



**CH ENERGY GROUP, INC.
&
CENTRAL HUDSON GAS & ELECTRIC CORP.
QUARTERLY FINANCIAL REPORT**

for the period ended

SEPTEMBER 30, 2023

QUARTER ENDED SEPTEMBER 30, 2023

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CH ENERGY GROUP
CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Operating Revenues				
Electric	\$ 191,333	\$ 184,134	\$ 613,132	\$ 566,756
Natural gas	24,532	24,417	166,276	159,741
Total Operating Revenues	<u>215,865</u>	<u>208,551</u>	<u>779,408</u>	<u>726,497</u>
Operating Expenses				
Operation:				
Purchased electricity	61,468	58,733	245,252	212,847
Purchased natural gas	3,743	5,077	63,124	59,132
Other expenses of operation - regulated activities	88,282	83,775	271,087	273,220
Other expenses of operation - non-regulated	169	32	253	101
Depreciation and amortization	20,906	20,099	62,732	60,525
Taxes, other than income tax	20,181	18,427	64,466	58,993
Total Operating Expenses	<u>194,749</u>	<u>186,143</u>	<u>706,914</u>	<u>664,818</u>
Operating Income	<u>21,116</u>	<u>22,408</u>	<u>72,494</u>	<u>61,679</u>
Other Income and Deductions				
Income from unconsolidated affiliates	974	655	3,001	1,913
Interest on regulatory assets and other interest income	1,433	684	5,129	2,217
Regulatory adjustments for interest costs	424	(49)	1,243	(408)
Non-service cost components of pension and other post-employment benefits ("OPEB")	6,570	9,791	19,709	29,373
Other - net	254	(584)	396	539
Total Other Income	<u>9,655</u>	<u>10,497</u>	<u>29,478</u>	<u>33,634</u>
Interest Charges				
Interest on long-term debt	12,888	9,711	37,317	28,671
Interest on regulatory liabilities and other interest	(1,166)	368	(954)	1,324
Total Interest Charges	<u>11,722</u>	<u>10,079</u>	<u>36,363</u>	<u>29,995</u>
Income Before Income Taxes	<u>19,049</u>	<u>22,826</u>	<u>65,609</u>	<u>65,318</u>
Income Tax Expense	4,260	4,665	14,702	13,682
Net Income	<u>\$ 14,789</u>	<u>\$ 18,161</u>	<u>\$ 50,907</u>	<u>\$ 51,636</u>

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

(In Thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net Income	\$ 14,789	\$ 18,161	\$ 50,907	\$ 51,636
Other Comprehensive Income ("OCI"):				
Employee future benefits, net of tax expense	2	3	5	11
Comprehensive Income	<u>\$ 14,791</u>	<u>\$ 18,164</u>	<u>\$ 50,912</u>	<u>\$ 51,647</u>

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

CH ENERGY GROUP

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Nine Months Ended September 30,	
	2023	2022
Operating Activities:		
Net income	\$ 50,907	\$ 51,636
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	50,099	47,131
Amortization	12,633	13,394
Deferred income taxes - net	14,488	13,642
Uncollectible expense	6,222	6,008
Distributed (undistributed) equity in earnings of unconsolidated affiliates	30	18
Pension (credit) expense	(6,564)	(5,306)
OPEB credit	(5,227)	(5,341)
Regulatory liability - rate moderation	(11,510)	(1,322)
Regulatory asset - revenue decoupling mechanism ("RDM") recorded	(11,298)	(35)
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(12,954)	(61,333)
Fuel, materials, and supplies	(3,188)	(5,904)
Special deposits and prepayments	(1,486)	(13,155)
Income and other taxes	206	(21)
Accounts payable	(21,172)	(8,562)
Accrued interest	738	3,533
Customer advances	(280)	(737)
Other advances	(1,614)	(8,320)
Corporate alternative minimum tax ("AMT")	(5,400)	-
Pension plan contribution	(1,080)	(1,106)
OPEB contribution	(22)	(528)
Regulatory asset - RDM collected/(refunded)	5,130	(3,230)
Regulatory asset - major storm	(19,257)	(32,890)
Regulatory asset - site investigation and remediation ("SIR")	6,360	5,315
Regulatory asset - arrears management program ("AMP")	(19,599)	(5,010)
Regulatory asset - uncollectible write-offs	(6,857)	(2,350)
Regulatory liability - energy efficiency ("EE") programs including clean energy fund ("CEF")	(258)	(7,674)
Regulatory asset - rate adjustment mechanisms ("RAM")	9,303	10,182
Regulatory asset - deferred natural gas and electric costs	38,176	(43,126)
Other - net	8,669	6,122
Net cash provided by (used in) operating activities	75,195	(48,969)
Investing Activities:		
Additions to utility plant	(184,427)	(165,539)
Proceeds from sale of assets	-	4,574
Other - net	6,077	(3,475)
Net cash used in investing activities	(178,350)	(164,440)
Financing Activities:		
Repayment of long-term debt	(1,033)	(24,366)
Proceeds from issuance of long-term debt	90,000	220,000
Net change in short-term borrowings	(60,000)	3,000
Capital contribution	73,500	55,168
Other - net	(520)	(1,159)
Net cash provided by financing activities	101,947	252,643
Net Change in Cash, Cash Equivalents, and Restricted Cash	(1,208)	39,234
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	5,010	18,129
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 3,802	\$ 57,363
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 35,439	\$ 24,555
Federal and state income taxes paid, net	\$ 7,497	\$ 1,750
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 85
Non-Cash Investing Activities:		
Accrued capital expenditures	\$ 15,264	\$ 11,715

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

CH ENERGY GROUP
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In Thousands)

	September 30, 2023	December 31, 2022	September 30, 2022
ASSETS			
Utility Plant (Note 3)			
Electric	\$ 1,848,435	\$ 1,768,092	\$ 1,751,050
Natural gas	819,602	788,978	765,906
Common	467,841	448,796	447,653
Gross Utility Plant	3,135,878	3,005,866	2,964,609
Less: Accumulated depreciation	747,954	698,940	691,858
Net	2,387,924	2,306,926	2,272,751
Construction work in progress	183,879	146,661	137,502
Net Utility Plant	2,571,803	2,453,587	2,410,253
Non-utility property & plant	524	524	524
Net Non-Utility Property & Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	3,106	3,237	52,560
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million, \$11.0 million, and \$9.5 million, respectively (Note 2)	234,928	216,680	175,762
Accounts receivable - affiliates (Note 17)	247	441	150
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million, \$0.2 million, and \$1.7 million, respectively (Note 2)	19,508	27,823	19,367
Other receivables	23,836	25,906	24,835
Fuel, materials, and supplies (Note 1)	34,426	31,238	30,020
Regulatory assets (Note 4)	85,578	125,980	125,323
Income tax receivable	333	502	721
Fair value of derivative instruments (Note 15)	2,268	315	5,444
Special deposits and prepayments	44,192	42,706	49,363
Total Current Assets	448,422	474,828	483,545
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	269,865	226,069	186,147
Prefunded pension costs (Note 11)	61,235	59,365	74,673
Prefunded OPEB costs (Note 11)	33,820	31,462	33,964
Investments in unconsolidated affiliates (Note 6)	29,974	23,523	21,498
Other investments (Note 16)	45,573	54,179	54,074
Other	8,388	10,497	12,441
Total Deferred Charges and Other Assets	448,855	405,095	382,797
Total Assets	\$ 3,469,604	\$ 3,334,034	\$ 3,277,119

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

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

(In Thousands, except share amounts)

	September 30, 2023	December 31, 2022	September 30, 2022
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 9)			
CH Energy Group Common Shareholders' Equity			
Common Stock (30,000,000 shares authorized; \$0.01 par value; 15,961,400 shares issued and outstanding)	\$ 160	\$ 160	\$ 160
Paid-in capital	561,602	488,102	488,970
Retained earnings	635,341	584,434	556,937
Accumulated OCI	171	166	30
Total Equity	1,197,274	1,072,862	1,046,097
Long-term debt (Note 10)			
Principal amount	1,182,942	1,124,046	1,125,113
Unamortized debt issuance costs	(5,944)	(5,838)	(5,959)
Net long-term debt	1,176,998	1,118,208	1,119,154
Total Capitalization	2,374,272	2,191,070	2,165,251
Current Liabilities			
Current maturities of long-term debt (Note 10)	32,171	2,100	2,031
Short-term borrowings (Note 8)	45,000	105,000	110,000
Accounts payable	60,050	81,110	46,990
Accounts payable - affiliates (Note 17)	-	624	437
Accrued interest	11,423	10,685	11,718
Accrued vacation and payroll	11,263	10,861	11,364
Customer advances	16,673	16,953	17,368
Customer deposits	6,714	6,846	7,145
Regulatory liabilities (Note 4)	83,289	75,053	77,924
Fair value of derivative instruments (Note 15)	4,734	14,034	6,822
Accrued environmental remediation costs (Note 13)	1,308	3,717	2,415
Other current liabilities	32,472	31,926	32,644
Total Current Liabilities	305,097	358,909	326,858
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	70,595	74,898	28,610
Regulatory liabilities - deferred OPEB costs (Note 4)	21,375	24,652	271,341
Regulatory liabilities - other (Note 4)	264,435	262,735	92,038
Operating reserves	4,002	2,892	4,071
Accrued environmental remediation costs (Note 13)	71,234	70,156	70,004
Other liabilities	34,277	32,361	35,934
Total Deferred Credits and Other Liabilities	465,918	467,694	501,998
Accumulated Deferred Income Tax (Note 5)	324,317	316,361	283,012
Commitments and Contingencies			
Total Capitalization and Liabilities	\$ 3,469,604	\$ 3,334,034	\$ 3,277,119

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

CH ENERGY GROUP

CONDENSED CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

	Nine Months Ended September 30, 2023					
	Common Stock					
	Shares Issued	Amount	Paid-In Capital	Retained Earnings	Accumulated OCI	Total Equity
Balance at December 31, 2022	15,961,400	\$ 160	\$ 488,102	\$ 584,434	\$ 166	\$ 1,072,862
Net income				23,519		23,519
Capital contribution			67,500			67,500
Employee future benefits, net of tax					2	2
Balance at March 31, 2023	15,961,400	\$ 160	\$ 555,602	\$ 607,953	\$ 168	\$ 1,163,883
Net income				12,599		12,599
Capital contribution			6,000			6,000
Employee future benefits, net of tax					1	1
Balance at June 30, 2023	15,961,400	\$ 160	\$ 561,602	\$ 620,552	\$ 169	\$ 1,182,483
Net income				14,789		14,789
Employee future benefits, net of tax					2	2
Balance at September 30, 2023	15,961,400	\$ 160	\$ 561,602	\$ 635,341	\$ 171	\$ 1,197,274

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

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

CENTRAL HUDSON
CONDENSED STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating Revenues				
Electric	\$ 191,333	\$ 184,134	\$ 613,132	\$ 566,756
Natural gas	24,532	24,417	166,276	159,741
Total Operating Revenues	<u>215,865</u>	<u>208,551</u>	<u>779,408</u>	<u>726,497</u>
Operating Expenses				
Operation:				
Purchased electricity	61,468	58,733	245,252	212,847
Purchased natural gas	3,743	5,077	63,124	59,132
Other expenses of operation	88,282	83,775	271,087	273,220
Depreciation and amortization	20,906	20,099	62,732	60,525
Taxes, other than income tax	20,064	18,412	64,241	58,947
Total Operating Expenses	<u>194,463</u>	<u>186,096</u>	<u>706,436</u>	<u>664,671</u>
Operating Income	<u>21,402</u>	<u>22,455</u>	<u>72,972</u>	<u>61,826</u>
Other Income and Deductions				
Interest on regulatory assets and other interest income	1,433	684	5,129	2,217
Regulatory adjustments for interest costs	424	(49)	1,243	(408)
Non-service cost components of pension and OPEB	6,575	9,798	19,725	29,394
Other - net	164	(589)	342	478
Total Other Income	<u>8,596</u>	<u>9,844</u>	<u>26,439</u>	<u>31,681</u>
Interest Charges				
Interest on long-term debt	12,791	9,580	36,994	28,246
Interest on regulatory liabilities and other interest	(1,166)	368	(954)	1,325
Total Interest Charges	<u>11,625</u>	<u>9,948</u>	<u>36,040</u>	<u>29,571</u>
Income Before Income Taxes	<u>18,373</u>	<u>22,351</u>	<u>63,371</u>	<u>63,936</u>
Income Tax Expense	<u>4,062</u>	<u>4,486</u>	<u>14,042</u>	<u>13,155</u>
Net Income	<u>\$ 14,311</u>	<u>\$ 17,865</u>	<u>\$ 49,329</u>	<u>\$ 50,781</u>

