reported in “Other – net” income in the CH Energy Group’s and Central Hudson’s Income Statements.

Other Fair Value Disclosure

Financial instruments are recorded at carrying value in the financial statements; however, the fair value of these instruments 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.

Short-Term Borrowings: Carrying amount.

Due to the short-term nature of these borrowings, the carrying value is equivalent to the current fair market value.

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

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

The following tables summarize the long-term debt maturing or to be redeemed during the next five years and thereafter, as well as the estimated fair value of both CH Energy Group and Central Hudson's long-term debt, including the current maturities (Dollars In Thousands):

CH Energy Group

Expected Maturity Date	Fixed Rate		Variable Rate		Total Debt Outstanding	
	Amount	Estimated Effective Interest Rate	Amount	Estimated Effective Interest Rate	Amount	Estimated Effective Interest Rate
As of December 31, 2023:						
2024	\$ 2,245	7.09%	\$ 30,000.00	6.63%		
2025	22,400	3.44%	-	-%		
2026	50,000	3.73%	-	-%		
2027	50,000	2.60%	-	-%		
2028	76,700	5.75%	-	-%		
Thereafter	1,009,001	4.29%	33,700	2.86%		
Total	<u>\$ 1,210,346</u>	4.28%	<u>\$ 63,700</u>	4.64%	\$ 1,274,046	4.30%
Fair Value	\$ 1,068,514		\$ 63,700		\$ 1,132,214	
As of December 31, 2022:						
2023	\$ 2,100	7.00%	\$ -	-%		
2024	2,245	7.00%	30,000	5.76%		
2025	22,400	3.43%	-	-%		
2026	50,000	3.73%	-	-%		
2027	50,000	2.60%	-	-%		
Thereafter	935,701	4.14%	33,700	6.65%		
Total	<u>\$ 1,062,446</u>	4.05%	<u>\$ 63,700</u>	6.23%	\$ 1,126,146	4.17%
Fair Value	\$ 896,255		\$ 63,700		\$ 959,955	

Central Hudson

Expected Maturity Date	Fixed Rate		Variable Rate		Total Debt Outstanding	
	Amount	Estimated Effective Interest Rate	Amount	Estimated Effective Interest Rate	Amount	Estimated Effective Interest Rate
As of December 31, 2023:						
2024	\$ -	-%	\$ 30,000	6.63%		
2025	20,000	3.00%	-	-%		
2026	50,000	3.73%	-	-%		
2027	50,000	2.60%	-	-%		
2028	76,700	5.75%	-	-%		
Thereafter	1,009,000	4.29%	33,700	2.86%		
Total	\$ 1,205,700	4.27%	\$ 63,700	4.64%	\$ 1,269,400	4.29%
Fair Value	\$ 1,063,860		\$ 63,700		\$ 1,127,560	
As of December 31, 2022:						
2023	\$ -	-%	\$ -	-%		
2024	-	-%	30,000	5.76%		
2025	20,000	3.00%	-	-%		
2026	50,000	3.73%	-	-%		
2027	50,000	2.60%	-	-%		
Thereafter	935,700	4.14%	33,700	6.65%		
Total	\$ 1,055,700	4.03%	\$ 63,700	6.23%	\$ 1,119,400	4.15%
Fair Value	\$ 889,524		\$ 63,700		\$ 953,224	

NOTE 18 – Related Party Transactions

Thompson Hine LLP serves as outside counsel to CH Energy Group and Central Hudson. One partner in that firm serves as each corporation's General Counsel and Corporate Secretary. LaBella Associates D.P.C. ("LaBella") performs engineering services for Central Hudson. A former principal of the firm (until December 31, 2022) serves as a director of Central Hudson.

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

	Year Ended December 31,		
	2023	2022	2021
CH Energy Group (Thompson Hine LLP)	\$ 2,654	\$ 2,474	\$ 2,031
Central Hudson (Thompson Hine LLP)	\$ 2,634	\$ 2,445	\$ 1,993
Central Hudson LaBella ⁽¹⁾	\$ -	\$ 546	\$ 786

⁽¹⁾ Effective January 1, 2023, LaBella is not a related party

CH Energy Group and Central Hudson may provide general and administrative services ("services") to and receive services from each other, Fortis, and other subsidiaries of Fortis. The costs of these services are reimbursed by the beneficiary company through accounts receivable and accounts payable, as necessary. CH Energy Group and Central Hudson may also incur charges from Fortis or each other for the recovery of general corporate expenses incurred by one another, Fortis, or other affiliates. In addition, CH Energy Group and Central Hudson may also incur charges from Fortis for federal income taxes under their tax sharing agreement. These transactions are in the normal course of business and are recorded at the United States dollar amounts. On December 13, 2023, CH Energy Group entered into a \$150 million, short-term uncommitted intercompany credit agreement with

FortisUS to provide liquidity for general corporate purposes, raising the Company's short term credit availability. At December 31, 2023, there were no amounts outstanding under this credit agreement.

Furthermore, Central Hudson performs work and incurs expenses on behalf of Transco, a company in which CHET has an equity interest. Central Hudson bills Transco for such work and expenses in accordance with established policies, which are reported under "Other Affiliates" in the chart below.

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

	December 31, 2023		December 31, 2022	
	Fortis		Fortis	
CH Energy Group ⁽¹⁾				
Accounts Receivable	\$	158	\$	441
Accounts Payable	\$	199	\$	624

	December 31, 2023			December 31, 2022		
	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates
Central Hudson ⁽¹⁾⁽²⁾						
Accounts Receivable	\$ 4	\$ 155	\$ 167	\$ 10	\$ 183	\$ 195
Accounts Payable	\$ 1,430	\$ -	\$ -	\$ 1,365	\$ -	\$ -

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

⁽²⁾ Other Affiliates amounts include CHEC, CHET, and Transco.

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

	December 31, 2023		December 31, 2022		December 31, 2021	
	CHEG	Fortis ⁽¹⁾	CHEG	Fortis ⁽¹⁾	CHEG	Fortis ⁽¹⁾
CH Energy Group	\$ -	\$ 5,662	\$ -	\$ 4,886	\$ -	\$ 4,055
Central Hudson	\$ 6,212	\$ -	\$ 5,409	\$ -	\$ 4,442	\$ -

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

NOTE 19 – Subsequent Events

An evaluation of subsequent events was completed through February 8, 2024, the date these Consolidated Financial Statements were available to be issued, to determine whether circumstances warranted recognition and disclosure of events or transactions in the Consolidated Financial Statements as of December 31, 2023.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS

For the Year Ended December 31, 2023

This Management Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the 2023 Financial Statements and the notes thereto.

Overview

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Enterprises Corporation ("CHEC"), Central Hudson Electric Transmission LLC ("CHET"), and Central Hudson Gas Transmission LLC ("CHGT"). Central Hudson is a regulated electric and natural gas transmission and distribution utility. CH Energy Group formed CHET to hold its ownership interest in New York Transco LLC ("Transco"). Transco is a joint venture with affiliates of other investor-owned utilities in New York State ("NYS"), which was created to develop, own, and operate electric transmission projects in NYS. CHGT was formed to hold CH Energy Group's ownership stake in possible natural gas transmission pipeline opportunities in NYS. All of CH Energy Group's common stock is indirectly owned by Fortis Inc. ("Fortis"), a leader in the North American regulated electric and natural gas utility industry.

Central Hudson purchases and sells energy in both wholesale and retail markets and distributes electricity and natural gas to customers in retail markets in portions of NYS. Central Hudson is subject to regulation by the New York Public Service Commission ("PSC" or "Commission") and the Federal Energy Regulatory Commission ("FERC").

CH Energy Group Strategy Execution

CH Energy Group's strategy is to:

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

Management continues to focus on investment in Central Hudson's electric and natural gas infrastructure as the core of its strategy. Central Hudson invested approximately \$253 million in 2023, and its five-year forecast includes an average of approximately \$334 million of capital expenditures per year. The long-term capital program provides for continued strengthening of existing electric and natural gas infrastructure, resiliency and automation of distribution systems, new common facilities, and investments in cybersecurity, and information and distribution system technologies that are expected to allow for greater penetration of distributed energy resources ("DER") and improve reliability and customer satisfaction.

As part of CH Energy Group's overall strategy to invest in electric transmission and distribution, CHET made an investment in Transco. In April 2019, National Grid and Transco were awarded the Segment B portion of one of their proposals related to the Alternating Current Transmission Order ("AC Project") with the New York Independent System Operator ("NYISO") for a transmission project that will improve the flow of power from upstate renewable resources to meet downstate demand and enhance the reliability and resilience of the grid. Transco is authorized to earn a return on equity invested in the project (up to 53% of the project cost) of 9.65%, with up to an additional 1% available for incentives. The AC Project has an estimated cost of \$600 million plus interconnection costs and CHET's equity funding requirement of this cost, as an owner of Transco, is expected to be \$19.4 million. At December 31, 2023, CHET's total investment in Transco was approximately \$29.7 million.

On June 20, 2023, a proposal by Transco, in partnership with the New York Power Authority (“NYPA”) was selected as the most cost-efficient project by the NYISO in response to a solicitation for the Long Island Offshore Wind Export Public Policy Transmission Need to provide transfer capability of at least 3,000 megawatts (“MW”)s from the Long Island transmission district to the Consolidated Edison transmission infrastructure. Transco is authorized to earn a return on equity (“ROE”) invested in the project of 10.7%, with up to an additional 1.25% available for incentives. This project, titled Propel NY Energy Project will cost Transco approximately \$2.2 billion, excluding certain interconnection costs that are not yet finalized. CHET’s contribution will be 10% of Transco’s equity investment in the project.

Central Hudson Purpose and Strategy Execution

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

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

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

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

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

Central Hudson is subject to regulation by the PSC. Central Hudson’s earnings are derived predominately from the revenue it generates from delivering energy to approximately 315,000 electric and 90,000 natural gas customers, with earnings growth coming primarily from increases in net utility plant. Central Hudson’s delivery rates are designed to recover the cost of providing safe and reliable service while affording the opportunity to earn a fair and reasonable return on its capital.

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

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

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

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

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

Human Capital Resources

Central Hudson recognizes the critical importance of its employees and dedicates substantial resources and efforts toward attracting, retaining, and developing individuals who exemplify the values that are the cornerstone of our Company. In our Purpose Statement we make it clear that our people are

absolutely essential to our success. As of December 31, 2023, we had 1,193 employees, with approximately 53% covered by collective bargaining (“union”) agreements. In addition, we work with many outside firms to obtain additional resources to supplement our internal forces to address fluctuations in certain aspects of the Company’s operations, including contact center overflow, storm restoration, capital construction, tree trimming, and other field operations. We strive to maintain strong relationships with both our union and suppliers of contracted services.

Safety is of the utmost importance for our employees and is a priority for our Company. We value continuous improvement in everything we do, including safety, and we have devoted additional resources, including external consultation services and collaboration with our union on a grass roots effort to improve our safety performance and culture.

We believe that our compensation and benefit programs are appropriately designed to attract and retain first-class talent. We provide our employees competitive compensation, a comprehensive benefits package, and extensive training and professional development opportunities.

We strive to provide a safe, inclusive, and diverse environment for all. We want our employees to know that their individual input and contribution is valued and to feel that they can be their authentic selves at work. We believe that by recognizing and valuing each employee for who they are, we make our shared goals possible. We also place great focus on veteran recruiting. Veterans currently comprise approximately 5% of our current workforce and contribute to the organization as some of our most skilled and productive employees. In addition to our internal commitments to inclusion and diversity, we also have a supplier diversity program that is committed to developing an inclusive supplier base through the selection of businesses owned by minorities, women, and veterans when all other considerations are equal.

Opportunities and Risks

Central Hudson invests significant capital on an annual basis. Central Hudson’s investments enhance safety and reliability through solutions, which are intended to improve customer satisfaction and reduce risk. Opportunities to enhance transmission and distribution systems and information systems technologies are evaluated and prioritized based on their expected benefits, projected costs, and estimated risks. On November 18, 2021, the PSC issued an Order Approving Rate Plan in Cases 20-E-0428 and 20-G-0429 (the “2021 Rate Order”), which included a request for continued funding of Central Hudson’s capital investment program.

The economy in Central Hudson’s service territory affects the growth of utility rate base and earnings through a direct relationship to customer affordability, 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 reasonable 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. 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 on invested capital.

The key risks management sees in achieving its overall strategy are operating risks related to effectively executing its capital program, managing costs and customer bill pressure, maintaining customer satisfaction, navigating the current political and regulatory environment, as well as ensuring adherence to compliance requirements, as further discussed below. Central Hudson has policies, procedures, and controls in place which Central Hudson believes allows it to address these risks.

Regulatory/Compliance Risks:

- Compliance/penalty risks: Central Hudson needs to comply with the requirements of several agencies, which include PSC, FERC, North American Electric Reliability Corporation (“NERC”), NYS Department of Environmental Conservation (“NYS DEC”), The Pipeline and Hazardous Materials Safety Administration (“PHMSA”), and NYISO. These entities have the authority to impose penalties on Central Hudson for violations of the Federal Power Act (“FPA”), the Natural Gas Act, or related rules, including reliability and cyber security rules. Environmental agencies could seek penalties for failure to comply with laws, regulations, or permits. Central Hudson may be subject to new laws, regulations, or other requirements or the revision or reinterpretation of such requirements, which could adversely affect the Company.
- Regulatory Environment: PSC rates are generally designed for, but do not guarantee the recovery of, Central Hudson’s cost of service, including a ROE. Central Hudson’s ability to meet its financial objectives is largely dependent on approval of the Company’s rate proposals and the continuation of supportive ratemaking practices by the PSC. Risks related to these practices include: (1) reduced allowed ROE, (2) PSC-allowed revenues that result in less than full recovery of the legitimate costs of providing service, resulting in earned returns below authorized returns, (3) declining PSC support for strong capital structures and credit ratings, (4) NYS energy policy, (5) changes in deferral accounting that increase the volatility of earnings and/or defer cash recovery of costs, (6) elimination of revenue decoupling mechanisms (“RDMs”) or rate adjustment mechanisms (“RAMs”) and (7) changes to the potential financial impact or achievability of negative revenue adjustments (“NRAs”). The PSC can initiate proceedings to prohibit Central Hudson from recovering from our customers the cost of service, including energy costs, that the regulators determine to have been imprudently incurred. In addition, the PSC could seek to impose substantial penalties on the Company for any violations of state utility laws, regulations, or orders.
- Political Environment: The political environment, at the local, national, and global level, may impact energy laws, governmental energy policies, or regulatory decisions. Political pressure or intervention to address rising energy prices and customer affordability concerns may impact regulatory decisions, as well as the period over which the Company may recover allowed costs. Political, economic, or social instability or events, trade disputes, increased tariffs, changes in laws, or the imposition of onerous regulations applicable to existing operations and the impacts of changes in political leadership could lead to an increase in commodity prices, impact the availability and cost of energy, or generally affect global economic condition.
- Policy/External Business Environment: The PSC announced the commencement of its Reforming the Energy Vision (“REV”) initiative that aims to improve the efficiency of the electric system; reduce emissions; encourage greater development of clean generation, fuel diversity, and energy efficiency measures; and provide customers with knowledge and tools for more effective management of their total energy use through the adoption of new technologies on both the utility and customer side of the meter. Central Hudson expects to continue its efforts of working with the other New York electric utilities and various stakeholders in the energy industry to develop policy positions in order to facilitate the implementation of REV. In addition, CLCPA was passed by the NYS Senate and the NYS Assembly and includes renewable energy and emission reduction goals in NYS, which are among the most aggressive in the nation. The outcome of REV and the CLCPA and the many related proceedings cannot be predicted at this time, but they could result in an increased scope of regulated activities, potential for decreased earnings, and other risks.

Operational Risks:

- Facilities failure and/or damage: Central Hudson provides electricity and natural gas service to customers in its territory. Failure of, or damage to, facilities, or an error in operation or maintenance could result in bodily injury or death, property damage, the release of hazardous substances, or extended service interruptions. A natural disaster, such as a major storm, could impact Central Hudson's ability to access supplies and utilize critical facilities. Central Hudson's response to such events may be perceived to be below customer expectations. Central Hudson could incur substantial costs that may not be covered by Central Hudson's insurance policies or recovered through other regulatory mechanisms for storm preparation, to repair or replace facilities, compensate others for injury or death, or other regulatory penalties imposed by state utility regulators or other regulatory agencies. The occurrence of such events could also adversely affect the cost and availability of insurance.
- Cybersecurity: Central Hudson identified cyber-attacks as a risk through the Company's Enterprise Risk Management ("ERM") program and monitors this risk through the ERM Committee on a quarterly basis with formal vetting and reporting to the Audit & Risk Committee and Board of Directors annually. These bodies govern the Company's cybersecurity risk monitoring and mitigation strategy and performance, including the review of significant cybersecurity events. A Cybersecurity Executive Committee ("CSEC") provides leadership and oversight to the Company's cybersecurity policies and strategy to monitor and mitigate risks identified. The CSEC also reviews significant cybersecurity events, including the scope of the incident and the associated prevention, detection, mitigation, and remediation efforts. The CSEC includes the President and Chief Executive Officer, the Chief Technology Officer and members of the executive team who jointly participate on the ERM Committee.

Central Hudson's cybersecurity program is established in alignment with the National Institute of Standards and Technology ("NIST") Cybersecurity Framework. This program includes dedicated investments in people, processes, and technology to manage and reduce risk, including third-party threats. Multiple layers of security controls are deployed across asset and technology classes with a special emphasis on the reliable and safe operation of the Company's infrastructure. The program is continuously refined in response to the shifting threat landscape, third-party assessments, and industry best practices. Cybersecurity risk is tactically and strategically managed by the cybersecurity team comprised of experienced professionals with various cybersecurity certifications. This team uses threat intelligence and internal cybersecurity tools to proactively identify, assess, manage, and respond to risk. Central Hudson maintains a compliance program that provides ongoing internal oversight and visibility to cybersecurity regulation. Third-party cybersecurity risk is addressed through vendor risk management processes designed to reduce risk associated with the use of third-party providers. Cybersecurity training is conducted on a regular basis and includes awareness campaigns and simulations. Users of the company's information systems are subject to compliance with these policies. Central Hudson is also subject to external cybersecurity audits, including those associated with the NERC Critical Infrastructure Protection standards. Central Hudson employs and regularly tests its Cybersecurity Incident Response Plan. This plan identifies key roles and responsibilities during a cybersecurity incident and classifies incidents according to qualitative and quantitative factors that are continuously reviewed as information evolves over the course of an incident. The plan also identifies certain reporting obligations and may trigger additional response processes.

- Processes/employee/contractor failure: The ability to effectively manage costs, is a key component of Central Hudson's strategy. The continued use of Lean Six Sigma techniques, a data-driven approach to develop processes that are faster, higher quality and less costly, and to streamline existing business processes, and foster innovation will play a critical role in managing

the costs of doing business in a sustainable manner. The Company has developed business processes and uses information and communication systems and enterprise platforms for operations, customer service, legal compliance, personnel, accounting, planning, and other matters. Failure of the Company and/or its contractors to follow these business processes or information and communication systems, their unsafe actions, errors, or intentional misconduct, cyber incidents or attacks, or work stoppages could adversely affect the Company's operation and liquidity and result in substantial liability, higher costs, and increased regulatory requirements. The violation of laws or regulations by employees or contractors for personal gain may result from contract and procurement fraud, extortion, bribe acceptance, fraudulent related-party transactions, and serious breaches of corporate policy or standards of business conduct.

Environmental Risks:

- Environmental risks: Central Hudson is exposed to risks from the environmental consequences of its operations and the operations of its predecessors. Hazardous substances, such as asbestos, polychlorinated biphenyl ("PCB"), and coal tar have been used or produced in the course of Central Hudson's operations and are present on properties or in facilities and equipment currently or previously owned. To the extent not covered by insurance or recovered through rates, remediation costs, fines, judgments, and settlements could reduce earnings and cash flows.

Financial Risks:

- Supply Chain: Failure to eliminate or manage the constraints in the supply chain may impact the availability of items that are necessary to support normal operations as well as materials that are required for continued infrastructure investment and could have a material adverse effect on the Company.
- Interest Rate/Access to Capital: The Company has incurred material amounts of indebtedness. Ongoing access to cost-effective capital is required to fund capital expenditures and the repayment of maturing debt. Operating cash flow may not be sufficient to fund the repayment of all outstanding liabilities when due or fund anticipated capital expenditures. The ability to meet long-term debt repayments is dependent upon obtaining sufficient and cost-effective financing to replace maturing indebtedness. The ability to arrange financing is subject to numerous factors, including the results of operation, regulatory environments including regulatory decisions regarding capital structure and allowed ROE, capital market conditions, general economic conditions, credit ratings, and the ESG profile of the Company. An environment of rising interest rates impacts new debt issuances and can result in a cost of debt above amounts provided for in the current rate structure. If the current deferral mechanism for recovery of interest costs is not continued, higher finance costs could reduce earnings and impact cash flow.
- Tax Laws: Earnings could be impacted by changes in income tax rates and other tax legislation. The nature, timing, or impact of changes in tax laws cannot be predicted. Although income taxes are generally recovered in customer rates, tax-related regulatory lag can result in recovery delays for certain periods.

Other Risks:

- Reputational risk: There can be no assurance that internal policies, controls, or audits will ensure compliance with the Company's internal policies, including its Code of Conduct, or anti-bribery and anti-corruption laws. Employees, affiliates, independent contractors, or agents may violate such policies and laws, which may potentially lead to reputational damage, in addition to potential fines, penalties, or litigation. External stakeholders are increasingly challenging

companies regarding climate change, sustainability, diversity, returns (including ROE and return on assets ("ROA")), executive compensation and other matters. Failure to effectively manage or respond to these risks could reduce earnings and significantly impact cash flow.

- **Climate risk:** Severe weather events or climate vulnerabilities which impact Central Hudson's service territory primarily consist of extreme precipitation or thunderstorms, extreme wind, snow or ice storms, flooding and extreme temperatures. Climate change is predicted to lead to more frequent and severe weather events and could intensify these current climate hazards, which may impact the Company's ability to provide reliable service. Federal and NYS energy policies and goals support continued electrification efforts, which will result in the increased reliance on grid resiliency and customer expectations. Increased frequency and intensity of weather events could increase the cost of providing service due to increased storm restoration costs, which would be recovered on a regulatory lag, or the imposition of regulatory or legislative fines or penalties, which are not recoverable. These risks posed by the impacts of climate change and the potential service disruptions and repair and replacement costs could reduce earnings and significantly impact cash flow if not resolved in a timely and effective manner.
- **Natural Gas Competitiveness:** Government policies like the Scoping Plan issued by the NYS Climate Action Council could impact the competitiveness of natural gas business by developing policies to address climate change, in particular via the penetration of natural gas into new housing to address carbon intensity of the energy source. Local governments may also use various tools at their disposal, such as franchise agreements, permits, building codes, and zoning bylaws to impose limitations on energy sources permitted in new and existing developments. Municipalities can also provide incentives, such as higher density allowance, or builders to adopt carbon free energy options for their developments. These actions and policies may hinder the Company's ability to attract new natural gas customers or retain existing customers.