CENTRAL HUDSON
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net Income	\$ 14,311	\$ 17,865	\$ 49,329	\$ 50,781
OCI:				
Employee future benefits, net of tax expense	2	3	5	11
Comprehensive Income	<u>\$ 14,313</u>	<u>\$ 17,868</u>	<u>\$ 49,334</u>	<u>\$ 50,792</u>

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

CENTRAL HUDSON
CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Nine Months Ended September 30,	
	2023	2022
Operating Activities:		
Net income	\$ 49,329	\$ 50,781
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	50,099	47,131
Amortization	12,633	13,394
Deferred income taxes - net	13,827	13,232
Uncollectible expense	6,222	6,008
Pension credit	(6,564)	(5,306)
OPEB credit	(5,227)	(5,341)
Regulatory liability - rate moderation	(11,510)	(1,322)
Regulatory asset - RDM recorded	(11,298)	(35)
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues, and other receivables	(13,090)	(62,682)
Fuel, materials, and supplies	(3,188)	(5,904)
Special deposits and prepayments	(1,400)	(13,155)
Income and other taxes	212	69
Accounts payable	(20,727)	(8,809)
Accrued interest	644	3,404
Customer advances	(280)	(737)
Other advances	(1,614)	(8,320)
Pension plan contribution	(1,080)	(1,106)
OPEB contribution	(22)	(528)
Regulatory asset - RDM collected/(refunded)	5,130	(3,230)
Regulatory asset - major storm	(19,257)	(32,890)
Regulatory asset - SIR	6,360	5,315
Regulatory asset - AMP	(19,599)	(5,010)
Regulatory asset - uncollectible write-offs	(6,857)	(2,350)
Regulatory liability - EE programs including CEF	(258)	(7,674)
Regulatory asset - RAM	9,303	10,182
Regulatory asset - deferred natural gas and electric costs	38,176	(43,126)
Other - net	9,719	9,314
Net cash provided by (used in) operating activities	<u>79,683</u>	<u>(48,695)</u>
Investing Activities:		
Additions to utility plant	(184,427)	(165,539)
Proceeds from sale of assets	-	4,574
Other - net	12,604	2,677
Net cash used in investing activities	<u>(171,823)</u>	<u>(158,288)</u>
Financing Activities:		
Repayment of long-term debt	-	(23,400)
Proceeds from issuance of long-term debt	90,000	220,000
Net change in short-term borrowings	(60,000)	3,000
Capital contribution	60,000	46,000
Other - net	(520)	(1,159)
Net cash provided by financing activities	<u>89,480</u>	<u>244,441</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(2,660)	37,458
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	3,371	14,541
Cash, Cash Equivalents, and Restricted Cash - End of Period	<u>\$ 711</u>	<u>\$ 51,999</u>
Supplemental Disclosure of Cash Flow Information:		
Interest paid, net of amounts capitalized	\$ 35,210	\$ 24,258
Federal and state income taxes paid, net	\$ 1,879	\$ 1,496
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ -	\$ 85
Non-Cash Investing Activities:		
Accrued capital expenditures	\$ 15,264	\$ 11,715

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

CENTRAL HUDSON
CONDENSED BALANCE SHEET (UNAUDITED)

(In Thousands)

	September 30, 2023	December 31, 2022	September 30, 2022
ASSETS			
Utility Plant (Note 3)			
Electric	\$ 1,848,435	\$ 1,768,092	\$ 1,751,050
Natural gas	819,602	788,978	765,906
Common	467,841	448,796	447,653
Gross Utility Plant	3,135,878	3,005,866	2,964,609
Less: Accumulated depreciation	747,954	698,940	691,858
Net	2,387,924	2,306,926	2,272,751
Construction work in progress	183,879	146,661	137,502
Net Utility Plant	2,571,803	2,453,587	2,410,253
Non-Utility Property and Plant	524	524	524
Net Non-Utility Property and Plant	524	524	524
Current Assets			
Cash and cash equivalents (Note 1)	15	1,598	47,196
Accounts receivable from customers - net of allowance for uncollectible accounts of \$11.1 million, \$11.0 million, and \$9.5 million, respectively (Note 2)	234,928	216,680	175,762
Accrued unbilled utility revenues - net of allowance for uncollectible accounts of \$0.1 million, \$0.2 million, and \$1.7 million, respectively (Note 2)	19,508	27,823	19,367
Other receivables	23,959	26,121	24,985
Fuel, materials, and supplies (Note 1)	34,426	31,238	30,020
Regulatory assets (Note 4)	85,578	125,980	125,323
Fair value of derivative instruments (Note 15)	2,268	315	5,444
Special deposits and prepayments	44,097	42,697	49,363
Total Current Assets	444,779	472,452	477,460
Deferred Charges and Other Assets			
Regulatory assets - other (Note 4)	269,865	226,069	186,147
Prefunded pension costs (Note 11)	61,414	59,559	74,873
Prefunded OPEB costs (Note 11)	33,820	31,462	33,964
Other investments (Note 16)	44,633	53,294	53,201
Other	8,393	10,495	12,440
Total Deferred Charges and Other Assets	418,125	380,879	360,625
Total Assets	<u>\$ 3,435,231</u>	<u>\$ 3,307,442</u>	<u>\$ 3,248,862</u>

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

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

(In Thousands, except share amounts)

	September 30, 2023	December 31, 2022	September 30, 2022
CAPITALIZATION AND LIABILITIES			
Capitalization (Note 9)			
Common Stock (30,000,000 shares authorized: \$5 par value; 16,862,087 shares issued and outstanding)	\$ 84,311	\$ 84,311	\$ 84,311
Paid-in capital	386,452	326,452	326,452
Accumulated OCI	171	166	30
Retained earnings	699,442	650,113	622,802
Capital stock expense	(4,633)	(4,633)	(4,633)
Total Equity	<u>1,165,743</u>	<u>1,056,409</u>	<u>1,028,962</u>
Long-term debt (Note 10)			
Principal amount	1,179,400	1,119,400	1,119,400
Unamortized debt issuance costs	(5,923)	(5,810)	(5,929)
Net long-term debt	<u>1,173,477</u>	<u>1,113,590</u>	<u>1,113,471</u>
Total Capitalization	<u>2,339,220</u>	<u>2,169,999</u>	<u>2,142,433</u>
Current Liabilities			
Current maturities of long-term debt (Note 10)	30,000	-	-
Short-term borrowings (Note 8)	45,000	105,000	110,000
Accounts payable	61,049	82,288	47,790
Accrued interest	11,310	10,666	11,564
Accrued vacation and payroll	11,263	10,861	11,364
Customer advances	16,673	16,953	17,368
Customer deposits	6,714	6,846	7,145
Regulatory liabilities (Note 4)	83,289	75,053	77,924
Fair value of derivative instruments (Note 15)	4,734	14,034	6,822
Accrued environmental remediation costs (Note 13)	1,308	3,717	2,415
Accrued income and other taxes	179	-	38
Other current liabilities	32,453	30,792	31,596
Total Current Liabilities	<u>303,972</u>	<u>356,210</u>	<u>324,026</u>
Deferred Credits and Other Liabilities			
Regulatory liabilities - deferred pension costs (Note 4)	70,595	74,898	92,038
Regulatory liabilities - deferred OPEB costs (Note 4)	21,375	24,652	28,610
Regulatory liabilities - other (Note 4)	264,435	262,735	271,341
Operating reserves	4,002	2,892	4,071
Accrued environmental remediation costs (Note 13)	71,234	70,156	70,004
Other liabilities	33,140	31,299	34,889
Total Deferred Credits and Other Liabilities	<u>464,781</u>	<u>466,632</u>	<u>500,953</u>
Accumulated Deferred Income Tax (Note 5)	<u>327,258</u>	<u>314,601</u>	<u>281,450</u>
Commitments and Contingencies			
Total Capitalization and Liabilities	<u>\$ 3,435,231</u>	<u>\$ 3,307,442</u>	<u>\$ 3,248,862</u>

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

CENTRAL HUDSON CONDENSED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share amounts)

Nine Months Ended September 30, 2023							
<u>Common Stock</u>							
	Shares Issued	Amount	Paid-In Capital	Capital Stock Expense	Retained Earnings	Accum- ulated OCI	Total Equity
Balance at December 31, 2022	16,862,087	\$ 84,311	\$ 326,452	\$ (4,633)	\$ 650,113	\$ 166	\$ 1,056,409
Net income					22,965		22,965
Capital contribution			60,000				60,000
Employee future benefits, net of tax						2	2
Balance at March 31, 2023	<u>16,862,087</u>	<u>\$ 84,311</u>	<u>\$ 386,452</u>	<u>\$ (4,633)</u>	<u>\$ 673,078</u>	<u>\$ 168</u>	<u>\$ 1,139,376</u>
Net income					12,053		12,053
Employee future benefits, net of tax						1	1
Balance at June 30, 2023	<u>16,862,087</u>	<u>\$ 84,311</u>	<u>\$ 386,452</u>	<u>\$ (4,633)</u>	<u>\$ 685,131</u>	<u>\$ 169</u>	<u>\$ 1,151,430</u>
Net income					14,311		14,311
Employee future benefits, net of tax						2	2
Balance at September 30, 2023	<u>16,862,087</u>	<u>\$ 84,311</u>	<u>\$ 386,452</u>	<u>\$ (4,633)</u>	<u>\$ 699,442</u>	<u>\$ 171</u>	<u>\$ 1,165,743</u>

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

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 September 30, 2023, there has been no activity in CHGT. CHEC had ownership interests in certain non-regulated subsidiaries that were less than 100% owned. At September 30, 2023, the investments had a cost basis of \$0.

Basis of Presentation

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

The Condensed Consolidated Financial Statements of CH Energy Group and Condensed Financial Statements of Central Hudson are unaudited but, in the opinion of management, reflect all normal recurring adjustments necessary for a fair statement of the results for the interim periods presented. These unaudited Quarterly Condensed Financial Statements do not contain all footnote disclosures concerning accounting policies and other matters, which are included in the December 31, 2022 audited Financial Statements and, accordingly, should be read in conjunction with the Notes thereto. The balance sheets of CH Energy Group and Central Hudson as of September 30, 2022 are included for supplemental information.

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

Preparation of the financial statements in accordance with GAAP, includes the use of estimates and assumptions by management that affect the reported amounts of assets, liabilities, and the disclosures of the contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Current estimates as of and for the period ended September 30, 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 impacts on Central Hudson’s service territory and customers resulting from legislative mandates and policies.

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

Regulatory Accounting Policies

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

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

Seasonality

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

Restricted Cash

Restricted cash as of September 30, 2023, primarily consists of cash held in escrow as security deposits from companies attaching other utilities to Central Hudson-owned poles. Restricted cash as of September 30, 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 as of December 31, 2022.