**CH Energy Group - Regulated Operations - Central Hudson
Financial Highlights
Period Ended December 31**

	Year to Date		
	2023	2022	Change
Electricity Sales (GWh) ⁽¹⁾	4,921	5,002	(81)
Natural Gas Sales (PJ) ⁽²⁾	24.4	25.1	(0.7)
<i>(In Millions)</i>			
Revenues	\$ 1,007.7	\$ 1,018.4	\$ (10.7)
Energy supply costs - matched to revenues	370.2	402.6	(32.4)
Operating expenses - matched to revenues	103.2	116.6	(13.4)
Operating expenses - other	341.5	322.7	18.8
Depreciation and amortization	83.5	80.0	3.5
Other income, net	36.0	42.5	(6.5)
Interest charges	48.9	40.3	8.6
Income taxes	20.7	20.5	0.2
Net Income	\$ 75.7	\$ 78.1	\$ (2.4)

⁽¹⁾ GigaWatt hours ("GWh")

⁽²⁾ Petajoule ("PJ")

Earnings: Central Hudson's year over year earnings declined despite an increase in earnings on capital invested in rate base and additional incentives earned associated with Central Hudson's EE programs. These increases were more than offset by higher customer bill credits and a higher level of NRAs

resulting from customer service levels below PSC prescribed targets. The year over year results were also impacted by higher financing costs associated with elevated levels of working capital and higher operating and maintenance (“O&M”) expense related to an increase in labor, partially offset by lower external consultants associated with stabilization efforts of its new Customer Information System (“CIS”).

The suspension of collection activities since the beginning of the Coronavirus pandemic (“COVID-19”), coupled with the significant increase in electric and natural gas commodity costs have resulted in a significant growth in our accounts receivable. Central Hudson continued to expand its collection efforts in 2023, including issuing final termination notices and locking service for non-payment for certain commercial customers. These collection efforts have generated success with payments or payment arrangements resulting in a reduction to the total amount in arrears for commercial customers in the second half of the year. Collection outreach efforts have also been escalated for certain residential customers through numerous communications, urging payment and providing notification that finance charges and termination efforts would be forthcoming. These efforts have provided some success with a leveling off in the number of residential customers with balances in arrears; however, a consistent number of residential customers continue to not pay, and their balances in arrears continue to increase while there is no enforcement of termination of service for these customers at this time. Based on the number of customers and their balances in arrears, the Company expects the elevated level of accounts receivables to continue as we work through required processes to contact and collect from these customers. Under the terms of the 2021 Rate Order, Central Hudson is authorized to defer bad debt write-offs if they exceed 10 basis points above the amounts billed to customers through delivery rates and applicable surcharges. Therefore, uncollectible expense is not expected to have a significant impact on earnings on an annual basis.

Electric and natural gas energy supply costs fluctuate; however, these fluctuations do not impact earnings due to the full deferral of commodity costs. Central Hudson is authorized to bill customers volumetric factors for the recovery of bad debt and working capital costs related to commodity purchases, fluctuations in volume and price will impact the revenues collected through these factors.

Electricity and Natural Sales

Electricity and natural gas sales decreased year over year primarily due to milder weather.

Depreciation and Amortization: Depreciation increased year over year as a result of higher investments in Central Hudson’s electric and natural gas infrastructure, information technology (“IT”), and common facilities in accordance with its capital expenditure program.

Other Income, net: The year over year decrease in other income is primarily due to a decrease in the non-service component of pension expense driven by the continued increase in interest rates and decrease in the discount rate when compared to 2022.

Interest Charges: The year over year increase in interest charges is primarily due to higher long-term debt balances as well as higher interest rates for newly issued debt.

Income Taxes: Income taxes year over year are comparable.

Central Hudson Revenues - Electric

Period Ended December 31

(In Millions)

	Year to Date		
	2023	2022	Change
Revenues with Matching Expense Offsets:⁽¹⁾			
Recovery of commodity purchases	\$ 280.2	\$ 283.7	\$ (3.5)
Sales to others for resale	14.4	39.8	(25.4)
Other revenues with matching offsets	72.9	72.5	0.4
<i>Subtotal</i>	367.5	396.0	(28.5)
Revenues Impacting Earnings:			
Customer sales	402.1	389.0	13.1
RDMs and other regulatory mechanisms	11.5	(0.6)	12.1
Incentives earned	6.4	5.7	0.7
Net plant and depreciation targets	(2.4)	(2.2)	(0.2)
Customer credits	(5.5)	(1.6) ⁽²⁾	(3.9)
NRAs	(4.0)	- ⁽²⁾	(4.0)
Other revenues	11.1	11.3 ⁽²⁾	(0.2)
<i>Subtotal</i>	419.2	401.6	17.6
Total Electric Revenues	\$ 786.7	\$ 797.6	\$ (10.9)

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

(2) Certain amounts reported under Other Revenues for the year ended December 31, 2022 have been reclassified to conform with the current period presentation.

Central Hudson Revenues - Natural Gas

Period Ended December 31

(In Millions)

	Year to Date		
	2023	2022	Change
Revenues with Matching Expense Offsets:⁽¹⁾			
Recovery of commodity purchases	\$ 65.0	\$ 67.7	\$ (2.7)
Sales to others for resale	11.0	11.5	(0.5)
Other revenues with matching offsets	3.6	4.7	(1.1)
<i>Subtotal</i>	79.6	83.9	(4.3)
Revenues Impacting Earnings:			
Customer sales	120.4	128.1	(7.7)
RDMs and other regulatory mechanisms	16.3	4.4	11.9
Incentives earned	1.4	0.5	0.9
Net plant and depreciation targets	(0.9)	(1.2)	(0.1)
Customer credits	(0.2)	- ⁽²⁾	(0.2)
NRAs	(1.7)	(1.2) ⁽²⁾	(0.5)
Other revenues	6.1	6.2 ⁽²⁾	0.8
<i>Subtotal</i>	141.4	136.8	5.1
Total Natural Gas Revenues	\$ 221.0	\$ 220.7	\$ 0.8

(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 certain authorized business expenses recovered through rates and the cost of special programs authorized by the PSC and funded with certain available credits. For natural gas sales to other entities for resale, 85% of such profits are returned to customers.

(2) Certain amounts reported under Other Revenues for the year ended December 31, 2022 have been reclassified to conform with the current period presentation.

Central Hudson's revenues consist of two major categories: those that offset specific expenses in the current period (matching revenues) and those that impact earnings. Matching revenues represent amounts billed in the current period to recover costs for particular expenses (most notably, purchased electricity and purchased natural gas, major storm, pensions and other post-employment benefits ("OPEB"), and NYS EE 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, except for related carrying charges, which are recorded within other income or interest charges in the CH Energy Group and Central Hudson Statements of Income.

Electric Revenues:

The year over year decrease in electric revenues were primarily driven by lower recovery of purchased commodity costs and lower sales for resale. Central Hudson's year over year revenues reflect an increase in customer delivery rates approved by the PSC and effective July 1, 2023 and 2022, as well as higher incentives earned for achieving certain targets and milestones associated with EE, as provided in the 2021 Rate Order. These increases were partially offset by higher bill credits provided to customers in 2023, higher revenue deferrals for customer service performance levels below PSC prescribed targets and for net plant and depreciation targets to set aside revenues associated with the postponement of an IT capital project approved in rates.

Natural Gas Revenues:

The year over year increase in natural gas revenues was driven by higher customer delivery rates effective July 1, 2023 and 2022, and higher level of incentives earned based on achieving certain targets and milestones associated with natural gas safety. Partially offsetting these increases was lower recovery of natural gas commodity costs and higher revenue deferral for the net plant and depreciation targets resulting from postponement of the IT project.

Central Hudson Operating Expenses

Period Ended December 31

(In Millions)

	Year to Date		
	2023	2022	Change
Expenses Currently Matched to Revenues:⁽¹⁾			
Purchased electricity	\$ 294.6	\$ 323.5	\$ (28.9)
Purchased natural gas	75.9	79.3	(3.4)
Pension & OPEB	11.4	24.4	(13.0)
NYS EE programs	41.9	42.5	(0.6)
Major storm reserve	15.7	17.7	(2.0)
Energy Affordability Programs ("EAP")	10.6	10.1	0.5
Other matched expenses	23.3	21.7	1.6
<i>Subtotal</i>	473.4	519.2	(45.8)
Other Operating Expenses:			
Depreciation and amortization	83.5	80.0	3.5
Property and school taxes ⁽²⁾	71.7	66.1	5.6
Uncollectible expense	8.0	8.2	(0.2)
Tree trimming	28.3	26.9	1.4
Weather related service restoration	4.8	5.4	(0.6)
Customer service expense	7.7	8.4	(0.7)
IT	18.8	24.4	(5.6)
Labor and related benefits	113.0	98.6	14.4
Other expenses	89.2	84.7	4.5
<i>Subtotal</i>	425.0	402.7	22.3
Total Operating Expenses	\$ 898.4	\$ 921.9	\$ (23.5)

- (1) Includes expenses that, in accordance with the 2021 Rate Orders, are adjusted in the current period to equal the revenues billed for the applicable expenses and the differences are deferred.
- (2) In accordance with the 2021 Rate Order, Central Hudson is authorized to continue to defer for the benefit of or recovery from customers 90% of any difference between actual property tax expense and the amounts provided in rates for each Rate Year ("RY"). Central Hudson's portion is limited to 5 basis points, with a maximum of approximately \$0.6 million, pre-tax per RY.

Operating Expenses:

Variations in purchased electricity and natural gas costs and other expenses currently matched to revenues do not have a direct impact on earnings due to Central Hudson's regulatory mechanism for the full deferral of these expenses. The year over year decrease in operating expenses is primarily attributed to lower external customer service and IT consultant expenses incurred related to CIS stabilization efforts. These decreases were more than offset by increased internal labor primarily to support the new CIS and on-going efforts to rebuild service levels and restore customer trust above amounts provided in rates, as well as increases in depreciation and property taxes on infrastructure investments, which are provided for in delivery rates.

Financial Position

CH Energy Group – Regulated – Central Hudson Significant Changes in the Balance Sheets For the twelve months ended December 31, 2023

(In millions)

Balance Sheet Account	Increase (Decrease)	Explanation
Accounts receivable, net of allowance for uncollectible accounts	23.2	Increase is primarily due to the suspension of collection efforts, which began in March 2020 and impacted customer payment behavior, increased electric and natural gas commodity prices, partially offset by credits related to the Phase 2 Arrears Management Program ("AMP"). Also contributing to the offset are collection efforts that commenced on certain customers with large arrears balances, including termination notices as well as locking service for non-payment.
Other receivables	(7.6)	Decrease is primarily related to payments received for attachments rents and contributions in aid of construction.
Regulatory assets - current	(15.4)	Decrease is primarily driven by higher recovery of previously deferred electric and natural gas commodity costs when compared to costs incurred in the current period, partially offset by higher electric and natural gas RDMs for actual billed revenues below the prescribed targets as well as additional incentives earned for the Company's EE initiatives.
Special deposits and prepayments	(6.3)	Decrease primarily due to lower prepayments of natural gas storage driven by lower commodity prices.
Regulatory assets - long term	28.0	Increase is primarily related to the deferral for AMP Phase 2 credits and major storm restoration costs incurred in 2023 in excess of the rate allowance, which will be recovered through a surcharge from 2024-2030 coupled with an increase in spending associated with the EE heat pump programs. Partially offset by rate allowance billed in excess of amounts spent for environmental remediation and lower deferred taxes recoverable through future rates attributable to plant.
Prefunded pension costs	53.8	Increase is primarily due to significant investment gains on the pension plan assets partially offset by an increase in the projected benefit obligation due to a decrease in the discount rate.
Prefunded OPEB costs	14.7	Increase is primarily due to significant investment gains on the OPEB plan assets partially offset by an increase in the projected benefit obligation due to a decrease in the discount rate.