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

CH Energy Group

(In Thousands)

	September 30, 2023	September 30, 2022
Cash and cash equivalents	\$ 3,106	\$ 52,560
Restricted cash included in other long-term assets	696	4,803
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 3,802</u>	<u>\$ 57,363</u>

Central Hudson

(In Thousands)

	September 30, 2023	September 30, 2022
Cash and cash equivalents	\$ 15	\$ 47,196
Restricted cash included in other long-term assets	696	4,803
Total Cash, Cash Equivalents, and Restricted Cash as shown in the Statement of Cash Flows	<u>\$ 711</u>	<u>\$ 51,999</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 – "Revenues 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 September 30, 2023, December 31, 2022, and September 30, 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):

	September 30, 2023	December 31, 2022	September 30, 2022
Fuel used in electric generation	\$ 534	\$ 434	\$ 547
Materials and supplies	33,892	30,804	29,473
Total	<u>\$ 34,426</u>	<u>\$ 31,238</u>	<u>\$ 30,020</u>

Reclassification

Certain amounts shown in Note 4 – “Regulatory Matters” and Note 5 – “Income Taxes” have been reclassified to conform to the September 30, 2023 presentation. These reclassifications had no effect on the reported results of operations.

Note 2 – Revenues and Receivables

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

Revenue from Contracts with Customers

Central Hudson records revenue as electricity and natural gas is delivered based on either the customers’ meter read or estimated usage for the month. For full-service customers, this includes delivery and supply of electricity and natural gas. For retail choice customers, this includes delivery only as these customers purchase supply from a retail marketer. Sales and usage-based taxes are excluded from revenues. Consideration received from customers on a billing schedule is not adjusted for the effect of a significant finance component because the period between a transfer of goods or services will be one year or less. Tariff revenues include Schedule 12 rates of the NYISO OATT established to recover the return on and return of Central Hudson’s transmission asset.

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 Earnings Adjustment Mechanisms (“EAMs”) related to NYS clean energy goals, when prescribed targets are met.

Other Revenues

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Electric				
Revenues from contracts with customers	\$ 187,604	\$ 174,421	\$ 601,237	\$ 559,124
Alternative revenues	4,480	7,142	10,232	436
Other revenue adjustments	(751)	2,571	1,663	7,196
Total Operating Revenues Electric	\$ 191,333	\$ 184,134	\$ 613,132	\$ 566,756
Natural Gas				
Revenues from contracts with customers	\$ 21,213	\$ 21,404	\$ 160,670	\$ 160,923
Alternative revenues	3,255	2,967	10,784	4,327
Other revenue adjustments	64	46	(5,178)	(5,509)
Total Operating Revenues Natural Gas	\$ 24,532	\$ 24,417	\$ 166,276	\$ 159,741

The quarter over quarter and year over year increase in electric revenues from contracts with customers was primarily driven by higher billed purchased commodity costs, approved increases in delivery rates effective July 1, 2023, and higher surcharges when compared to 2022. Natural gas revenues were comparable for the periods presented.

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

Natural gas alternative revenue programs were comparable quarter over quarter. The year over year increase in natural gas alternative revenue programs is due to higher RDM deferrals recorded for the differences between the actual billed revenues compared to prescribed targets, as well as PRA for earned incentives that were based on achieving certain targets and milestones associated with EE programs as provided in the 2021 Rate Order.

The quarter over quarter and year over year decreases in other electric revenue adjustments is primarily driven by higher credits provided to customers, as well as higher revenue adjustments for amounts collected from customers for previously deferred revenues. Partially offsetting these decreases were higher rate moderation revenue offsets provided to customers in 2023 when compared to 2022. Other natural gas revenue adjustments were comparable to the prior periods reported.

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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance at Beginning of Period	\$ (11,200)	\$ (11,200)	\$ (11,200)	\$ (11,200)
Uncollectible expense	(1,758)	(1,808)	(6,222)	(6,008)
Uncollectible write-off deferral	(3,998)	(2,350)	(6,857)	(2,350)
Uncollectible write-offs – net	5,756	4,158	13,079	8,358
Balance at End of Period	\$ (11,200)	\$ (11,200)	\$ (11,200)	\$ (11,200)

Accounts receivable growth in arrears began with the suspension of collection efforts required during the Coronavirus pandemic (“COVID-19”), which has impacted 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 September 30, 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 prompt 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, however,

the timing and amounts to be allocated to Central Hudson are unknown. 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 will be forthcoming. Collection efforts have further expanded in 2023, including issuing final termination notices and locking service for non-payment for certain commercial customers. These collection efforts have generated some success with payments or payment arrangements. Central Hudson continues its expansion of collection efforts and communication with customers, particularly issuing final termination notices and locking service for non-payment. Management conducted quantitative and qualitative assessments of the allowance for uncollectible accounts as of September 30, 2023, including consideration of the differences in the current customers with arrears compared to past history, differences in payment behaviors of customers, including past economic factors impacting payment behavior compared to the current economic environment. 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 September 30, 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 chart above. The increase in arrears has resulted in a corresponding growth in working capital needs requiring additional borrowings as further discussed in Note 8 – “Short-Term Borrowing Arrangements” and Note 10 – “Capitalization – Long-Term Debt”.

NOTE 3 – Utility Plant – Central Hudson

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

	Estimated Depreciable Life in Years	Utility Plant		
		September 30, 2023	December 31, 2022	September 30, 2022
Electric:				
Production	25-95	\$ 48,657	\$ 43,767	\$ 43,656
Transmission	30-90	499,630	469,800	466,608
Distribution	8-80	1,293,074	1,247,465	1,233,772
Other	40	7,074	7,060	7,014
Total		\$ 1,848,435	\$ 1,768,092	\$ 1,751,050
Natural Gas:				
Transmission	19-85	\$ 67,048	\$ 64,679	\$ 64,753
Distribution	28-95	752,112	723,857	700,711
Other	N/A	442	442	442
Total		\$ 819,602	\$ 788,978	\$ 765,906
Common:				
Land and structures	50	\$ 115,914	\$ 114,656	\$ 113,715
Office and other equipment, radios, and tools	8-35	94,409	87,303	89,878
Transportation equipment	10-12	84,688	82,520	80,630
Other	3-15	172,830	164,317	163,430
Total		\$ 467,841	\$ 448,796	\$ 447,653
Gross Utility Plant		\$ 3,135,878	\$ 3,005,866	\$ 2,964,609

For both the three months ended September 30, 2023 and 2022, the borrowed component of funds used during construction and recorded as a reduction of interest expense was \$1.2 million and the equity component reported as other income was \$0.6 million and (\$0.7) million, respectively. For the

nine months ended September 30, 2023 and 2022, the borrowed component of funds used during construction and recorded as a reduction of interest expense was \$1.7 million and \$1.9 million, respectively, and for the nine months ended September 30, 2023, the equity component reported as other income was \$3.2 million. As of September 30, 2022, the Allowance for Funds Used During Construction (“AFUDC”) was allocated to short-term borrowings, rather than both equity and debt.

Included in the Net Utility Plant balance of \$2.6 billion at September 30, 2023, \$2.5 billion at December 31, 2022, and \$2.4 billion at September 30, 2022, is \$208.5 million, \$195.0 million, and \$194.1 million of intangible utility plant assets, comprised primarily of computer software costs, land, transmission, water, and other rights and the related accumulated amortization of \$107.0 million, \$95.9 million, and \$91.9 million, respectively.

As of September 30, 2023, December 31, 2022, and September 30, 2022, Central Hudson has reclassified from utility plant assets \$48.4 million, \$47.4 million, and \$47.0 million, respectively, of cost of removal recovered through the rate-making process in excess of amounts incurred to date as a regulatory liability.

Asset Retirement Obligations (“AROs”) for Central Hudson were approximately \$3.1 million as of September 30, 2023, December 31, 2022, and September 30, 2022. These amounts have been classified in the above chart under “Electric – Other” and “Common – Other” based on the nature of the ARO and are reflected as “Other – long-term liabilities” in the CH Energy Group and Central Hudson Balance Sheets.

NOTE 4 – Regulatory Matters

Summary of Regulatory Assets and Liabilities

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

	September 30, 2023	December 31, 2022	September 30, 2022
Regulatory Assets:			
Deferred purchased electric costs	\$ 23,655	\$ 43,490	\$ 61,481
Deferred purchased natural gas costs	-	16,923	7,021
Deferred unrealized losses on derivatives – electric and natural gas (Note 15)	4,734	14,034	6,822
RAM – electric and carrying charges	8,246	16,109	7,717
RAM – natural gas and carrying charges	1,581 ⁽³⁾	1,560	1,285
EAMs – electric	8,192	7,140	2,303
RDM and carrying charges – electric	4,378	2,064	3,413
RDM and carrying charges – natural gas	7,717	4,511	2,903
EE programs and carrying charges	33,582	28,829	25,288
Electric vehicle (“EV”) make ready program and carrying charges	3,982	1,879 ⁽²⁾	1,388 ⁽²⁾
Demand management programs and carrying charges	6,529	7,359	7,832
Deferred and accrued costs – SIR (Note 13) and carrying charges	63,506	71,436	71,551
Deferred storm costs and carrying charges	63,436	41,846	48,393
Deferred vacation pay accrual	9,338	9,010	9,579
Income taxes recoverable through future rates	40,469	42,704	13,665
Tax reform – unprotected impacts (Note 5)	23,733	23,733	23,733
Lost finance charge revenue and carrying charges	7,286	2,746	4,001 ⁽²⁾
AMP and carrying charges	22,382	3,102	2,680
Uncollectible write offs and carrying charges	10,112 ⁽³⁾	4,130	2,356
Other	12,585 ⁽¹⁾⁽²⁾	9,444 ⁽¹⁾⁽²⁾	8,059 ⁽¹⁾⁽²⁾
Total Regulatory Assets	\$ 355,443	\$ 352,049	\$ 311,470
Less: Current Portion of Regulatory Assets	\$ 85,578	\$ 125,980	\$ 125,323
Total Long-term Regulatory Assets	\$ 269,865	\$ 226,069	\$ 186,147

Notes to Quarterly Condensed Financial Statements (UNAUDITED)

Regulatory Liabilities:			
Rate moderator – electric and carrying charges	\$ 33,426	\$ 16,376	\$ 19,638
Rate moderator – natural gas and carrying charges	12,200	8,739	9,885
Deferred purchased natural gas costs	1,418	-	-
Deferred unrealized gains on derivatives – electric and natural gas (Note 16)	2,268	315	5,444
CEF and carrying charges	53,536	49,027	52,841
Tax reform – protected deferred tax liability (Note 5)	146,873	176,075	176,461
Deferred cost of removal (Note 3)	48,364	47,357	47,005
Deferred pension costs (Note 11)	70,595	74,898	92,038
Deferred property taxes and carrying charges	12,624	2,109 ⁽²⁾	4,017
Income taxes refundable through future rates	7,704	10,711	7,067
Deferred OPEB costs (Note 11)	21,375	24,652	28,610
Energy affordability program (“EAP”) and carrying charges	4,074	4,428	4,546
Net plant and depreciation targets	2,259 ⁽⁴⁾	764 ⁽²⁾	413
Fast charging infrastructure program and carrying charges	5,687	5,516	5,450
NRAs	5,751	2,597	2,597
Deferred unbilled revenue	5,082	5,082	5,082
Utility asset sale to Transco and carrying charges	4,529	4,338	4,391
Other	1,929 ⁽¹⁾	4,354 ⁽¹⁾⁽²⁾	4,428 ⁽¹⁾
Total Regulatory Liabilities	\$ 439,694	\$ 437,338	\$ 469,913
Less: Current Portion of Regulatory Liabilities	\$ 83,289	\$ 75,053	\$ 77,924
Total Long-term Regulatory Liabilities	\$ 356,405	\$ 362,285	\$ 391,989
Net Regulatory Liabilities	\$ (84,251)	\$ (85,289)	\$ (158,443)

(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 September 30, 2023 presentation.

(3) Approximately \$1.1 million of gas uncollectible write-offs at December 31, 2022 was transferred to the Gas RAM during the first quarter of 2023.

(4) Included in Net plant and depreciation targets is approximately \$1.3 million of Enterprise Resource Planning and related carrying charges for the system replacement that was postponed.

PSC 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 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 would become effective retroactive to July 1, 2021, with Rate Year (“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	2021 Rate Order (Dollars in Millions)		
	RY1	RY2	RY3
Electric delivery rate increase/(decrease)	(\$3.1)	\$19.5	\$20.7
Natural gas delivery rate increases	\$4.7	\$6.3	\$6.4
Return on equity	9.00%	9.00%	9.00%
Earnings sharing	Yes ⁽¹⁾	Yes ⁽¹⁾	Yes ⁽¹⁾
Capital structure – common equity	50%	49%	48%
Bill credits/(surcharge) – electric	(\$2.0)	\$9.5	\$21.5
Bill credits – natural gas	\$0.8	\$3.2	\$5.6
RDMs – electric and natural gas	Yes	Yes	Yes

- (1) Return on equity ("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 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.

Central Hudson 2021 Financing Order

On November 18, 2021, the Commission approved the Company's request under Section 69 of the Public Service Law ("PSL") to authorize Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$250 million; and approved the issuance and sale of 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 general corporate purposes and up to \$33.7 million to refinance its variable rate debt.

Central Hudson 2023 Financing Petition

On May 23, 2023, Central Hudson filed a request with the PSC for authorization to enter into multi-year credit agreements to provide committed funding to meet projected liquidity needs, in amounts not to exceed \$350 million in the aggregate and maturities not to exceed 5 years; and approval to issue and sell long-term debt securities, from time to time from January 1, 2024 through December 31, 2026 for general corporate purposes, in an aggregate amount not to exceed \$380 million.

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 SDU being installed on Central Hudson's transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, O&M of the SDU, and a reasonable return on its investment. FERC approved an Offer of Settlement on October 4, 2021, which included an 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 formula rate was filed with FERC on May 15, 2023, which included project costs of \$9.8 million plus O&M and other applicable costs for collection from June 2023 through May 2024. The FERC formula rate will be updated annually going forward.

Low Income Energy Affordability & COVID-19 Proceeding

On January 19, 2023, the PSC issued 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 AMP. Through the Phase 2 AMP, Central Hudson provided approximately \$22.4 million in relief to non-low-income customers in 2023. Phase 2 AMP will be funded through a surcharge over a seven-year period on utility bills, not to exceed a 0.5% bill impact for residential customers.

The 2024 State budget signed by the Governor on May 3, 2023, included the appropriation of \$200 million for prompt affordability assistance to utility customers. The DPS will administer the funds in consultation with the EAPWG, which includes Central Hudson and other utilities and stakeholders. The 2024 State Budget also requires the DPS to establish a new, expanded discount program in consultation with the EAPWG to provide relief to customers that do not currently qualify for EAP programs, but earn less than the state median income, as well as establishing an Energy Affordability Guarantee designed to ensure that customers participating in the New York State Energy Research and Development Authority's ("NYSERDA") EmPower Plus Program have energy cost burdens less than six percent of household income.

On August 21, 2023, the DPS filed its proposal for appropriation of the \$200 million. Staff proposed that utilities would (1) receive an allocation of the \$200 million based on their share of statewide 2022 EAPWG expenditures; (2) allocate their appropriation to each of their service classes in a manner reasonably calculated to be equitable and to approximate the same method as EAPWG program expenses are recovered from customers; and (3) distribute credits to customers over a term of six months beginning December 1, 2023.

On September 11, 2023, the Public Utility Law Project of New York ("PULP") filed its proposal for appropriation of the \$200 million. PULP proposed that the \$200 million should be allocated solely to residential utility customer classes based on an equal dollar amount per customer credit and requesting release of the funds as soon as possible.

Customer Information System ("CIS") Show Cause Order

During the March 2022 PSC session, the PSC directed the DPS Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents. In connection with that investigation, the Company answered numerous data requests regarding the CIS implementation. On December 15, 2022, the PSC issued its Order to Commence Proceeding and Show Cause ("CIS Show Cause Order"), under Case 22-M-0645. This Order discussed issues related to the CIS project, including system defects, training, testing,

staffing, and cited alleged apparent violations of PSL, New York Codes, Rules and Regulations, and prior PSC Orders. Central Hudson filed its response on January 17, 2023, in which it acknowledged the unintended disruptive impact on customers but affirmed that the Company did not violate the PSL, rules, or Commission Orders and that neither penalties nor a prudence review is warranted. Central Hudson cited in its response its legal position that the Office of Investigations and Enforcement report misinterpreted and misapplied specific sections of statutes, rules, and Commission Orders. The outcome of this investigation cannot be predicted at this time.

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 re-iterates its commitment to investigate all complaints of billing errors and continue to promptly refund any overpayments. The Interim Agreement also announces Central Hudson's plan 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.

Agway Energy Services LLC ("Agway")

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

On March 18, 2022, Central Hudson filed its Verified Motion to Dismiss and Opposition to the Petition of Agway for a Declaratory Ruling ("Motion"). The Motion argues that the Petition should be dismissed because it is not a proper Petition for Declaratory Ruling because it fails to seek a PSC interpretation of a statute or rule and is deficient because it fails to allege a specific violation of either the UBP or BSA. Central Hudson's Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC's jurisdiction to provide. Agway has submitted a filing requesting mediation on this matter, including recurring meetings with both parties and DPS Staff. On June 24, 2022, the Company entered mediation with Agway and continues to hold bi-weekly meetings to discuss, investigate, and resolve issues. On March 21, 2023, after almost a year of mediation, Agway Energy Services, LLC filed a Motion 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, which provides a safe harbor method of accounting that taxpayers may use to help determine whether capital expenditures to repair, maintain, replace, or improve natural gas transmission and distribution property can be expensed for tax purposes. Management is assessing the impact that adoption of this ruling will have on CH Energy Group and its subsidiaries.

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022 ⁽²⁾	2023	2022 ⁽²⁾
Unrecognized tax benefits balance, beginning of the period	\$ 8,896	\$ 10,963	\$ 10,538	\$ 10,640
Additions related to the current year	311	161	912	484
Decreases related to the prior year	(1,091)	(1,076)	(3,335)	(1,076)
Unrecognized tax benefits balance, end of the period	8,116	10,048	8,116	10,048
Offset per Accounting Standards Update (“ASU”) No. 2013-11 ⁽¹⁾	(8,116)	(10,048)	(8,116)	(10,048)
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*.

(2) Certain amounts reported for the three and nine months ended September 30, 2022 have been reclassified to conform with the current period presentation.

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 AMT on applicable corporations, which became effective for tax years beginning after December 31, 2022. During 2023, CH Energy Group made estimated payments totaling \$5.4 million to its parent FortisUS, Inc. (“FortisUS”) related to AMT, in line with the tax sharing agreement. CH Energy Group is still evaluating the final interpretations of the IRA and calculation of amounts due for AMT under the tax sharing agreement, which may result to changes in the estimated amounts paid. The IRA also provides for numerous tax credits, which currently do not apply to CH Energy Group, and if applicable in the future, are expected to be immaterial.

Coronavirus Aid, Relief, and Economic Security (“CARES”) Act

The CARES Act was signed into law on March 27, 2020. As permitted under the CARES Act, Central Hudson deferred payment of the employer share of the Social Security tax on its payroll during 2020. The deferred payroll tax was paid over two years; with half of the required amount paid by December

31, 2021, and the other half by December 31, 2022. There was no impact on earnings or on the effective tax rate resulting from the delayed payment of employer payroll tax under the CARES Act. As of September 30, 2022, the liability for the deferred payment of the employer's portion of Social Security tax on payroll was \$2.6 million and was reflected in "Other current liabilities" in the CH Energy Group and Central Hudson Balance Sheets and was fully repaid by December 31, 2022.

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 extends 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 ending December 31, 2022, and 2021. 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 three and nine months ended September 30, 2023, Central Hudson recorded \$0.6 million and \$1.6 million of capital base tax, respectively. For the three and nine months ended September 30, 2022, Central Hudson recorded \$0.5 million and \$1.4 million of capital base tax, respectively. Capital base tax is included in "Taxes, other than income tax" in the CH Energy Group and Central Hudson Statements of Income. The extended capital base tax was included in the tax calculation used to set rates in the 2021 Rate Order.

CH Energy Group

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Effective tax rate - federal	16.3%	14.2%	16.6%	14.9%
Effective tax rate - state	6.1%	6.2%	5.8%	6.1%
Effective Tax Rate - Combined	<u>22.4%</u>	<u>20.4%</u>	<u>22.4%</u>	<u>21.0%</u>

Central Hudson

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Effective tax rate - federal	16.0%	14.1%	16.3%	14.6%
Effective tax rate - state	6.1%	6.0%	5.9%	6.0%
Effective Tax Rate - Combined	<u>22.1%</u>	<u>20.1%</u>	<u>22.2%</u>	<u>20.6%</u>

For the three and nine months ended September 30, 2023, and 2022, 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. The effective tax rate for 2023 is higher than the comparable period in 2022, primarily due to increases in operating reserves, which reduce book income, but are excluded for tax purposes in the current period.

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 equity funding requirement of the project cost as a 6.1% owner of this project in Transco is expected to be \$19.4 million, not including interconnection costs. As of September 30, 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 September 30, 2023, December 31, 2022, and September 30, 2022, CHET’s total investment in Transco for all projects was approximately \$30.0 million, \$23.5 million, and \$21.5 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 and NYPA are working to finalize the development agreement, which is expected to be completed in the fourth quarter of 2023. 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.

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 research and development (“R&D”) expenditures for the three months ended September 30, 2023 and 2022 were \$0.7 million and \$0.5 million, respectively. For the nine months ended September 30, 2023 and 2022, Central Hudson’s R&D expenditures were \$2.5 million and \$2.5 million, respectively. 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 – Short-Term Borrowing Arrangements**Committed Credit Facilities**

On April 4, 2022, Central Hudson entered into a first amendment and increasing lender supplement to the March 2020 Central Hudson credit agreement with five commercial banks. The amendment replaced the London Interbank Offered Rate (“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. Amounts borrowed 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 September 30, 2023, Central Hudson was in compliance with all financial debt covenants in the credit agreement.

Uncommitted Credit

At September 30, 2023 and December 31, 2022, CH Energy Group and Central Hudson had \$10 million and \$60 million, respectively, in uncommitted short-term credit arrangements. At September 30, 2022, Central Hudson had uncommitted short-term credit arrangements totaling \$30 million.

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.

Balances outstanding for CH Energy Group and Central Hudson under the various credit arrangements are as follows (Dollars in Thousands):

	September 30, 2023	December 31, 2022	September 30, 2022
Committed credit	\$ 45,000	\$ 90,000	\$ 110,000
Uncommitted credit	-	15,000	-
Total	\$ 45,000	\$ 105,000	\$ 110,000
Weighted Average Interest Rate	6.29%	5.17%	3.78%

NOTE 9 – Capitalization – Common and Preferred Stock

Capitalization

During the nine months ended September 30, 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 the nine months ended September 30, 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 the nine months ended September 30, 2022, CH Energy Group received capital contributions of \$55.2 million from its parent FortisUS. During the nine months ended September 30, 2022, Central Hudson received a capital contribution of \$46.0 million from its parent CH Energy Group and CHET also received capital contributions of \$6.4 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 in CH Energy Group and Central Hudson's Condensed Consolidated Statements of Equity and Balance Sheets.

Common Stock Dividends

CH Energy Group's ability to pay dividends is affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of annual dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group, which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation, Central Hudson was restricted to a maximum annual payment of \$79.3 million and \$75.7 million in dividends to CH Energy Group for the periods

ended September 30, 2023 and 2022, 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.

There were no dividends paid by CHET to its parent, CH Energy Group, during 2023. During 2022, CHET paid dividends to CH Energy Group of \$1.0 million.

Preferred Stock

Other than one share of Junior Preferred Stock, Central Hudson had no outstanding preferred stock as of September 30, 2023, December 31, 2022, and September 30, 2022.

NOTE 10 – Capitalization – Long-Term Debt

As of September 30, 2023, CH Energy Group and Central Hudson were in compliance with all covenants under their long-term debt instruments. Most of these instruments are redeemable at the discretion of CH Energy Group and Central Hudson, at any time, at the greater of par or a specified price as defined in the respective long-term debt agreements, together with accrued and unpaid interest.