Other investments	(8.2)	Decrease is primarily due to a withdrawal of excess funding previously held in the Supplemental Executive Retirement Plan ("SERP").
Long term debt, including current maturities	150.0	Increase is due to issuances of long-term debt in 2023.
Notes payable	(84.0)	Net decrease is related to the repayment of short-term borrowings outstanding at prior year-end.
Accounts payable	(8.9)	Decrease is primarily related to the payment of large invoices outstanding at year-end associated with purchased electric and natural gas commodity costs.
Regulatory liabilities - current	(12.4)	Decrease is primarily due to higher bill credits provided to customers during 2023, in accordance with the 2021 Rate Order, amortization of plant related deferred tax liability as a result of the Tax Cuts and Jobs Act, partially offset by lower payments for clean energy fund ("CEF") programs funded by the NYS Energy Research and Development Authority ("NYSERDA").
Regulatory liabilities - long term	9.1	Increase is primarily due to amounts collected in rates in excess of property tax expenses and NRAs related to customer service metrics below the prescribed targets, partially offset by the amortization of plant related deferred tax liabilities as a result of the Tax Cuts and Jobs Act.
Regulatory liabilities- related to pension	46.3	Increase is primarily due to significant investment gains on the plan assets partially offset by an increase in the pension projected benefit obligation due to a decrease in the discount rate.
Regulatory liabilities- related to OPEB costs	8.0	Increase is primarily due to significant investment gains on the plan assets partially offset by an increase in the OPEB projected benefit obligation due to a decrease in the discount rate.
Other liabilities - long term	5.1	Increase is primarily due to current year asset retirement obligations ("AROs") and an increase in the liability resulting from participant investment gains in the directors' and officers' deferred compensation plan.
Accumulated deferred income taxes	13.6	Increase is primarily due to the accounting requirement to recognize deferred taxes for the difference between tax basis of assets and liabilities and the book basis. These amounts are fully deferred for future return to or recovery from customers.

Liquidity and Capital Resources

CH Energy Group - Regulated, Non-regulated and Holding Company Summary of Cash Flow

Period Ended December 31

(In Millions)

	Year to Date	
	2023	2022
Cash, Cash Equivalents and Restricted Cash - Beginning of Period	\$ 5.0	\$ 18.1
Cash from operations pre-working capital	154.0	98.2
Working capital	(39.5)	(132.5)
Operating activities	114.5	(34.3)
Investing activities	(246.3)	(224.6)
Financing activities	131.1	245.8
Cash, Cash Equivalents and Restricted Cash - End of Period	\$ 4.3	\$ 5.0

Operating Activities: The increase in cash from operations pre-working capital in 2023 as compared to 2022 was primarily attributable to the increase in delivery rates which provided earnings on rate base growth and lower major storm restoration costs in the current year, partially offset by higher bill credits and AMP credits provided to customers. The increase in cash flow related to working capital in 2023 was primarily attributable to a slow-down in the growth of the accounts receivable in arrears due to collection efforts.

Investing Activities: Cash used in investing activities during 2023 were higher than 2022 due to Central Hudson's continued growth in its capital program, which includes investments in

strengthening of existing electrical and natural gas infrastructure, increased resiliency and automation of distribution systems, additional cybersecurity, and new common facilities. Other investing activities for 2022 included Central Hudson's proceeds from the sale of utility assets to Transco. In 2023, other investing activities included the withdrawal of excess funding above the required 110% level for the SERP.

Financing Activities: The net decrease in cash proceeds from financing activities in 2023 was generated from lower issuances of long-term debt, net of repayments, and higher repayments of short-term borrowings. These decreases were partially offset by higher capital contributions, as compared to prior year, net of dividend payments.

Anticipated Sources and Uses of Cash

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

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

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

Central Hudson's 2021 Rate Order was effective July 1, 2021 and management took initiatives to mitigate the impact of new rates on customers during that difficult economic environment, as illustrated by the rate decrease in the first year of the 2021 Rate Order for electric delivery revenues. The increase in rates over the subsequent rate years is expected to provide the necessary cost recovery to ensure safe and reliable service, as well as a reasonable rate of return on Central Hudson's investment.

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

The PSC issued a Financing Order, effective November 21, 2023, authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$350 million; and approval to issue and sell new long-term debt from time to time through December 31, 2026, in an aggregate amount not to exceed \$380 million, including up to \$346.3 million for general corporate purposes and \$33.7 million to refinance its variable rate debt.

Prior to November 21, 2023, Central Hudson operated under the PSC Financing Order issued on November 22, 2021, authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$250 million; and approval to issue and sell new long-term debt through December 2024 in an aggregate amount not to exceed \$445.7 million, including up to \$412 million for general corporate purposes and \$33.7 million to refinance its variable rate debt.

Long-term Debt

Central Hudson has not experienced any issues with accessing capital markets, having successfully secured new financing including its most recent issuance of Senior Long-Term Notes on November 7, 2023, and believes capital markets will be accessible for the foreseeable future.

On November 7, 2023, Central Hudson issued \$60 million of Series DD, 5-year Senior Notes with an interest rate of 6.17% per annum. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

On March 28, 2023, Central Hudson issued \$40 million of Series AA, 10-year Senior Notes with an interest rate of 5.68% per annum, \$15 million of Series BB, 12-year Senior Notes with an interest rate of 5.78% per annum, and \$35 million of Series CC, 15-year Senior Notes with an interest rate of 5.88% per annum. Central Hudson used the proceeds from the sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

On May 26, 2023, in anticipation of scheduled sunset of the London Interbank Offered Rate ("LIBOR") interest rate on June 30, 2023, Central Hudson executed a second amendment to its 2014 Series E 10-year Variable Rate Note Purchase Agreement to transition the floating interest rate to Term Secured Overnight Financing Rate ("SOFR") plus 1.261%, effective July 1, 2023. On June 16, 2023, Central Hudson also amended the interest rate cap associated with this 2014 Series E variable rate note. The amended rate cap remains at 3%, but is now based on the Term SOFR Rate, with a spread of 0.178%.

Short-term Debt

Central Hudson utilizes short-term debt available under its credit facilities and uncommitted credit lines to fund seasonal and temporary variations in working capital requirements. Delays in collections of accounts receivable from customers, combined with increased wholesale energy prices, resulted in a significant increase in working capital in 2022, which continued into early 2023. Central Hudson has begun collection efforts for certain customers with large arrears balances. Continuation and expansion of collection efforts are expected to provide visibility into the timing and resolution of the arrears issue. At this time, it is uncertain what level of arrears will be paid by customers through collection efforts, what portion of customers will enter into deferred payment arrangements, and what portion may be determined to be uncollectible and recorded as a regulatory asset under the terms of our current rate agreement. The time period associated with the collection of the regulatory assets or deferred payment arrangements will be factored into our future financing plans.

Committed Credit Facilities

Central Hudson's secondary source of funds are its credit facilities. Central Hudson's ability to use its credit facilities is contingent upon maintaining compliance with certain financial covenants. Central Hudson does not anticipate that those covenants will restrict its access to funds in 2023 or the foreseeable future.

Central Hudson's credit facilities include a few regional banks. In light of bank failures and recent downgrades in 2023, Central Hudson is monitoring market activity or changes in lending behavior for these institutions. Central Hudson's regional banking partners' depositor base and holdings portfolios differentiate them from banking institutions that experienced financial distress earlier in the calendar year. As such, Central Hudson believes the potential risk associated with its regional bank partners is not significant. Central Hudson also maintains relationships with larger banks in both the US and Canada to support its access to capital and strong liquidity profile.

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

At December 31, 2023, there was \$15 million in borrowings outstanding under Central Hudson's committed credit agreement. At December 31, 2022, there were \$90 million in borrowings outstanding under Central Hudson's committed credit agreement.

Uncommitted Credit

At December 31, 2023 and December 31, 2022, CH Energy Group and Central Hudson had \$10 million and \$60 million, respectively, in uncommitted short-term credit arrangements totaling \$70 million in third party agreements. Amounts borrowed under these credit arrangements are used to diversify cash sources and provide competitive options to minimize Central Hudson's cost of short-term debt.

On December 13, 2023, CH Energy Group entered into a \$150 million, short-term uncommitted intercompany credit agreement with FortisUS Inc. ("FortisUS") to provide liquidity for general corporate purposes, raising total short-term credit arrangements at CH Energy Group to \$220 million at December 31, 2023.

On November 3, 2023, CH Energy Group renewed the \$10 million, short-term uncommitted credit agreement with a commercial bank to continue to provide liquidity to meet short term cash needs.

On December 15, 2022, Central Hudson entered into a \$30 million, short-term uncommitted credit agreement with a commercial bank not included in its current credit facility to provide additional liquidity to its existing portfolio. In December 2023, an amendment was executed to extend the termination date through December 6, 2024. Proceeds received from the credit agreement are to be used for working capital needs and general corporate purposes.

At December 31, 2023 and December 31, 2022, there were no amounts outstanding under any of the CH Energy Group uncommitted credit agreements. At December 31, 2023 and 2022 there were \$6 million in borrowings outstanding under Central Hudson's uncommitted credit agreements.

Central Hudson's Bond Ratings

	December 31, 2023		December 31, 2022	
	Rating ⁽¹⁾	Outlook	Rating ⁽¹⁾	Outlook
S&P	BBB+	Negative	BBB+	Stable
Moody's	Baa1	Stable	Baa1	Stable
Fitch	A-	Negative	A-	Stable

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

On November 3, 2023, S&P revised their outlook to negative from stable on Fortis and its subsidiaries, which included Central Hudson, and affirmed all of the credit ratings. S&P indicated that the negative

outlook reflects the rising business risk due to climate change across Fortis service territories. While Central Hudson's service territory was not included in this risk, Central Hudson could be downgraded to reflect its current standalone rating assessment if Fortis were downgraded.

On May 16, 2023, Moody's affirmed Central Hudson's senior unsecured credit rating of Baa1 with a stable outlook.

On January 20, 2023, Fitch affirmed the A- rating of Central Hudson's senior unsecured debt and changed its rating outlook from stable to negative. Fitch indicated Central Hudson's rating reflects the low-risk nature of its regulated electric and natural gas utility operations. However, the negative outlook reflects Fitch's concerns regarding the credit supportiveness of the PSC, with particular concern as to whether the Company's next rate case will support future credit metrics consistent with Central Hudson's current rating.

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

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

CH Energy Group

	December 31, 2023		December 31, 2022	
		%		%
Long-term debt ⁽¹⁾	\$ 1,274.0	50.7	\$ 1,126.1	48.9
Short-term debt	21.0	0.8	105.0	4.5
Common equity	1,218.7	48.5	1,073.0	46.6
Total	\$ 2,513.7	100.0	\$ 2,304.1	100.0

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

Central Hudson

	December 31, 2023		December 31, 2022	
		%		%
Long-term Debt ⁽¹⁾	\$ 1,269.4	51.1	\$ 1,119.4	49.1
Short-term Debt	21.0	0.9	105.0	4.6
Common Equity	1,192.2	48.0	1,056.4	46.3
Total	\$ 2,482.6	100.0	\$ 2,280.8	100.0

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

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

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

Critical Accounting Estimates

The preparation of Central Hudson's consolidated financial statements requires management to make estimates that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent assets and contingent liabilities. Estimates are based on the Company's historical experiences and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities. The accuracy of these estimates and the likelihood of future changes depend on a

range of possible outcomes and several underlying variables, many of which are beyond the Company's control. Actual results may differ from these estimates under different assumptions or conditions.

Central Hudson believes the following judgments and estimates are critical in the preparation of its consolidated financial statements.

- Central Hudson is subject to cost-based rate regulation. As a result, the effects of regulatory actions are required to be reflected in the financial statements. Regulatory accounting guidance results in differences in the application of generally accepted accounting principles between regulated and non-regulated businesses and requires the recording of regulatory assets and liabilities for certain transactions that would have been treated as expenses or revenues in non-regulated businesses. Management periodically assesses whether the regulatory assets are probable of future recovery by considering factors such as changes in the applicable regulatory and political environments, the ability to recover costs through regulated rates, recent rate orders to Central Hudson and other regulated entities, and the status of any pending or potential deregulation legislation. Based on this assessment, management believes the existing regulatory assets are probable of recovery. This assessment reflects the current political and regulatory climate at the state and federal levels and is subject to change in the future. If future recovery of costs ceases to be probable, the regulatory asset would be written-off, which would materially impact earnings. Additionally, regulatory agencies can provide flexibility in the manner and timing of recovery of regulatory assets.
- Depreciation and amortization are based on estimates of the useful lives and estimated net salvage value of properties.
- Estimates for uncollectible accounts are based on customer accounts receivable aging data as well as consideration of various quantitative and qualitative factors, including special collection issues, a historical analysis of the relationship of write-offs to accounts receivable balances in arrears, and estimated impacts of the current and future economic conditions.
- The estimates for other operating reserves are based on assessments of future obligations related to injuries and damages and workers' compensation claims.
- Unbilled revenues are determined based on the estimated sales for services rendered to customers whose meters are not read on the last day of the month.
- The significant assumptions and estimates used to account for the pension plan and OPEB benefit expenses and liabilities are the discount rate, the expected long-term rate of return on the Retirement Plan and OPEB plans assets, the rate of compensation increase, the health care cost trend rate, mortality assumptions, and the method of amortizing gains and losses.
- Estimates are also reflected for certain commitments and contingencies where there is sufficient basis to project a future obligation, including environmental remediation costs and NRAs.