On 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 sale of the Senior Notes for general corporate purposes, including the repayment of short-term borrowings.

During 2022, Central Hudson issued \$220 million in 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 September 30, 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 1.261%, 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 will expire on March 26, 2024. The rate cap has a notional amount equal to the outstanding principal amount of the 2014 Series E notes and is based on the quarterly reset of LIBOR rate on the quarterly interest payment dates. On June 16, 2023, Central Hudson amended the interest rate cap associated with the 2014 Series E variable rate notes. The amended rate cap remains at 3%, but is now based on the Term SOFR Rate, with a spread of 0.178%. For the three and nine months ended September 30, 2023, Central Hudson received payouts of \$0.2 million and \$0.5 million, respectively. There were no payouts on this interest rate cap during the three and nine months ended September 30, 2022.

The principal amount of Central Hudson’s outstanding 1999 Series B NYSERDA Bonds totaled \$33.7 million at September 30, 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 NYSERDA 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 175%. 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 no payouts during the three months ended September 30, 2023 and an immaterial payout during the nine months ended September 30, 2023. There were no payouts on this interest rate cap during the three and nine months ended September 30, 2022.

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

NOTE 11 – Post-Employment Benefits

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

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

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

	Pension		OPEB	
	Three Months Ended		Three Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Service cost	\$ 1,833	\$ 3,235	\$ 261	\$ 397
Interest cost	7,600	5,508	1,386	997
Expected return on plan assets	(9,574)	(9,853)	(2,131)	(2,242)
Amortization of prior service cost (credit)	130	130	(102)	(114)
Amortization of recognized actuarial net gain	(2,626)	(2,776)	(1,245)	(1,432)
Net Periodic Benefit	<u>\$ (2,637)</u>	<u>\$ (3,756)</u>	<u>\$ (1,831)</u>	<u>\$ (2,394)</u>

	Pension Benefits		OPEB	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Service cost	\$ 5,499	\$ 9,705	\$ 783	\$ 1,191
Interest cost	22,800	16,524	4,158	2,991
Expected return on plan assets	(28,722)	(29,559)	(6,393)	(6,726)

Amortization of prior service cost (credit)	390	390	(306)	(342)
Amortization of recognized actuarial net gain	(7,878)	(8,328)	(3,735)	(4,296)
Net Periodic Benefit	<u>\$ (7,911)</u>	<u>\$ (11,268)</u>	<u>\$ (5,493)</u>	<u>\$ (7,182)</u>

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

	September 30, 2023 ⁽¹⁾⁽²⁾	December 31, 2022 ⁽¹⁾⁽²⁾	September 30, 2022 ⁽¹⁾⁽²⁾
Prefunded pension costs	\$ 59,684	\$ 57,769	\$ 73,617

- (1) Includes approximately \$0.2 million at September 30, 2023, December 31, 2022, and September 30, 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 \$1.9 million at September 30, 2023, \$1.6 million at December 31, 2022, and \$1.5 million at September 30, 2022, that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

The funded status includes the difference between the projected benefit obligation for the Retirement Plan and the market value of the pension assets, net of any liability for the non-qualified SERP. The funded status does not reflect approximately \$29.6 million, \$39.7 million, and \$39.4 million of SERP trust assets at September 30, 2023, December 31, 2022, and September 30, 2022.

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

	September 30, 2023 ⁽¹⁾⁽²⁾	December 31, 2022 ⁽¹⁾⁽²⁾	September 30, 2022 ⁽¹⁾⁽²⁾
Accrued pension costs prior to funding status adjustment	\$ (155)	\$ (9,559)	\$ (13,243)
Funding status adjustment required	59,839	67,328	86,860
Prefunded Pension Costs	<u>\$ 59,684</u>	<u>\$ 57,769</u>	<u>\$ 73,617</u>
Offset to Funding Status Adjustment - Regulatory Liability - Pension Plan	<u>\$ (59,615)</u>	<u>\$ (67,109)</u>	<u>\$ (86,821)</u>
Offset to Funding Status Adjustment - Accumulated OCI, Net of Tax of (\$62), (\$61) and (\$12), respectively	<u>\$ (162)</u>	<u>\$ (158)</u>	<u>\$ (28)</u>

- (1) Includes approximately \$0.2 million at September 30, 2023, December 31, 2022, and September 30, 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 \$1.9 million at September 30, 2023, \$1.6 million at December 31, 2022, and \$1.5 million at September 30, 2022, that is reflected in the Balance Sheet under other current liabilities for pension payments expected to be made over the next twelve months.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Retirement Plan	\$ -	\$ -	\$ -	\$ -
OPEB	\$ -	\$ -	\$ 22	\$ 528
SERP	\$ -	\$ -	\$ -	\$ -

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

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

In accordance with the terms of the Trust agreement for the SERP, following the acquisition of CH Energy Group 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 the 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.

Other Retirement Savings Plans

Central Hudson sponsors a 401(k) retirement plan (“401(k) plan”) for its employees. The 401(k) plan provides for employee tax-deferred salary deductions for participating employees and employer matches. The matching benefit varies by employee group. Central Hudson’s matching contributions for the three months ended September 30, 2023 and 2022 were \$1.7 million and \$1.5 million, respectively. For the nine months ended September 30, 2023 and 2022, matching contributions were \$4.4 million and \$4.5 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 Plan. The additional non-discretionary contributions were approximately \$0.9 million and \$0.8 million for the three months ended September 30, 2023 and 2022, respectively. For the nine months ended September 30, 2023 and 2022, non-discretionary contributions were \$2.7 million and \$2.4 million, 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 three and nine months ended September 30, 2023, contributions were \$0.3 million and \$1.7 million and are expected to be approximately \$0.4 million quarterly going forward.

NOTE 12 – Equity-Based Compensation

Share Unit Plan Units

Effective January 1, 2023, officers of Central Hudson were granted 64,991 Units under two long-term incentive plans (i.e., the Central Hudson 2023 Share Unit Plan (“2023 SUP”) and the Fortis 2020 Restricted Share Unit Plan, as amended from time to time (“2023 RSUP”)) for the period from January 1, 2023 through December 31, 2025. 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 21,664 Units issued under the 2023 RSUP are time-based, vesting at the end of the three-year period without regard to performance. At the election of a 2023 RSUP participant, Units issued in 2023, which are earned and vested, will 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.

The 43,327 Units issued under the 2023 SUP 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.

Awards granted in 2020 to Central Hudson officers under the Central Hudson 2020 Share Unit Plan and the 2020 Fortis Restricted Share Unit Plan vested on December 31, 2022 and were paid out in either cash or shares of Fortis common stock during the first quarter of 2023.

CH Energy Group:	Grant Date	Grant Date Fair Value	Time Based		Performance Based	
			Granted	Outstanding ⁽⁴⁾	Granted	Outstanding ⁽⁴⁾
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 ⁽⁴⁾	Granted	Outstanding ⁽⁴⁾
2023 RSUP	January 1, 2023	\$ 40.35	21,664	22,338	-	-
2023 SUP	January 1, 2023	\$ 40.35	-	-	43,327	44,675
2022 RSUP ⁽³⁾	January 1, 2022	\$ 48.18	12,781	12,769	-	-
2022 SUP	January 1, 2022	\$ 48.18	-	-	25,562	27,352
2021 RSUP ⁽³⁾	January 1, 2021	\$ 41.12	14,249	14,821	-	-
2021 SUP	January 1, 2021	\$ 41.12	-	-	28,497	31,659
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 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⁾Includes notional dividends accrued as of September 30, 2023.

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

Compensation Expense

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
CH Energy Group	\$ (350)	\$ (859)	\$ 1,861	\$ 597
Central Hudson	\$ (334)	\$ (859)	\$ 1,848	\$ 597

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 restricted share unit plan 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. 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.

NOTE 13 – Commitments and Contingencies

There were no significant changes in the nature and amounts of Central Hudson’s commitments from those disclosed in the 2022 Annual Financial Report, except as noted below.

Energy Credit Purchase Obligations

In August 2016, the PSC issued Order 15-E-0302 adopting a Clean Energy Standard (“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 the DPS 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 September 30, 2023, the forward Tier 1 obligations for Central Hudson full-service customers are estimated to be approximately \$5.3 million through December 31, 2024. Central Hudson’s Tier 2 Competitive REC obligations are immaterial through December 31, 2023 and Central Hudson’s estimated accrued Tier 3 ZEC obligation through March 31, 2024 is approximately \$5.0 million. These

estimated costs are recoverable from full-service customers through electric cost adjustment mechanism and, therefore, do not impact earnings.

Other Commitments

Pension Benefit and OPEB Funding Contributions

Central Hudson is subject to certain contractual benefit payment obligations. Decisions about how to fund the Retirement and OPEB Plans to meet these obligations are made annually and are primarily affected by the discount rate used to determine benefit obligations, current asset values, corporate resources, and the projection of Retirement and OPEB Plan assets. Based on the funding requirements of the 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. See Note 11 – “Post-Employment Benefits” for additional information regarding contributions.

Supplemental Executive Retirement Plan

As a result of the acquisition of CH Energy Group 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. The trust agreement also allows for a return of funding levels that exceed the 110% requirement. Annual contributions to the SERP could vary based on investment returns, discount rates, and participant demographics. The SERP was funded above the 110% required level for 2022 and Central Hudson elected to withdraw \$9.5 million of the excess funding in the first quarter of 2023 for general corporate purposes, including the repayment of short-term borrowings. See Note 11 – “Post-Employment Benefits” for additional information regarding contributions.

Parental Guarantee

CHET was established to be an investor in Transco, which was created to develop, own, and operate electric transmission projects in NYS. On July 16, 2020, CH Energy Group’s parental guarantee to Transco was adjusted from \$182 million to \$73.7 million. The Transco Board of Managers approved the reduction based on CHET’s maximum commitment associated with the AC Project, the only project remaining under Transco’s original FERC application and the initial guarantee. As of September 30, 2023, the amount of the outstanding parental guarantee was \$47.8 million. CH Energy Group is currently not aware of any existing condition that would require any payments under this guarantee.

Contingencies

Environmental Matters

Central Hudson accrues for remediation costs based on the amounts that can be reasonably estimated at a point in time. At September 30, 2023, Central Hudson has accrued \$72.5 million with respect to all SIR activities, including operation, maintenance, and monitoring costs (“OM&M”), of which \$1.3 million is anticipated to be spent in the next twelve months.

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

Stage	Sites	Total Accrued Cost at September 30, 2023	Estimated spend in the next twelve months
Investigation	Little Britain Road	\$ 2.0	\$ -
Remedial alternatives analysis		-	-
Remedial design		-	-
Remediation	North Water Street	66.5	1.1
Post-remediation monitoring	Newburgh Areas A, B & C, Laurel Street, Catskill, Kingston, and Eltings Corners	4.0	0.2
No action required	Beacon and Bayeaux Street	-	-
Total		\$ 72.5	\$ 1.3

There were no significant updates during the nine months ended September 30, 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 New York State Department of Environmental Conservation ("NYSDEC"). 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 NYSDEC, 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 submitted to NYSDEC and was approved by the NYSDEC (with one modification to the conclusion to the report). A final revised report was submitted on August 30, 2023, 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 watering monitoring activities will continue to be performed on a quarterly basis.