Changes in Internal Controls over Financial Reporting

There have been no changes in internal controls over financial reporting for CH Energy Group or Central Hudson during the twelve months ended December 31, 2023, that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

Regulatory Proceedings

2021 Rate Order

The 2021 Rate Order adopts the terms set forth in the August 24, 2021 Joint Proposal. The 2021 Rate Order also fully resolves all issues and concerns raised and/or asserted, or that could have been raised and/or asserted in the Sales Tax Refund Proceeding (Case 20-M-0134). The 2021 Rate Order was effective December 1, 2021 and includes a make-whole provision that provides new rates to become effective retroactive to July 1, 2021, with RY1, RY2, and RY3 defined as the twelve months ending June 30, 2022, June 30, 2023, and June 30, 2024, respectively. The 2021 Rate Order provides electric delivery revenue (decreases)/increases of (\$3.1) million, \$19.5 million and, \$20.7 million in RY1, RY2, and RY3, respectively and natural gas delivery revenue increases of \$4.7 million, \$6.3 million, and \$6.4 million in RY1, RY2, and RY3, respectively. The 2021 Rate Order also provides electric bill credits of (\$2.0) million in RY1, \$9.5 million in RY2, and \$21.5 million in RY3; and gas bill credits of \$0.8 million in RY1, \$3.2 million in RY2, and \$5.6 million in RY3.

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

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

The 2021 Rate Order:

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

FERC System Deliverability Upgrade (“SDU”) Proceeding

On December 31, 2019, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 12 of the NYISO Open Access Transmission Tariff (“OATT”) to establish a Facilities Charge for SDUs being installed on Central Hudson’s transmission facilities, which are required to provide four large generating facility developers with capacity resource interconnection service. This charge provides Central Hudson with full recovery of and return on all reasonably incurred costs related to the development, construction, O&M of the SDU and a reasonable return on its investment. FERC approved an Offer of Settlement on October 4, 2021, which included a ROE of 9.4% plus a 50-basis point adder for a total ROE of 9.9%. Project costs are to be recovered by Central Hudson and allocated to the Load Serving Entities (“LSEs”) pursuant to Rate Schedule 12 of the NYISO OATT plus O&M and other applicable costs. The FERC formula was posted for comment on the NYISO website on April 14, 2023, which included estimated project costs of \$9.8 million plus O&M and other applicable costs. The FERC formula rate was filed with FERC on May 15, 2023, for collection over the period June 2023 through May 2024. The FERC formula rate will be updated annually going forward.

Sale of Utility Asset to Transco

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

The below matters are ongoing regulatory proceedings. We cannot predict the ultimate outcome or whether these proceedings would potentially impact Central Hudson in the future. Should it become reasonably possible or probable in the future that a loss will be sustained from any of the below proceedings, disclosure that it is reasonably possible or an accrual of the probable amount of loss will be made consistent with our accounting policies.

2023 Rate Case Filing

On July 31, 2023, Central Hudson filed electric and natural gas rate Cases 23-E-0418 and 23-G-0419 with the PSC requesting increases in electric and natural gas delivery rates to be effective July 1, 2024. The main drivers of the rate filing include (1) replacement of aging or obsolete infrastructure; (2) workforce expansion; (3) capitalization costs; (4) major storm restoration costs; and (5) program costs in support of New York’s clean energy goals and bill affordability.

Department of Public Service (“DPS”) Staff (“Staff”) and intervenor testimony was filed on November 21, 2023. Central Hudson and certain intervenors filed rebuttal testimony on December 19, 2023. As of rebuttal, the Company is seeking approval of an increase of \$139.4 million in its electric delivery revenue and \$44.2 million in its natural gas delivery revenues. Evidentiary hearings are being held in January and Initial and Reply Briefs are expected through March 2024. A Recommended Decision by the Administrative Law Judges (“ALJ”) assigned to the proceeding is expected in April with a final Order expected to be issued in June 2024. If approved, Central Hudson expects the rate increases to increase its revenue, cash flow and earnings. No prediction can be made as to the final outcome of the rate filing.

Investigations and Inquiries into Central Hudson's CIS and Billing Practices

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

After implementation, technical issues arose relating primarily to overlapping complex billing transactions. As a result, a portion of Central Hudson customers experienced delays in their bills in the months following the implementation. In certain cases, customers received bills that required adjustments. Amounts that were not billed were recorded within the RDM or as unbilled revenue and any adjustments to bills outside the prescribed tariff period were credited to customers. Remediation of these billing issues has been a top priority across the Company. A significant force of external resources was retained by the Company to support stabilization of the system and billing processes.

CIS Show Cause Order

During the March 2022 PSC session, the PSC directed Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents. In connection with that investigation, the Company has answered numerous data requests regarding the CIS implementation. On December 15, 2022, the PSC issued its Order to Commence Proceeding and Show Cause, under Case 22-M-0645. The Order discussed issues related to the CIS project, including system defects, training, testing, staffing, and cited alleged apparent violations of Public Service Law ("PSL"), New York Codes, Rules and Regulations, and prior PSC Orders. Central Hudson filed its response on January 17, 2023, acknowledging the unintended disruptive impact on customers affirming that the Company did not violate the PSL, rules, or Commission Orders and that neither penalties under PSL § 25, 25-a nor a prudence review is warranted. Central Hudson cited in its response its legal position that the Office of Investigation and Enforcement report misinterpreted or misapplied specific sections of statutes, rules, and Commission Orders.

On July 27, 2023, the Company entered into an Interim Agreement with the DPS, which references Central Hudson's continued efforts to improve billing and customer service since the deployment of its new CIS and reiterates its commitment to investigate all complaints of billing errors and to promptly refund any overpayments. The Interim Agreement also announced Central Hudson's plans to accelerate the roll out of monthly meter reading and outlines mutually agreed upon terms of an independent third-party review and verification of the accuracy of the data and billings issued from the new CIS. The independent third-party review is on-going, and their report of initial findings is due February 29, 2024.

Agway Energy Services LLC Petition ("Agway")

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

On March 18, 2022, Central Hudson filed its Verified Motion to Dismiss and Opposition to the Petition of Agway for a Declaratory Ruling ("Motion"). The Motion argues that the Petition should be dismissed because it is not a proper Petition for Declaratory Ruling because it fails to seek a PSC interpretation to

a statute or rule and is deficient because it fails to allege a specific violation of either the UBP or BSA. Central Hudson's Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC's jurisdiction to provide. On June 24, 2022, the Company entered mediation with Agway and held weekly meetings to discuss, investigate, and resolve issues. On March 21, 2023, Agway filed a Motion of Agway Energy Services, LLC for an Initial Decision and Request to Supplement the Record. Central Hudson filed its response on March 29, 2023. On September 19, 2023, Central Hudson and Agway agreed to change the cadence of the meetings to monthly.

NYS Office of the Attorney General Billing System Inquiry

On May 17, 2022, Central Hudson received inquiries from the NYS Office of the Attorney General ("AG's Office") seeking information regarding recent changes to Central Hudson's billing practices, systems and complaints that the AG's Office has received from Central Hudson's customers. Central Hudson has responded to these inquiries, as well as additional inquiries and data requests from the AG's Office and has provided updates to the AG's Office regarding the billing system and the commencement of collection efforts.

Columbia Energy Notice

Columbia Energy, one of the ESCOs operating in Central Hudson's service territory, filed notice with the PSC that it intended to return its approximately 25,000 customers to Central Hudson's commodity supply service. Certain municipalities and the municipalities' Community Choice Aggregation ("CCA") administrator filed a petition with the New York Supreme Court in Albany seeking a temporary restraining order ("TRO") alleging Columbia Energy breached its contractual obligations to provide commodity service to CCA customers. The TRO is a preliminary step necessary before the Supreme Court may grant a permanent injunction. The Supreme Court granted the TRO. Columbia Energy subsequently defaulted on its obligations to the NYISO, and as such, the NYISO ordered Central Hudson to return Columbia Energy's customers to Central Hudson's commodity supply service as of July 19, 2022. As of November 2022, Central Hudson processed the return of the customers to Central Hudson's commodity supply service. The parties to the Supreme Court case have filed a motion in the Supreme Court alleging that Columbia Energy's default to NYISO was a breach of the TRO previously granted by the Supreme Court. That litigation is ongoing and Central Hudson is not a party. On December 4, 2023, Columbia filed a Motion to Show Cause against non-party Central Hudson. Central Hudson responded to Columbia's Motion to Show Cause on January 8, 2024. Columbia filed a reply on January 12, 2024.

Energy Affordability & COVID-19 Proceeding

On June 11, 2020, the PSC established a new proceeding, Case 20-M-0266, to identify and address the effects of the COVID-19 pandemic on utility service in NYS. The proceeding included, but is not limited to, impacts on rate-setting, rate design, utility financial strength, low-income programs, collections, and termination of service.

On August 12, 2021, the PSC issued an Order in Case 14-M-0565 adopting modifications to the utilities' EAP for low-income customers, establishing an Energy Affordability Policy Working Group ("EAPWG"), and directing the utilities to file several compliance filings. Central Hudson is an active participant in the EAPWG, which continues to address various aspects of the Order, including an AMP designed to forgive a portion of the utility arrears accrued during COVID-19.

On April 7, 2022, \$250 million was approved in the NYS budget to provide funding for utility arrears relief for customers eligible for EAP. On June 16, 2022, the PSC approved Phase 1 of the AMP, whereby residential utility customers who received income-qualified government assistance for utility bills and other expenses and had past-due balances for service through May 1, 2022, would have those balances forgiven. The Phase 1 program was funded in part through the \$250 million in NYS relief, \$2.8 million of which was dispersed to Central Hudson. The remainder of the program cost is being

recovered over a one-year period through a temporary surcharge on utility bills not to exceed a 0.5% bill impact for residential customers.

On January 19, 2023, the PSC issued an Order for Phase 2 AMP providing arrears relief for certain residential and small commercial customers with arrears balances as of May 1, 2022, which were not eligible for Phase 1. Central Hudson processed approximately \$22.4 million in credits in 2023, which will be recovered over a seven-year period via a surcharge. The Company was directed to utilize deferred economic development balances to offset a portion of the program cost.

The 2024 State budget signed by the Governor on May 3, 2023, included the appropriation of \$200 million for affordability assistance to utility customers. The 2024 State budget also requires Staff to establish a new, expanded discount program in consultation with the EAPWG to provide relief to customers that do not currently qualify for EAPs, but earn less than the state median income, as well as establish an Energy Affordability Guarantee designed to ensure that customers participating in the NYSEDA EmPower Plus Program have energy cost burdens less than 6% of household income. The final appropriation of the \$200 million to the utilities and their customers is still in process.

Central Hudson Management and Operations Audit

On December 16, 2021, the PSC instituted a proceeding for a new Central Hudson audit in its Order Initiating a Management & Operations Audit. The audit was conducted by an independent auditor selected by Staff as announced at the March 2022 PSC session. The scope of the audit included issues from the previous audit for follow-up, as well as the planning and implementation of the Company's information systems, including its CIS, improvements to the electric load forecasting processes to support grid modernization and CLCPA goals, and various elements of pipeline safety. The Final Audit Report of the independent auditor was released under an Order approved by the Commission at its April 20, 2023 session. On May 22, 2023, Central Hudson submitted its Implementation Plan addressing the implementation of the 37 actionable recommendations contained in the Final Audit Report. Central Hudson has been working with Staff and will be filing a revised Implementation Plan in January 2024 and expects a Commission order during the first quarter of 2024.