➤ **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 NYSDEC approved the Hydraulic Dredging Pilot Test ("HDPT") Work Plan and Water Supply Protection and Contingency Plan. Preliminary site monitoring and mobilization activities commenced in October 2020 and pilot test activities, including demobilization, were completed in January 2021.
- The goals of the pilot study were successfully achieved. Hydraulic dredging was completed in three areas with different degrees of impacted sediment (no impact, medium impact, and high impact). A draft hydraulic dredge pilot test evaluation summary report was prepared, which summarized the data compiled related to:
 - production rates associated with the hydraulic dredge equipment in each area, including the impacts of the protective shroud attached for additional protection;

- impacts of sheening events that occurred, the ability to contain them, and the related work stoppages during the pilot;
 - impact of prescribed protective measures regarding the placement of daily clean cover and backfill on the riverbed; and
 - debris encountered in the river and the related mechanical removal.
- The report concluded that the use of hydraulic dredging was technically feasible. However, there were several factors, as noted above, that impacted the previously estimated production rates able to be achieved during the pilot. When extrapolated to full-scale remediation, the cumulative effect of these impacts on the production rates observed during the HDPT significantly increased the total estimated time to complete the dredging and backfilling remediation and, as a result of this increased time frame, also equated to a significant increase in the projected cost.
- Based on the increase in the projected 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 NYSDEC concurred that this timeframe was not practical and agreed with the conclusion of the report. At this point, the NYSDEC has communicated that removal of source material is still the best long-term remedy for the site and, as such, is directing Central Hudson to examine other methods, including a mix of alternative approaches taking into consideration the extent of removal that may be feasible.
- A scope of work for limited upland remedial activities was submitted to and approved by the NYSDEC in May 2021. The activities were completed in June 2021.
- During 2021, Central Hudson worked with the EOR to evaluate remedial alternative approaches, including some that still fit within the framework of the NYSDEC approved work plan and achieved the established regulatory clean-up objectives within a reasonable time period, as well as other approaches that considered capping or monitoring-only activities. A Focused Remedial Alternatives Analysis ("FRAA") report presenting the evaluation of alternative approaches was submitted to the NYSDEC in November 2021. A preliminary follow up discussion was held with the NYSDEC in December 2021.
- On April 8, 2022, Central Hudson received a response from the NYSDEC with regard to the November 2021 FRAA. Central Hudson sent a response to the comments on May 24, 2022. Overall, the comment letter indicated that the tests of alternate containment methods (i.e., Air Bubble Curtain ("ABC") pilot test) should be completed prior to consideration of the alternatives presented in the FRAA report and, therefore, the NYSDEC 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 NYSDEC 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 NYSDEC 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 NYSDEC on September 5, 2023, to discuss the status of their review of the FRAA. During the call, the NYSDEC 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. Based on that, Central Hudson and the NYSDEC agreed to schedule a subsequent

meeting in the fourth quarter of 2023 to continue to work towards an acceptable remedial alternative.

- Management concluded the comment letter from April 2022 and the recent communications with the NYSDEC 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 September 30, 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 September 30, 2023, for this site of \$66.5 million reflects management's estimate of the low end of a predictive cost estimate range of potential alternatives for continued work of the EOR on the development of design and analysis of the FRAA based on future discussions with other parties and other associated fees. The FRAA included potential alternatives for remediation with costs estimated as high as \$95 million. The accrual will be updated as the alternative remedial approaches are discussed, and a path forward is agreed upon by all involved parties.
- The estimated spending as of September 30, 2023, for the next 12 months of approximately \$1.1 million is primarily based on anticipated efforts to complete analysis regarding alternative remedial approaches with the NYSDEC.

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 manufactured gas plants ("MGP") and non-MGP, and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return.
- The 2021 Rate Order includes cash recovery of approximately \$24.2 million during the three-year rate plan period ending June 30, 2024, with \$18.1 million recovered through September 30, 2023.
- There was no spending for the three and nine months ended September 30, 2023 related to SIR. For the three and nine months ended September 30, 2022, spending related to SIR was approximately \$0.3 million and \$0.8 million, respectively.
- The regulatory asset balance as of September 30, 2023, December 31, 2022, and September 30, 2022, was \$63.5 million, \$71.4 million, and \$71.5 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 were no insurance recoveries during the nine months ended September 30, 2023 and 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 September 30, 2023, of the 3,387 asbestos cases brought against Central Hudson, 1,163 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

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

NOTE 14 – Segments and Related Information

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

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

CH Energy Group Segment Disclosure

(In Thousands)

	Three Months Ended September 30, 2023				
	Segments		Other		Total
	Central Hudson		Businesses and Investments		
	Electric	Natural Gas		Eliminations	
Revenues from external customers	\$ 191,333	\$ 24,532	\$ -	\$ -	\$ 215,865
Intersegment revenues	16	20	-	(36)	-
Total operating revenues	191,349	24,552	-	(36)	215,865
Income (loss) before income taxes	22,987	(4,614)	676	-	19,049
Net Income (Loss) Attributable to CH Energy Group	\$ 17,577	\$ (3,266)	\$ 478	\$ -	\$ 14,789

Segment Assets at September 30, 2023	\$ 2,492,260	\$ 942,971	\$ 35,604	\$ (1,231)	\$ 3,469,604
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CH Energy Group Segment Disclosure

(In Thousands)

	Three Months Ended September 30, 2022				
	Segments		Other		
	Central Hudson		Businesses and		
	Electric	Natural Gas	Investments	Eliminations	Total
Revenues from external customers	\$ 184,134	\$ 24,417	\$ -	\$ -	\$ 208,551
Intersegment revenues	15	109	-	(124)	-
Total operating revenues	184,149	24,526	-	(124)	208,551
Income (loss) before income taxes	25,677	(3,326)	475	-	22,826
Net Income (Loss) Attributable to CH Energy Group	\$ 20,535	\$ (2,670)	\$ 296	\$ -	\$ 18,161

Segment Assets at September 30, 2022	\$ 2,358,674	\$ 890,188	\$ 28,872	\$ (615)	\$ 3,277,119
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CH Energy Group Segment Disclosure

(In Thousands)

	Nine Months Ended September 30, 2023				
	Segments		Other		
	Central Hudson		Businesses and		
	Electric	Natural Gas	Investments	Eliminations	Total
Revenues from external customers	\$ 613,132	\$ 166,276	\$ -	\$ -	\$ 779,408
Intersegment revenues	42	354	-	(396)	-
Total operating revenues	613,174	166,630	-	(396)	779,408
Income before income taxes	46,263	17,108	2,238	-	65,609
Net Income Attributable to CH Energy Group	\$ 36,270	\$ 13,059	\$ 1,578	\$ -	\$ 50,907

Segment Assets at September 30, 2023	\$ 2,492,260	\$ 942,971	\$ 35,604	\$ (1,231)	\$ 3,469,604
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CH Energy Group Segment Disclosure

(In Thousands)

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

Segment Assets at September 30, 2022	\$ 2,358,674	\$ 890,188	\$ 28,872	\$ (615)	\$ 3,277,119
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NOTE 15 – Accounting for Derivative Instruments and Hedging Activities

Purpose of Derivatives

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

Energy Contracts Subject to Regulatory Deferral

Central Hudson has been authorized to fully recover certain risk management costs through its electricity and natural gas 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 electricity and natural gas cost adjustment charge mechanisms and are not designated as hedges.

The percentage of Central Hudson's electric and natural gas requirements covered with fixed price forward purchases at September 30, 2023 are as follows:

Central Hudson	% of Requirement Hedged ⁽¹⁾
Electric Derivative Contracts:	0.7 million MWh
November 2023 – December 2023	46.2%
January 2024 – September 2024	21.1%
Natural Gas Derivative Contracts:	0.6 million Dth
November 2023 – December 2023	10.1%
January 2024 – March 2024	8.2%

(1) Projected coverage as of September 30, 2023.

Cash Flow Hedges

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

Derivative Risks

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

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

To help limit the credit exposure of derivatives, Central Hudson enters into master netting agreements with counterparties whereby contracts in a gain position can be offset against contracts in a loss position. Of the 26 total agreements held by Central Hudson, 11 agreements contain credit risk contingent features. As of September 30, 2023, there were six open contracts with credit risk contingent features in a liability position and, if the contingent features were triggered, \$4.0 million would be required to settle these instruments.

Derivative Contracts

CH Energy Group and Central Hudson have elected gross presentation for their derivative contracts under master netting agreements and collateral positions. On September 30, 2023, December 31, 2022, and September 30, 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 September 30, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 1,935	\$ -	\$ 1,935	\$ 697	\$ -	\$ 1,238
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ 1,935	\$ -	\$ 1,935	\$ 697	\$ -	\$ 1,238
As of December 31, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 315	\$ -	\$ 315	\$ 315	\$ -	\$ -
Central Hudson - natural gas	-	-	-	-	-	-
Total CH Energy Group and Central Hudson Assets	\$ 315	\$ -	\$ 315	\$ 315	\$ -	\$ -
As of September 30, 2022 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 5,144	\$ -	\$ 5,144	\$ 1,933	\$ -	\$ 3,211
Central Hudson - natural gas	300	-	300	191	-	109
Total CH Energy Group and Central Hudson Assets	\$ 5,444	\$ -	\$ 5,444	\$ 2,124	\$ -	\$ 3,320

(1) Interest rate cap agreements are not shown in the above chart. As of September 30, 2023 and December 31, 2022 the fair values were \$0.3 million and as of September 30, 2022 the value was \$0.

Description	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amount of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
				Financial Instruments	Cash Collateral Received	Net Amount
As of September 30, 2023 ⁽¹⁾						
Derivative Contracts:						
Central Hudson - electric	\$ 4,586	\$ -	\$ 4,586	\$ 697	\$ -	\$ 3,889
Central Hudson - natural gas	148	-	148	-	-	148
Total CH Energy Group and Central Hudson Liabilities	\$ 4,734	\$ -	\$ 4,734	\$ 697	\$ -	\$ 4,037

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

As of September 30, 2022⁽¹⁾

Derivative Contracts:												
Central Hudson - electric	\$	6,612	\$	-	\$	6,612	\$	1,933	\$	-	\$	4,679
Central Hudson - natural gas		210		-		210		191		-		19
Total CH Energy Group and Central Hudson Liabilities	\$	6,822	\$	-	\$	6,822	\$	2,124	\$	-	\$	4,698

(1) Interest rate cap agreements are not shown in the above chart. As of September 30, 2023, December 31, 2022, and September 30, 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 September 30, 2023, December 31, 2022, and September 30, 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 September 30, 2023 ⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ 1,935	\$ -	\$ 1,935	\$ -
Central Hudson - natural gas		-	-	-
Total CH Energy Group and Central Hudson Assets	\$ 1,935	\$ -	\$ 1,935	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 4,586	\$ -	\$ 4,586	\$ -

Central Hudson - natural gas	148	148	-	-
Total CH Energy Group and Central Hudson Liabilities	\$ 4,734	\$ 148	\$ 4,586	\$ -
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	\$ -
As of September 30, 2022 ⁽¹⁾				
Assets:				
Derivative Contracts:				
Central Hudson - electric	\$ 5,144	\$ -	\$ 5,144	\$ -
Central Hudson - natural gas	300	300	-	-
Total CH Energy Group and Central Hudson Assets	\$ 5,444	\$ 300	\$ 5,144	\$ -
Liabilities:				
Derivative Contracts:				
Central Hudson - electric	\$ 6,612	\$ -	\$ 6,612	\$ -
Central Hudson - natural gas	210	210	-	-
Total CH Energy Group and Central Hudson Liabilities	\$ 6,822	\$ 210	\$ 6,612	\$ -

(1) Interest rate cap agreements are not shown in the above chart. These are classified as Level 2 in the fair value hierarchy using SIFMA Municipal Swap Curves and 3-month US Dollar LIBOR rate forward curves. As of September 30, 2023 and December 31, 2022 the fair values were \$0.3 million and as of September 30, 2022 the fair value was \$0.

The Effect of Derivative Instruments on the Statements of Income

Realized gains and losses on Central Hudson's derivative instruments are returned to or recovered from customers through PSC authorized deferral accounting mechanisms, with no material impact on cash flows, results of operations, or liquidity. Realized gains and losses on Central Hudson's energy derivative instruments are reported as part of purchased 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 three and nine months ended September 30, 2023 and 2022, neither CH Energy Group nor Central Hudson had derivatives designated as hedging instruments. The following table summarizes the effects of CH Energy Group's and Central Hudson's derivatives on the Statements of Income (In Thousands):

	Amount of Gain/(Loss) Recognized as Increase/(Decrease) in the Statement of Income				Location of Gain (Loss)
	Three Months Ended		Nine Months Ended		
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022	
Central Hudson:					
Electricity swap contracts	\$ (12,902)	\$ (265)	\$ (63,670)	\$ 10,074	Deferred purchased electric costs ⁽¹⁾
Natural gas swap contracts	-	-	(933)	493	Deferred purchased natural gas costs ⁽¹⁾
Total CH Energy Group and Central Hudson	<u>\$ (12,902)</u>	<u>\$ (265)</u>	<u>\$ (64,603)</u>	<u>\$ 10,567</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 2022, Central Hudson entered into a Heating Degree Days (“HDD”) costless collar weather option for the period December 1, 2022 through March 31, 2023, 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 a \$0.1 million payout during the quarter as of March 31, 2023. Central Hudson recorded an immaterial amount of expense to purchased electric cost during the quarter ended March 31, 2023, with respect to the collar.

In 2021, Central Hudson entered into a 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 purchase electric cost with respect to the collar during the quarter ended March 31, 2022.

Central Hudson – Natural Gas

In October 2022, Central Hudson entered into a HDD costless collar weather option for the period December 1, 2022 through March 31, 2023, 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 a \$0.1 million net payout during the quarter as of March 31, 2023. Central Hudson recorded an immaterial amount of expense to purchased natural gas cost during the quarter ended March 31, 2023, with respect to the collar.

In 2021, Central Hudson entered into a 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 natural gas cost with respect to the collar during the quarter ended March 31, 2022.

NOTE 16 – Other Fair Value Measurements

Other Assets Recorded at Fair Value

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

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of September 30, 2023:				
Other Investments	\$ 10,587	\$ 10,587	\$ -	\$ -
As of December 31, 2022:				
Other Investments	\$ 20,645	\$ 20,645	\$ -	\$ -
As of September 30, 2022:				
Other Investments	\$ 20,532	\$ 20,532	\$ -	\$ -

As of September 30, 2023, December 31, 2022, and September 30, 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 September 30, 2023, December 31, 2022, and September 30, 2022, the total cash surrender value of trust-owned life insurance held by these trusts was approximately \$35.0 million, \$33.5 million, and \$34.0 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 table discloses the estimated fair value of both CH Energy Group and Central Hudson's long-term debt, including the current maturities (Dollars in Thousands):

CH Energy Group

	September 30, 2023		December 31, 2022		September 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	\$ 1,151,413	\$ 924,863	\$ 1,062,446	\$ 896,255	\$ 1,063,444	\$ 892,708
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	\$ 1,215,113	\$ 988,563	\$ 1,126,146	\$ 959,955	\$ 1,127,144	\$ 956,408
Estimated effective interest rate	4.34%		4.17%		3.98%	

Central Hudson

	September 30, 2023		December 31, 2022		September 30, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Fixed rate debt	\$ 1,145,700	\$ 919,172	\$ 1,055,700	\$ 889,524	\$ 1,055,700	\$ 884,927
Variable rate debt	63,700	63,700	63,700	63,700	63,700	63,700
Total	\$ 1,209,400	\$ 982,872	\$ 1,119,400	\$ 953,224	\$ 1,119,400	\$ 948,627
Estimated effective interest rate	4.33%		4.15%		3.96%	

NOTE 17 – Related Party Transactions

Thompson Hine LLP serves as outside counsel to CH Energy Group and Central Hudson. One partner in that firm serves as each corporation's General Counsel and Corporate Secretary. LaBella Associates D.P.C. ("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):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
CH Energy Group (Thompson Hine LLP)	\$ 735	\$ 575	\$ 2,064	\$ 1,891
Central Hudson (Thompson Hine LLP)	\$ 726	\$ 567	\$ 2,046	\$ 1,869
Central Hudson (LaBella) ⁽¹⁾	\$ -	\$ 163	\$ -	\$ 445

(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.

Furthermore, Central Hudson performs work and incurs expenses on behalf of Transco, a company in which CHET has a 6.1% 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):

	September 30, 2023	December 31, 2022	September 30, 2022
	Fortis	Fortis	Fortis
CH Energy Group ⁽¹⁾			
Accounts Receivable	\$ 247	\$ 441	\$ 150
Accounts Payable	\$ -	\$ 624	\$ 437

	September 30, 2023			December 31, 2022			September 30, 2022		
	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates	CH Energy Group	Fortis	Other Affiliates
Central Hudson ⁽¹⁾⁽²⁾									
Accounts Receivable	\$ 6	\$ 117	\$ 7	\$ 10	\$ 183	\$ 195	\$ -	\$ 149	\$ 5
Accounts Payable	\$ 1,188	\$ -	\$ -	\$ 1,365	\$ -	\$ -	\$ 1,033	\$ -	\$ -

⁽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):

	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	CH Energy Group	Fortis ⁽¹⁾	CH Energy Group	Fortis ⁽¹⁾
CH Energy Group	\$ -	\$ 1,223	\$ -	\$ 1,093
Central Hudson	\$ 1,415	\$ -	\$ 1,236	\$ -

	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	CH Energy Group	Fortis ⁽¹⁾	CH Energy Group	Fortis ⁽¹⁾
CH Energy Group	\$ -	\$ 4,561	\$ -	\$ 3,609
Central Hudson	\$ 4,980	\$ -	\$ 3,996	\$ -

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

NOTE 18 – Subsequent Events

An evaluation of subsequent events was completed through October 26, 2023, the date these Condensed Consolidated Financial Statements were available to be issued, to determine whether circumstances warranted recognition and disclosure of events or transactions in the Condensed Consolidated Financial Statements as of September 30, 2023.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULTS of OPERATIONS
For the Nine Months Ended September 30, 2023

This information should be read in conjunction with the Quarterly Condensed Financial Statements and the notes contained herein, and the audited 2022 Annual Financial Report's financial statements and notes, and Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

CH Energy Group is the holding company parent corporation of four principal, wholly owned subsidiaries, Central Hudson Gas & Electric Corporation ("Central Hudson" or the "Company"), Central Hudson Enterprises Corporation ("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, with 2022 revenue of CAD\$11.0 billion and total assets of CAD\$64 billion as of December 31, 2022. Fortis and its subsidiaries' 9,200 employees serve approximately 3.4 million utility customers in five Canadian provinces, nine U.S. states, and three Caribbean countries.

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 investing in Central Hudson's electric and natural gas infrastructure as the core of its strategy. Central Hudson's five-year forecast includes an average of approximately \$340 million of capital expenditures per year. The long-term capital program provides for continued strengthening of existing electric and natural gas infrastructure, resiliency and automation of distribution systems, new common facilities, and investments in cybersecurity and information and distribution system technologies that are expected to allow for greater penetration of distributed energy resources and improve reliability and customer satisfaction.

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

6.1% owner is expected to be \$19.4 million, not including interconnection costs. At September 30, 2023, CHET's total investment in Transco was approximately \$30.0 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 and NYPA are working to finalize the development agreement, which is expected to be completed in the fourth quarter of 2023. 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 300,000 electric and 80,000 natural gas customers, with earnings growth coming primarily from increases in net utility plant. Central Hudson’s delivery rates are designed to recover the cost of providing safe and reliable service while affording the opportunity to earn a fair and reasonable return on its capital.

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

Company remains dedicated to the safety, health, and well-being of every employee and contractor as well as the community and customers we serve.

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

- upgrading electric transmission and distribution lines, including support for statewide transmission upgrades to deliver renewable energy sources to areas of high electric demand, including the Hudson Valley and metropolitan area, and investments in the regional electric distribution system to facilitate greater levels of locally sited renewable generators;
- pursuing the lowest cost approach to emission reductions 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 NYS energy efficiency ("EE") programs utilizing the most cost-effective methods to reduce emissions; and
- advancing environmentally beneficial electrification, including promoting electric vehicles ("EV") 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 in Central Hudson's operations and reduction of carbon emissions are aligned with and support New York State's Climate Leadership and Community Protection Act ("CLCPA"). The CLCPA has mandated an 85% greenhouse gas ("GHG") emissions reduction from 1990 levels by 2050. In addition, we continue to seek opportunities to update and modernize our operations as we adapt to an evolving clean energy landscape while building towards a more sustainable future. At Central Hudson, these efforts take place in a broader context of a heightened focus on Environment, Social, and Governance ("ESG") factors. We believe that the transparent management of ESG performance and related goals are important for our stakeholders to understand the path we are taking towards our sustainability goals and for Central Hudson to provide assurance around the integrity of the broader operating environment in which those targets are being pursued. Strong ESG performance is expected to yield long-term value through enhanced earnings, reduced costs, improved stakeholder relationships, increased employee satisfaction, and optimization of investment and capital expenditures.

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

Central Hudson has continued its journey to transform the customer experience. Having navigated the challenges and difficulties of replacing a decades-old customer billing system ("CIS") and implementing a new state-of-the-art system, we are looking forward to the benefits that the new system will provide to our customers. We aim to satisfy our customers by being proactive, responsive, dependable, and timely when they need service. We want to reach each customer on a variety of service channels and provide them the level of support they need, including self-service options. We are committed to the reliability

that customers expect, even when more frequent severe weather events impact our service territory. We have taken a proactive approach to harden our electric and natural gas systems accordingly and participated in a climate assessment to evaluate the resilience of our business in different potential climate-related futures. At Central Hudson, we value our customers and our employees, and we strive to support a sustainable environment for all.

Risk Factors

There were no material changes to CH Energy Group's or Central Hudson's risk factors, as set forth in its 2022 Annual Financial Report.

CH Energy Group - Regulated Operations - Central Hudson

Financial Highlights

Period Ended September 30

	Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Electricity Sales (GWh) ⁽¹⁾	1,316	1,327	(11)	3,725	3,844	(119)
Natural Gas Sales (PJ) ⁽²⁾	4.4	4.7	(0.3)	17.6	18.4	(0.8)
<i>(In Millions)</i>						
Revenues	\$ 215.9	\$ 208.6	\$ 7.3	\$ 779.4	\$ 726.5	\$ 52.9
Energy supply costs - matched to revenues	65.2	63.8	1.4	308.4	272.0	36.4
Operating expenses - matched to revenues	25.5	28.1	(2.6)	77.6	87.7	(10.1)
Operating expenses - other	82.9	74.1	8.8	257.7	244.5	13.2
Depreciation and amortization	20.9	20.1	0.8	62.7	60.5	2.2
Other income, net	8.6	9.8	(1.2)	26.4	31.7	(5.3)
Interest charges	11.6	9.9	1.7	36.0	29.6	6.4
Income taxes	4.1	4.5	(0.4)	14.0	13.2	0.8
Net Income	\$ <u>14.3</u>	\$ <u>17.9</u>	\$ <u>(3.6)</u>	\$ <u>49.3</u>	\$ <u>50.8</u>	\$ <u>(1.5)</u>

(1) GigaWatt hours ("GWh")

(2) Petajoule ("PJ")

Earnings: Year over year and quarter over quarter increases in earnings on capital invested in rate base and additional incentives earned associated with Central Hudson's EE programs were offset by higher operating and maintenance ("O&M") costs and higher customer bill credits. The increase in operating expenses reflects increases in labor costs resulting from an increase in the total number of employees as well as an increase in labor-related costs per employee above the year over year increase provided for in rates coupled with higher financing costs incurred above amounts provided for in rates related to elevated levels of working capital. These increases were partially offset by lower operating costs in 2023 related to external consultants associated with stabilization efforts of its new 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, thus increasing the level of working capital needed to currently support the business. The financing costs associated with this working capital are in excess of the amounts currently provided in rates and are not recoverable under the terms of the current rate agreement. Central Hudson continues 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 some success with payments or payment arrangements. However, based on the number of customers and their balances in arrears, the Company expects the elevated level of working capital and increased finance charges 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. However, the variation in revenues billed through these volumetric factors was not material.

Electricity Sales

Electricity sales decreased during the quarter over quarter and year over year primarily due to lower sales to both residential and commercial customers resulting from milder weather.