Storm Hardening & Climate Resilience Law

On December 22, 2021, the Governor signed the Storm Hardening & Climate Resilience Bill (S4824A) into law. Part A of this law concerns electric utility planning for climate change and part B concerns compensation for customers experiencing widespread and prolonged outages.

Climate Change Planning

Pursuant to S4824A and subsequent requirements from the PSC, Central Hudson completed two filings in 2023 pertaining to climate change planning. The first, a Climate Change Vulnerability Study, which evaluates the company's infrastructure, design specifications, and processes to assess vulnerability to climate driven risks, was filed with the PSC on September 22, 2023. The second, a Climate Change Resilience Plan, which identified investments and process changes to combat the impacts of extreme weather and climate change on Central Hudson's electric system, was filed with the PSC in November 2023. Both filings were developed in consultation with a Climate Resilience Working Group of stakeholders.

The Resilience Plan proposes approximately \$28 million of investments in incremental projects that would come into service between 2025-2029, among other measures and longer-term plans to protect the electric system against the identified risks of climate change. Central Hudson plans to continue its engagement with the Climate Resilience Working Group. The Vulnerability Study and the Resilience Plan are under review with the PSC.

Compensation for Widespread, Prolonged Outages

Part B of the Storm Hardening & Climate Resilience Law requires utilities to provide compensation to customers experiencing widespread and prolonged outages lasting more than 72 hours. Utilities will provide a \$25 per day bill credit to qualifying residential customers with additional reimbursement for spoiled food and medication up to a maximum of \$540 with proof of loss. Finally, the law requires utilities to reimburse small businesses up to \$540, for spoiled food with proof of loss. The law stipulates that none of the costs incurred by the utility related to these requirements can be recovered from ratepayers. The provisions in Part B took effect on April 21, 2022 and apply to widespread outages on both electric and natural gas service. Central Hudson has not been required to provide compensation to customers under Part B of this law through December 31, 2023.

Strategic Use of Energy Data Proceeding

On March 19, 2020, the Commission issued an Order Instituting Proceeding: Strategic Use of Energy Related Data in Case 20-M-0082 to combine the multiple proceedings where data related topics have been addressed in recent years. On February 11, 2021, the Commission issued an Order Implementing an Integrated Energy Data Resource (“IEDR”) and, on April 15, 2021, issued an Order Adopting Data Access Framework (“DAF”) and Establishing Further Process. The two Orders establish a statewide data repository, which will be administered by NYSERDA, and the framework for the repository, including cybersecurity, and privacy requirements, and data quality and integrity standards, and is meant to assist Energy Service Entities (“ESE”) in developing DER to help New York meet its CLCPA goals. On September 20, 2021, the Joint Utilities (“JU”) filed a comprehensive Data Access Implementation Plan (“DAIP”) that provides a uniform method for developing statewide data access requirements. Implementation of the DAIP, when approved by the Commission, will require significant work including the procurement of a Data Ready Certification provider and development of the associated platform. The Commission has not ruled on the DAIP submitted by the JU.

The Commission established a budget cap of \$13.5 million for the Program Sponsor's efforts for Phase 1, including \$12 million for procured resources and \$1.5 million for the NYSERDA administrative costs as Project Sponsor. The Order directs that program costs be allocated and collected from the jurisdictional electric utilities in the same manner as the current authorized costs are being allocated and collected via the existing bill-as-you-go (“BAYG”) agreements that NYSERDA has with each utility.

NYSERDA has initiated its project to develop the IEDR, which will house state-wide utility and non-utility data. NYSERDA is presently working to complete Phase 1. Phase 2 should be completed in 30 – 36 months following completion of Phase 1. As ordered by the PSC, Central Hudson and other New York utilities are setting up data feeds to transfer relevant information, including customer information, to the IEDR. Operation of the utility’s IEDR data feeds will persist for the life of the IEDR.

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

On April 3, 2020, the Governor signed the ARECB Act into law in recognition that achieving the CLCPA climate protection targets requires restructuring and repurposing the State’s electric transmission and distribution infrastructure. The ARECB Act has resulted in activities as discussed further below.

Transmission Planning – ARECB

On May 14, 2020, the PSC instituted a proceeding on transmission planning pursuant to the ARECB Act to develop and consider proposals for implementing the distribution and transmission upgrades, capital expenditures and planning. The ARECB Act directs the PSC to develop and implement plans for future investments in the electric grid to ensure it will support NYS’s aggressive climate goals.

On September 9, 2021, the PSC issued an Order Local Transmission and Distribution Planning Process and Phase 2 Project Proposals (“September 9th Order”) that addressed the CLCPA investment criteria and Phase 2 upgrades and improves headroom calculations and visibility of headroom data to

stakeholders. The Order identifies the need to better align the proposed benefit cost analysis approach with CLCPA objectives. The Order directed the JU to coordinate with NYSERDA, the NYISO and Staff on various compliance filings which were due between December 2021 and March 2022. On January 7, 2022, the JU filed a Cost Sharing and Recovery Agreement (“CSRA”) and Cost Allocation Mechanism in compliance with Clauses 3 and 4 of the September 9th Order.

On January 20, 2022, to address bulk transmission planning considerations, the PSC issued an Order on Power Grid Study Recommendations, which addressed several other findings and recommendations, particularly those related to offshore wind, future onshore bulk transmission planning needs, the proposal to consider Renewable Energy Zones, and approaches to deploying advanced technologies. The Order directed the JU to file a proposed research plan to deploy advanced technologies along with a budget for the necessary work and any deployment recommendations within six months of the date of this Order, and a progress report within one year of that date.

On February 1, 2022, pursuant to Clause 8 of the September 9th Order, the JU filed their Revised Headroom Calculations and on March 8, 2022, pursuant to Clause 6 of the same Order, Central Hudson along with several other utilities submitted their Petition Identifying Area of Concern Needs and Recommended Solutions. Subsequent headroom revisions were filed by the JU on August 1, 2022, February 1, 2023, and August 1, 2023. On May 12, 2022, the PSC issued an Order Accepting both the CSRA and Rate Schedule 19 as compliant with its Order. The JU will proceed to FERC for approval of the PSC-sanctioned CSRA and Rate Schedule 19 under Federal Power Act (“FPA”) section 205 in order to establish a cost allocation and recovery framework for approved local CLCPA Projects. On July 20, 2022, pursuant to Clause 7 of the PSC’s January 20, 2022 Order, the utilities jointly submitted a research and development (“R&D”) plan with near-term goals of establishing a sustainable working group (Advanced Technology Working Group or (“ATWG”)) and R&D program to support achievement of CLCPA goals and identifying and removing barriers to deploying advanced technologies. On January 20, 2023, the utilities submitted a progress report on the ATWG that highlighted activities taken in 2022 and plans for 2023, including formation of additional task forces, engaging with stakeholders, and identification of funding sources. On February 16, 2023, the PSC authorized the upstate utilities to develop the Phase 2 Area of Concern projects, including Central Hudson’s North Catskill-Coxsackie project.

On July 29, 2023, Central Hudson submitted to FERC a new rate schedule pursuant to Rate Schedule 19 of the NYISO OATT to establish a Facilities Charge for PSC local approved Phase 2 Transmission Projects resulting from the ARECB Act being installed on Central Hudson’s transmission facilities. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, and O&M of any Phase 2 transmission projects, and the state established return on its investment. Project costs are to be recovered by Central Hudson and allocated to the LSEs pursuant to Rate Schedule 19 of the NYISO OATT plus O&M and other applicable costs. On December 22, 2023, FERC approved, effective September 21, 2023, Central Hudson’s proposed formula rate protocols and the formula rate template pending a compliance filing to correct material errors. The Order also set for hearing and settlement, the proposed ceiling ROE.

Modifications to NYS Standard Interconnection Requirements

On March 18, 2021, the PSC issued an Order in response to the JU seeking amendments to the system upgrade cost-sharing provisions contained in the NYS Standardized Interconnection Requirements and Application process for New Distributed Generators and Energy Storage Systems 5 MW or Less Connected in Parallel with Utility Distribution Systems to modify the existing cost sharing methodology, which has been in place since January 2017. The Commission authorized temporary measures to ensure interconnection applications that would benefit from a more equitable cost-sharing methodology remain in the interconnection process until the Commission addresses the full scope of the Petition in a future Order. Central Hudson implemented the required interim cost-sharing mechanism effective as of the issuance of the Order.

Subsequently on July 16, 2021, the PSC issued an Order adopting amendments to cost-sharing mechanisms proposed by the JU, subject to modifications which include minimum subscription thresholds and a free-rider protection mechanism. The Order directed the JU to complete the following: consult with other participants in the Interconnection Policy Working Group (“IPWG”) and file relevant revisions to the Standardized Interconnection Requirements, including addressing the free-rider concern; consult with Staff and the IPWG to identify and propose relevant adjustments to hosting capacity maps; and file a proposal for a reimbursement mechanism. In accordance with the Order and subsequently approved extension by the Commission, the JU filed its proposed hosting map capacity adjustments and proposed cost reimbursement mechanism on October 28, 2021. On April 14, 2022, the PSC approved an Order adopting amendments to the cost sharing mechanisms. All new projects submitted after this date will fall under this amended cost sharing. Central Hudson has no new cost sharing projects at this time.

Value of DER Proceeding (“VDER”)

In December 2015, the Commission instituted Case 15-E-0751 to take a number of actions, including the sunset of statutory net energy metering (“NEM”) under PSL and the implementation of the Value Stack as the preferred compensation methodology for energy injected into the grid from VDER technologies. The Commission has also established several transitional mechanisms to moderate the impact of the changeover from statutory NEM to the Value Stack, including the limited extension of NEM with slightly more restrictive provisions than statutory NEM. On August 13, 2021, the PSC issued an Order continuing the extension of limited NEM for certain projects interconnected on and after January 1, 2022, and requiring certain projects interconnected, regardless of compensation method to be subject to a Monthly Customer Benefit Contribution charge, ensuring these projects contribute toward funding public benefit programs.

In addition, the Commission has explored standby and buyback service rates, including the allocation of costs between categories comprising the contract demand charge and the as-used demand charge, such that the rates reflect true cost causation. On November 25, 2020, Staff issued a Whitepaper on Allocated Cost of Service (“ACOS”) Methods, which recommended a standardized ACOS study methodology and rate design for standby rates and buyback service rates. Following additional regulatory process, on October 13, 2023, the PSC issued an Order accepting updated ACOS study results for the utilities and directing updated standby and buyback rates and billing for customers. Only stand-alone energy storage customers are eligible to take standby/buyback service rates, which will be effective January 1, 2024. For customers opting-in to standby/buyback rates, including mass-market customers, billing is to be automated and effective July 1, 2024.

Community Distributed Generation (“CDG”)

CDG allows distribution-connected generation facilities, like a solar farm, to provide subscribing customers monthly credits from the electricity generated at the facility. In November 2021, the PSC issued Order Identifying Further Procedural Steps Regarding the Development of Opt-Out CDG. Subsequently on March 29, 2022, Staff filed a Whitepaper on proposing opt-out CDG program operation, oversight, and enforcement rules for future PSC consideration. On May 19, 2023, Staff filed a Whitepaper proposing a similar statewide Solar for All Program, whereby each utility would aggregate participating CDG credits and allocate them to EAP participants presumably in place of opt-out CDG. The utilities filed comments supporting the program as the preferred approach in August 2023 and await PSC action on the proposals.

On September 15, 2022, the PSC issued an Order establishing a process intended to address and resolve ongoing CDG billing issues, improve the industry’s visibility into the utilities’ transition to an automated net-crediting billing process, and incentivize more accurate and timely utility performance in billing for CDG. An initial stakeholder conference was held on November 9, 2022, which focused on developing utility CDG crediting and billing performance metrics and NRAs. The next step is for Staff to propose CDG billing metrics, NRAs, and reporting requirements for consideration by the PSC.

Additionally, on June 22, 2023, the PSC issued an Order that, among other items, required the utilities to file a report regarding the implementation of multiple savings rates for CDG subscribers. The utilities' filing on October 20, 2023 describes the general requirements, concerns, timelines, and costs for each utility. Separately, the utilities filed a joint petition on October 20, 2023 proposing to offer Net Crediting for volumetric CDG projects. The utilities continue to wait for DPS or PSC action on these proposals.

Clean Energy Standard (“CES”) / CEF

In June 2015, the Governor announced NYS's 2015 State Energy Plan as a comprehensive roadmap to build a clean, resilient, and affordable energy system for NYS. The Governor directed the PSC to develop a CES through GHG emission reduction targets through an enforceable mandate.

Administered by NYSEERDA, the CES is a framework for the direct procurement of qualifying generation through two mechanisms: renewable energy credits (“RECs”) including Offshore Wind Renewable Energy Credits, and zero-emissions credits (“ZECs”). Additionally, Alternative Compliance Payments were established as a penalty mechanism on LSEs, which did not meet their Tier 1 REC obligations in a given year.

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

On November 9, 2022, NYSEERDA filed a petition with the PSC to modify the CES to transition from a defined percentage obligation to a load share obligation for LSEs. Under the current Tier 1 approach, LSEs must meet their compliance obligation, which is represented as a pre-determined and ascending percentage of the load they serve, by procuring Tier 1 RECs from NYSEERDA or other sources, or, in the alternative, by making Alternative Compliance Payments (“ACPs”). Under the new approach proposed in this petition, LSEs would simply be obligated to procure all Tier 1 RECs made available by NYSEERDA, after the completion of voluntary sales, in a proportion equivalent to their share of the State load or load share. Without a pre-determined compliance obligation percentage, there would no longer be a need for ACPs, nor would there be an incentive for LSEs to purchase RECs outside of those purchased by NYSEERDA.

On June 12, 2023, Alliance for Clean Energy New York (“ACE”) filed a petition, which proposes a cost adjustment mechanism for CES Tier 1 procurements. The proposal states that it is intended to address rising costs, which have made many of the Tier 1 projects uneconomical and unlikely to proceed. ACE included an economic analysis and formulaic mechanism for the adjustments. In June 2023, similar petitions for contract amendments and relief were filed by Sunrise Wind LLC (“Sunrise”), Empire Offshore Wind LLC, and Beacon Wind LLC (“Beacon”) for its offshore wind RECs, as well as Clean Path New York LLC for its the Tier 1 renewable generation purchases, and by Champlain Hudson Power Express, LLC (“CHPE”) and Hydro Quebec Energy Services (U.S.) Inc. (“HQES”) on August 28, 2023 for its REC contracts. In its comments NYSEERDA estimated that the impact of the ACE request would amount to a 64% increase in the strike price for the effected onshore wind and solar sales and that the impact of the Sunrise and Beacon requests would amount to a 48% increase in the strike price for their combined offshore wind sales. On October 12, 2023, the Commission issued an Order denying all of the petitions on the basis that it is not consistent with well-established competitive paradigm for selecting cost-effective and viable renewable projects. Subsequent to this Order, Clean Path New York LLC withdrew its petition on November 1, 2023, and CHPE and HQES withdrew their joint proposal on November 3, 2023. The State had awarded 136 onshore renewable projects for 11.4 Gigawatt hours

("GWh") of new capacity under Tier 1 of the CES. To date, 96 projects totaling 8.5 GWh have been cancelled, including all projects from the 2020 and 2021 solicitations and one third of the projects from the 2022 solicitation. NYSERDA expects these projects to re-bid in upcoming solicitations. The four offshore wind projects have not cancelled, but the companies involved have recorded significant impairments associated with the investments to date.

On May 18, 2023, the PSC issued an Order on Process Regarding Zero Emissions Target ("Dispatchable Emissions-Free Resources ("DEFER") Order"), under Case 15-E-0302, to initiate a process to (1) identify technologies that can close the gap between the capabilities of existing renewable energy technologies and future system reliability needs, and (2) more broadly identify the actions needed to pursue attainment of the State's Zero Emission Target by 2040 Target. The PSC received comments through August 16, 2023 and a technical conference was held on December 11-12, 2023. Neither the PSC nor Staff have taken further action on this matter yet.

CEF Backstop

In 2016, the PSC determined that NYSERDA may need a guarantor, i.e., a backstop to address the financial risk associated with meeting RECs procurement obligations to generators under the CES and that electric utilities are best situated to serve that role, subject to recovery from customers. Subsequently, the PSC expanded the backstop concept to include ZECs and offshore wind renewable energy credits, the CES Build-Ready Program, and all CES programs. On July 1, 2021, NYSERDA filed its Proposed CES Financial Backstop Collections Process with the Commission. In comments filed on September 27, 2021, the JU urged the Commission to reject NYSERDA's backstop proposal because it would trigger additional and potentially significant collections from customers based on a summary of undefined reports and forecasts without public review or Commission action in contradiction to the Commission's direction for transparency. Instead, the JU urged the Commission to adopt their proposal based on a simpler, transparent, and public review of cash working capital that should prevent unnecessary increases in customer bills while providing NYSERDA with sufficient funds to meet its CES procurement obligations and cash needs for the Build-Ready Program.

On June 23, 2023, the Commission issued an Order approving, with modifications, NYSERDA's petition addressing a CES financial backstop collection process. The approved process for backstop collections reflects recovery from utility delivery customers, including a mechanism to cure the existing ZECs shortfall, and establishes a procedure for future invocations of the CES financial backstop. Central Hudson is required to commence CES backstop collections of \$1.2 million over a period, not to exceed a 12-month billing period, beginning October 1, 2023.

CES Administration Budget

On July 29, 2022, NYSERDA filed its Petition Regarding Proposed Year 2023 CES Funding and Reconciliation of Year 2021 Administrative Costs. Specifically, NYSERDA is proposing an administrative budget of \$38.8 million for the CES 2023 Compliance Year, which would include staff direct and indirect salaries, fringe benefits, and other direct program operating costs and general administrative expenses. This represents an increase of approximately 29% from the 2022 budget of \$30.2 million. On December 15, 2022, the PSC approved NYSERDA's proposed administrative budget with modifications, reducing its proposed budget by \$5.4 million in areas related to staffing and technical support.

Energy Efficiency (New Efficiency New York) Proceeding

The New Efficiency New York ("NENY") proceeding addresses the statewide customer EE and building electrification ("BE") program portfolios. The proceeding was substantially initiated with the filing of a joint Staff & NYSERDA NENY Report in April of 2018, which made recommendations to expand the scope of the statewide initiatives in pursuit of the State's clean energy objectives. Subsequent Orders in December 2018 and January 2020 directed further program and portfolio development, increased

budget authorizations, and adjusted the regulatory and strategic framework around EE and electrification.

On July 20, 2023, the Commission issued its Order Directing EE and BE Proposals. The Order establishes a Strategic Framework and provides other policy guidance and administrative modifications to guide the development and implementation of the Program Administrators', the utilities and NYSERDA, post-2025 EE and BE portfolios to better align with the State's climate policy objectives. The Order indicates that EE programs must transition away from lighting and towards deeper savings measures like building envelope and space heating by prioritizing budget allocations for these strategic measures, with a total statewide budget of \$1 billion per year that includes upper limits for each program. The Commission also expects additional funding streams to contribute to the initiatives outside of ratepayer funds, and these should be pursued and integrated into existing programs and proposals. On November 1, 2023, the Program Administrators, including Central Hudson, filed their EE and BE portfolio proposals. Central Hudson's filing places an emphasis on electrification and electrification-readiness, with a substantial ramp-up for the Clean Heat program and funding for weatherization and efficient products, including Do-It-Yourself weatherization products. Central Hudson proposed surcharge recovery of EE and BE costs, rather than the current base rates cost recovery.

Central Hudson's Clean Heat Program has experienced consistently high demand since its launch in 2020, exceeding its cumulative six-year (2020-2025) Clean Heat savings target in its first two years of implementation. Despite lowering incentive levels twice, program expenditures have been higher than anticipated, exhausting the cumulative authorized \$43.2 million program budget allocation ahead of schedule, as well as other funding sources allowable under the existing flexibility rules established by the Commission.

To satisfy the anticipated demand of the Clean Heat Program through 2025, Central Hudson filed a petition on February 3, 2023, which was approved by the PSC on June 23, 2023. The Order directed Central Hudson to use several funding sources to continue the program, including: \$13.5 million of previously authorized, uncollected funds; \$1.7 million of accrued interest from CEF collections; and Continuity Funding through a Clean Heat program surcharge.

Climate Leadership and Community Protection Act

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

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

On May 12, 2022, the PSC issued an Order on Implementation of the CLCPA under Case 22-M-0149. This Order initiates a proceeding to track compliance and develop provisions of the CLCPA, including minimum percentages of benefits to be distributed to disadvantaged communities. Specific

requirements are (1) costs of large-scale clean energy projects will be distributed statewide on a load-ratio share basis, (2) utilities will work with the DPS to develop a proposal by December 2, 2022 for annual GHG Emissions Inventory Reports, (3) utilities will develop a proposal by March 31, 2023 for a GHG Emissions Reduction Pathways Study to achieve carbon reductions from use of delivered natural gas, and (4) rates proceeding will begin for new EV charging. Coincident with the Implementation Order, the PSC also issued a request for public comments regarding utility ownership of DER and large-scale renewables (“LSRs”). Although this has been discussed in the past, this Order is allowing additional consideration for the opportunity of utility owned DER .

The bill also established a Climate Action Council (“CAC”) to develop a Scoping Plan that serves as a framework for how NYS will achieve the CLCPA goals. That Scoping Plan was finalized in December 2022 and includes a wide range of programmatic and legislative recommendations. Two such proposals, which are included in the State budget bill, are a capital and investment program for emissions in all sectors, and broad restrictions on using natural gas for heating, water heating, and cooking in new residences and buildings. The NYS DEC and NYSERDA are moving forward with a multi-phase plan to create a capital and investment program in New York that will cover all sectors of the New York economy, which they hope to have implemented by 2025.

On December 20, 2023, DEC and NYSERDA released a capital and investment pre-proposal outline and climate affordability study. A series of three stakeholder meetings will be held to present summaries of the preliminary studies that have been conducted.

Thermal Network Pilots

On July 5, 2022, the Utility Thermal Energy Networks (“UTEN”) and Jobs Act (“JA”) was signed into law by the Governor. The UTEN and JA requires utilities to submit proposals for up to five thermal energy pilots and requires the PSC to promulgate rules and regulations related to thermal energy networks. Subsequent proceedings at the PSC have required utilities, as a first step in the process, to submit detailed thermal energy pilot proposals. Central Hudson submitted its Final Utility Thermal Energy Pilot Proposal on December 15, 2023, in Case 22-M-0429.

In its proposal, Central Hudson details a \$25.5 million plan to build and operate a UTEN in Poughkeepsie, NY. The Company’s proposal is under review by the PSC.

EVs

On December 31, 2021, the Governor signed a bill into law, that required utilities to propose alternative non-demand based commercial EV charging tariffs or other potential operating cost relief mechanisms.

On January 19, 2023, the PSC issued an Order adopting a suite of operating cost relief solutions for commercial EV charging customers, differentiated by upstate and downstate utilities. For the upstate utilities, including Central Hudson, the Order established both Immediate and Near-Term Solutions, consisting of: (1) a 50% Demand Charge Rebate for all commercial EV charging customers; and (2) an EV Phase-In Rate that scales demand and volumetric charges with load factor, respectively. The utilities were also required to propose an upfront incentive program for charging-related demand management technologies, using funds from the cancelled Per-Plug Incentive (“PPI”) program, along with commercial managed charging programs. Central Hudson filed plans for the Demand Charge Rebate and PPI program discontinuation on March 20, 2023, as well as a proposal for a program to incentivize load management technologies on May 19, 2023. On July 18, 2023, Central Hudson filed its proposed EV Phase-In Rates and Commercial Managed Charging Program. On November 16, 2023, the PSC issued its Order implementing immediate EV rate design solutions, which approved Central Hudson’s Demand Charge Rebate implementation plan. Central Hudson filed a revised implementation plan on December 1 and launched the program in January 2024. The Commission will address the Company’s load management technology, Commercial Managed Charging, and EV Phase-In Rate proposals at a later date.

On November 16, 2023, the PSC issued its Midpoint Review Order, which adopted updated statewide Make-Ready Program budgets and targets through 2025. For Central Hudson, the Order adopts a 5-fold increase in the Direct Current Fast Charging (“DCFC”) plug target, a 36% decrease in the Level 2 plug target, and a corresponding budget increase from approximately \$26 million to approximately \$54 million. Statewide, the total program budget increases from \$701 million to \$1.2 billion. The Order also adopts a revised three-tiered Make-Ready Program EAM, with minimum achievement at 50% of DCFC plug targets and 75% of Level 2 plug targets.

Finally, on April 20, 2023, the Commission initiated a new proceeding to address the electrification of the State’s medium and heavy-duty (“MHD”) EV sector, with a focus on prioritizing EV infrastructure investments to benefit disadvantaged communities. The proceeding will also be used to develop a proactive planning approach to ensure grid infrastructure is prepared to enable EV charging needs across the State. The utilities filed detailed comments and reply comments on June 5 and 26, 2023, respectively. The comments highlight the need for: (1) a full-scale MHD vehicle make-ready program to spur third-party investment; and (2) a robust, and separate, proactive grid planning process to facilitate infrastructure planning, and build-out in advance of transportation electrification load requests. DPS Staff hosted several technical conferences and has indicated they will next develop whitepapers for stakeholder comment and PSC consideration.

Energy Storage

In December 2018, the PSC established a statewide energy storage goal of up to 3,000 MW by 2030 and laid out its policy on deployment in its Order Establishing Energy Storage Goal and Deployment Policy. After two rounds of competitive procurements targeting a total of 350 MW of energy storage resources by the end of 2022, the JU have generally not yet been able to contract with projects that are able to meet the PSC’s goals. On November 30, 2022, the JU filed a Petition to Modify the Energy Storage Order to Improve Procurement Results. Specifically, the JU requested (1) an extension of the in-service date for storage resources from December 31, 2025 to no later than December 31, 2028 and (2) an extension of the maximum dispatch rights contract duration from the current up to 10 years to up to 15 years. The PSC approved the request in an Order issued March 16, 2023.

On December 28, 2022, NYSEDA and the Staff published a proposed framework for the State to achieve six GW of energy storage by 2030, which represents at least 20 percent of the peak electricity load of NYS. The roadmap proposes a comprehensive set of recommendations to expand New York’s energy storage programs to cost-effectively unlock the rapid growth of renewable energy across the state and bolster grid reliability and customer resilience. The roadmap would require electric utilities to study the potential of high-value energy storage projects towards providing cost-effective transmission and distribution services not currently available through existing markets. The utilities and other stakeholders filed two rounds of comments on the storage roadmap and await further PSC action.

Gas Planning Proceeding

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

On May 12, 2022, the PSC issued two orders in the Gas Planning Proceeding: Order Adopting Gas System Planning Process (“Planning Process Order”) and Order Adopting Moratorium Management Procedures (“Moratorium Order”). Through the Planning Process Order, the PSC adopted modernized long-term natural gas planning procedures to ensure that the State, customers, stakeholders, and all other interested entities have the opportunity to understand and engage in the future of natural gas infrastructure in National Transmission System (“NTS”). The Order also directed Staff to establish an Avoided Cost of Gas Working Group to provide recommendations for improving calculations used in

Benefit-Cost analyses. Through the Moratorium Order, the PSC adopted new rules that set forth the process for initiating, operating, and lifting a natural gas moratorium, and covers issues including the metrics used to identify supply shortfall, communications, a Customer Bill of Rights, training materials and outreach, and information on low and moderate-income customer and disadvantaged community impacts.

In compliance with the Gas Planning Process Order, on August 10, 2022, the Company and the JU made several filings to address proposed non-pipes alternative (“NPA”) screening and suitability criteria, proposed NPA incentive mechanism, proposed NPA cost recovery procedures and filed a report on the costs of the 100-foot rule. Draft tariffs were filed with the criteria that would necessitate the calling of a gas moratorium in compliance with the Moratorium Order. The Company filed a Moratorium Communications Plan on December 27, 2022. Central Hudson has been working on and expects to file a long-term gas plan in February 2024, under the PSC’s Gas Distribution System Planning proceeding.

Examination of Installation of PermaLock Tapping Tee Assemblies

On March 16, 2023, the PSC issued Order Initiating New Proceeding in Case 23-G-0083 regarding the examination by natural gas distribution utilities concerning the installation of PermaLock Tapping Tee Assemblies. Initially, the PSC has directed the natural gas distribution utilities to confirm and report on the use of PermaLock Tapping Tees in their service territories and systems within 30 days. This proceeding is the result of the National Transportation Safety Board’s June 18, 2018, Safety Recommendation Report entitled Installation of PermaLock Mechanical Tapping Tee Assemblies, Accident/Incident Number DCA17FP006 Report, related reports and matters, and a February 2, 2022 incident in the service territory of New York State Electric & Gas (“NYSEG”) in Brewster, New York. On April 13, 2023, Central Hudson filed its compliance filing noting that 7,682 PermaLock Tapping Tees are currently used in its natural gas distribution system. Currently, GTI Energy is working through the Northeast Gas Association and NYSEG to perform an independent study and investigation of the risk of an improperly installed tapping tee. The results of this study and investigation will be presented to Staff and the natural gas distribution utilities. At this time, no further direction has been provided to Central Hudson by Staff on this issue.

Roadway Excavation Prevailing Wage

On August 16, 2023, the Governor signed legislation into law enacting the Roadway Excavation Quality Assurance Act, which amends the labor law to protect construction workers performing certain utility work on roadways. This legislation mandates that utility company contractors and subcontractors pay the prevailing wage to employees on projects where a permit to use, excavate, or open a street is required to be issued. The prevailing wages are determined by the Commissioner of Labor and published annually on a county-by-county basis for each work classification. The Bureau of Public Work is responsible for the administration of Article 8 of the NYS Labor Law, which is commonly known as the prevailing wage law for construction, reconstruction, maintenance, and repair of public property and facilities let by NYS and all its political subdivisions.

Central Hudson is currently evaluating the potential scope and impact this may have on its capital plan or operations. Central Hudson expects to obtain cost recovery for any material impact this change in law has on its operating costs.

Pipeline and Hazardous Materials Safety Administration

As a result of rulemaking Case PHMSA-2011-0023, the PHMSA, which is an agency of the United States Department of Transportation, issued the three-part Safety of Gas Transmission Pipeline Regulation (“Mega Rule”) updates. This first part includes maximum allowable operating pressure (“MAOP”) reconfirmation, expansion of assessment requirements (creation of moderate consequence areas) and other related amendments. Central Hudson is currently working through the expanded assessments that are required of approximately 70 miles of its transmission pipelines. Central Hudson submitted the required plan in June of 2021 to ensure MAOP reconfirmation is 50% completed by 2028

and 100% completed by 2035, and has projects started to replace roughly 1.8 miles of its natural gas transmission pipelines, more than 50% of which will be replaced prior to 2028 as required. NYS adopted the first phase federal code changes into state code within Case 20-G-0560. Recovery and deferral of costs associated with Safety of Gas Transmission Final Rules were addressed within Central Hudson's 2021 Rate Order. The second part of the Mega-Rule was issued in August 2022 with extensive updates to repair criteria, integrity management improvements, cathodic protection, management of change, and other related amendments. These updates require some procedural changes, with only minor impacts to Central Hudson's natural gas business operations. The third part of the Mega-Rule is not applicable to the Company since it deals only with natural gas gathering lines. Additionally, in April 2022, PHMSA issued changes to regulations to mitigate ruptures and shorten pipeline segment isolation times on all newly constructed or fully replaced natural gas transmission lines. Central Hudson's current plans to replace sections of its natural gas transmission lines as indicated above for MAOP reconfirmation do not reach the threshold for installation of rupture mitigation valves under the valve rule. Therefore, this rulemaking is expected to have only minor impacts on Central Hudson's natural gas business operations.

FERC Interconnection Reform

On July 28, 2023, FERC issued Order 2023 overhauling the interconnection process in an effort to streamline the process given the growth in queues of those looking to interconnect to the transmission system across the nation. The Order imposed strict deadlines to the study process, eliminates the reasonable efforts standard and imposes penalties for study delays by independent system operators or transmission operators of \$2,500 per day per project-specific facilities' studies. At this time, it is unclear what degree of latitude local regions will have in determining their own interconnection processes. On August 28, 2023, the NYISO, the New York Transmission Operators ("NYTOs"), and several other parties submitted requests for rehearing challenging, among other things, the penalties and elimination of the reasonable efforts standard. On September 28, 2023, FERC provided notice of denial of rehearing by operation of law. Following the notice of denial, several parties have filed petitions for review of this decision with the United States Court of Appeals.

On December 11, 2023, FERC filed an unopposed motion to hold the consolidated cases in abeyance and to establish a deadline of February 16, 2024, for filing motions to govern future proceedings, in which the parties may propose continued abeyance or other procedures. The Court issued an order on December 12, 2023, granting the motion and confirming that the deadlines for filing the remaining initial submissions in these cases, procedural and dispositive motions, and the certified index to the record will remain suspended pending further order of the court. The suspension of the filing of the certified index to the record will allow FERC to retain jurisdiction to address the numerous pending requests for rehearing.

FERC Notice of Pending Jurisdictional Inquiry

On June 24, 2019, Central Hudson received a notification and initial information requests from FERC for a jurisdictional inquiry regarding its hydroelectric projects at Sturgeon Pool and Dashville. The FERC also issued a Notice of Pending Jurisdictional Inquiry with any comments, motions to intervene and protests to be filed by August 8, 2019. These projects were determined to be non-jurisdictional in previous investigations based on the conclusion that the Wallkill River is not navigable as defined within the Federal Power Act at the location of the projects. In response to a request by the US Department of the Interior's Fish and Wildlife Service, the FERC will investigate the jurisdictional status of these projects. Central Hudson submitted responses to the information requests on August 8, 2019. On October 30, 2020, Central Hudson submitted to FERC additional information on docket UL19-1 so that FERC may decide the jurisdictional question on the facts and the law. No other process has been scheduled by FERC at this time. On November 17, 2021, Fish and Wildlife asked FERC to expedite its process to decide the case. On December 21, 2023, FERC filed a Navigability Study finding that the Wallkill River is navigable and a notice inviting comments. Central Hudson will file additional comments concerning the navigability study.

FORWARD-LOOKING STATEMENTS

Statements included in this Annual Financial Report, which are not historical in nature, are intended to be “forward-looking statements.” Forward-looking statements may be identified by words such as “anticipate(s),” “intend(s),” “estimate(s),” “believe(s),” “project(s),” “expect(s),” “plan(s),” “assume(s),” “seek(s),” 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 may include, but are not limited to, deviations from normal seasonal temperatures and storm activity, changes in energy and commodity prices, availability of energy supplies, a cyber-attack, changes in interest rates, poor operating performance, legislative, tax, and regulatory developments, the outcome of litigations, and the resolution of current and future environmental and economic issues. Additional information concerning risks and uncertainties may be found in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of CH Energy Group’s Quarterly and Annual Financial Reports. These reports are available in the Financial Information section of the website of CH Energy Group, at www.CHEnergyGroup.com. CH Energy Group undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.