Natural Gas Sales

Natural gas sales decreased during the quarter when compared to the same period in the prior year as a result of lower sales to electric generators due to milder summer weather in 2023. The year over year decrease was also impacted by lower sales to residential and non-residential customers due to milder winter weather in the first quarter of 2023 compared to the prior year. These decreases in the quarter and year over year were partially offset by higher interruptible sales to two new interruptible customers.

Depreciation and Amortization: Depreciation increased quarter over quarter and year over year as a result of higher investment 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 decrease in other income for the quarter and year to date 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 quarter and year over year increase in interest charges is primarily due to higher interest rates as well as higher long-term debt balances. In addition, the year over year increase in interest charges was further impacted by higher interest on short-term borrowing balances to support elevated levels of working capital.

Income Taxes: The quarter over quarter decrease in income taxes is primarily due to the lower book income before taxes. The year over year increase in income taxes, which resulted in a higher effective tax rate in 2023, was primarily due to an increase in operating reserves, which reduce book income, but is excluded for tax purposes.

Central Hudson Revenues - Electric

Period Ended September 30

(In Millions)

	<u>Quarter</u>			<u>Year to Date</u>		
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues with Matching Expense Offsets:⁽¹⁾						
Recovery of commodity purchases	\$ 60.1	\$ 53.2	\$ 6.9	\$ 236.0	\$ 187.7	\$ 48.3
Sales to others for resale	1.3	5.6	(4.3)	9.2	25.2	(16.0)
Other revenues with matching offsets	18.1	17.4	0.7	55.2	54.9	0.3
<i>Subtotal</i>	<u>79.5</u>	<u>76.2</u>	<u>3.3</u>	<u>300.4</u>	<u>267.8</u>	<u>32.6</u>

Revenues Impacting Earnings:						
Customer sales	106.4	97.7	8.7	301.0	290.6	10.4
Revenue decoupling mechanism (“RDM”) and other regulatory mechanisms	4.7	7.4	(2.7)	9.0	1.7	7.3
Incentives earned	0.1	-	0.1	3.7	0.3	3.4
Net plant targets	(1.0)	-	(1.0)	(1.0)	(0.1)	(0.9)
Customer credits	(1.6)	-	(1.6)	(5.2)	-	(5.2)
Other revenues	3.2	2.8	0.4	5.2	6.5	(1.3)
<i>Subtotal</i>	111.8	107.9	3.9	312.7	299.0	13.7
Total Electric Revenues	\$ 191.3	\$ 184.1	\$ 7.2	\$ 613.1	\$ 566.8	\$ 46.3

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

Central Hudson Revenues - Natural Gas

Period Ended September 30

(In Millions)

	Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Revenues with Matching Expense Offsets:⁽¹⁾						
Recovery of commodity purchases	\$ 3.9	\$ 4.8	\$ (0.9)	\$ 54.5	\$ 51.7	\$ 2.8
Sales to others for resale	0.1	0.4	(0.3)	8.8	7.5	1.3
Other revenues with matching offsets	0.6	0.6	-	2.3	3.3	(1.0)
<i>Subtotal</i>	4.6	5.8	(1.2)	65.6	62.5	3.1
Revenues Impacting Earnings:						
Customer sales	15.9	14.8	1.1	83.4	92.7	(9.3)
RDM and other regulatory mechanisms	2.8	2.9	(0.1)	12.9	1.5	11.4
Incentives earned	-	0.2	(0.2)	0.5	-	0.5
Net plant targets	(0.2)	(0.1)	(0.1)	(0.4)	(0.4)	-
Customer credits	-	-	-	(0.1)	-	(0.1)
Other revenues	1.4	0.8	0.6	4.4	3.4	1.0
<i>Subtotal</i>	19.9	18.6	1.3	100.7	97.2	3.5
Total Natural Gas Revenues	\$ 24.5	\$ 24.4	\$ 0.1	\$ 166.3	\$ 159.7	\$ 6.6

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

Central Hudson’s revenues consist of two major categories: those that offset specific expenses in the current period (matching revenues) and those that impact earnings. Matching revenues represent amounts billed in the current period to recover costs for particular expenses (most notably, purchased electricity and purchased natural gas, major storm, pensions and other post-employment benefits (“OPEB”), and 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 quarter over quarter and year over year increases in electric revenues were primarily driven by the increase in customer delivery rates effective July 1, 2023, as well as higher recovery of purchased

commodity costs. Further impacting the year over year increase were positive revenue adjustments (“PRAs”) for earned incentives based on achieving certain targets and milestones associated with EE, as provided in the 2021 Rate Order, which are recovered through revenues. These increases were partially offset by higher billing credits provided to customers in the quarter and on a year-to-date basis and higher revenue deferral for the net plant and depreciation targets resulting from postponement of an IT capital project approved in rates associated with the next phase of the transformation of the Company’s Enterprise Resource Planning (“ERP”) systems.

Natural Gas Revenues:

The year over year increase in natural gas revenues was driven by higher customer delivery rates effective July 1, 2023, higher recovery of natural gas commodity costs and higher level of PRAs earned based on achieving certain targets and milestones. These increases were partially offset by higher revenue deferral for the net plant and depreciation targets resulting from postponement of the ERP project.

Central Hudson Operating Expenses

Period Ended September 30

(In Millions)

	Quarter			Year to Date		
	2023	2022	Change	2023	2022	Change
Expenses Currently Matched to Revenues:⁽¹⁾						
Purchased electricity	\$ 61.5	\$ 58.7	\$ 2.8	\$ 245.3	\$ 212.8	\$ 32.5
Purchased natural gas	4.0	5.2	(1.2)	63.5	59.3	4.2
Pension & OPEB	3.7	5.9	(2.2)	7.8	18.6	(10.8)
NYS EE programs	10.4	11.2	(0.8)	32.2	32.0	0.2
Major storm reserve	3.6	4.6	(1.0)	12.5	13.3	(0.8)
Energy affordability programs ("EAP")	2.4	2.3	0.1	8.0	7.7	0.3
Other matched expenses	5.1	4.0	1.1	16.7	16.0	0.7
<i>Subtotal</i>	90.7	91.9	(1.2)	386.0	359.7	26.3
Other Operating Expenses:						
Depreciation and amortization	20.9	20.1	0.8	62.7	60.5	2.2
Property and school taxes ⁽²⁾	16.6	15.5	1.1	54.1	49.7	4.4
Uncollectible expense	1.8	1.8	-	6.2	6.0	0.2
Tree trimming	6.5	6.0	0.5	20.9	20.1	0.8
Weather related service restoration	2.0	1.3	0.7	3.9	4.5	(0.6)
Customer service expense	1.9	1.6	0.3	5.9	7.1	(1.2)
IT	4.2	4.5	(0.3)	14.7	18.9	(4.2)
Labor and related benefits	29.0	23.3	5.7	83.6	74.6	9.0
Other expenses	20.9	20.1	0.8	68.4	63.6	4.8
<i>Subtotal</i>	103.8	94.2	9.6	320.4	305.0	15.4
Total Operating Expenses	\$ 194.5	\$ 186.1	\$ 8.4	\$ 706.4	\$ 664.7	\$ 41.7

(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. Central Hudson’s portion is limited to 5 basis points, with a maximum of approximately \$0.6 million, pre-tax per Rate Year.

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 increase in other operating expenses for both the quarter and

year to date is primarily attributed to increases in the cost of labor and related benefits above amounts provided in rates, as well as increases in depreciation and property taxes on infrastructure investments, which are provided for in delivery rates. Decreases in external customer service and IT consultants on a year-to-date basis compared to the prior year is primarily related to reduced costs for CIS stabilization efforts in 2023 and was 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.

Financial Position

CH Energy Group – Regulated – Central Hudson Significant Changes in the Balance Sheets For the nine months ended September 30, 2023

(In millions)

Balance Sheet Account	Increase (Decrease)	Explanation
Accounts receivable, net of allowance for uncollectible accounts	18.2	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.
Accrued unbilled utility revenues, net of allowance for uncollectible accounts	(8.3)	Decrease reflects the seasonality of the business.
Regulatory assets - current	(40.4)	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 along with lower unrealized mark-to-market losses related to open electric derivative contracts, when compared to prior year end.
Regulatory assets - long term	43.8	Increase is primarily related to the major storm restoration costs incurred in 2023 in excess of the rate allowance and the deferral for AMP Phase 2 credits, which will be recovered through a surcharge from 2024-2030.
Other investments	(8.7)	Decrease is due to a withdrawal of excess funding previously held in the Supplemental Executive Retirement Plan ("SERP").
Long term debt, including current maturities	90.0	Increase is due to issuances of long-term debt in 2023.
Notes payable	(60.0)	Net decrease is related to the repayment of short-term borrowings outstanding at prior year-end.
Accounts payable	(21.2)	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	8.2	Increase is primarily due to higher unrealized mark to market gains related to open natural gas derivative contracts, coupled with higher bill credits to be provided to customers in Rate Year 3, in accordance with the 2021 Rate Order, and lower payments for clean energy fund ("CEF") programs funded by the New York State Energy Research and Development Authority's ("NYSERDA").
Fair value of derivative instruments - current liabilities	(9.3)	Decrease in liabilities is due to lower unrealized mark-to-market losses related to open electric derivative contracts.
Accumulated deferred income taxes	12.7	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 September 30

(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	73.1	72.1
Working capital	2.2	(121.0)
Operating activities	75.3	(48.9)
Investing activities	(178.4)	(164.4)
Financing activities	101.9	252.6
Cash, Cash Equivalents and Restricted Cash - End of Period	<u>\$ 3.8</u>	<u>\$ 57.4</u>

Operating Activities: Cash from operations pre-working capital in 2023 was consistent with 2022. The increase in cash from working capital is primarily attributable to a slow-down in the growth of the accounts receivable in arrears and the increase in the recovery of previously deferred commodity costs above purchases in 2023 as compared to 2022. The growth in accounts receivable in arrears continues to cause a drag on cash from operations, but not as significantly as in the prior year, due to AMP and collection efforts to date.

Investing Activities: Central Hudson's capital expenditures during the first nine months of 2023 reflect its growing 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. Projected capital spending is estimated to be approximately \$270 million for the year ending December 31, 2023, compared to the actual capital spending of \$225 million for 2022. Other investing activities for 2022 included Central Hudson's proceeds from the sale of utility assets to Transco. These increases in capital expenditures were partially offset by withdrawal of excess funding in 2023 above the required 110% funding 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, coupled with higher repayments of short-term borrowings, partially offset by higher capital contributions, as compared to prior year.

Anticipated Sources and Uses of Cash

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

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

Central Hudson utilizes short-term debt to fund seasonal and temporary variations in working capital requirements. Delays in collections of accounts receivable from customers, combined with increased wholesale energy prices, resulted in a significant increase in working capital in 2022, which continued into 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.

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 closely monitoring market activity or changes in lending behavior for these institutions and has proactively communicated with our banking contacts to understand their current position and potential holdings exposure. Central Hudson's regional banking partners, depositor base, and holdings portfolios differentiate them from banking institutions that have recently experienced financial distress. As such, Central Hudson believes the potential risk associated with its regional bank partners is not significant. Central Hudson also maintains relationships in its banking syndicate with larger banks in both the US and Canada to support its access to capital and strong liquidity profile.

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 March 28, 2023, and believes capital markets will be accessible for the foreseeable future.

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.

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, CHET's current investment obligations in Transco, and meet Central Hudson's public service obligations and growth objectives.

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 22, 2021, authorizing Central Hudson to enter into multi-year credit agreements in an aggregate amount not to exceed \$250 million; and approval to issue and sell new long-term debt from time to time through December 31, 2024, in an aggregate amount not to exceed \$445.7 million, including up to \$412 million for general corporate purposes and \$33.7 million to refinance its variable rate debt.

On May 24, 2023, Central Hudson filed a Financing Petition with the PSC asking for authorization to issue up to \$380 million of long-term debt during 2024-2026 and to enter into a new committed credit agreement for an aggregate commitment amount of up to \$350 million.

Committed Credit Facilities

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 London Interbank Offered

Rate (“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 September 30, 2023, there were \$45 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 agreements.

Uncommitted Credit

At September 30, 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. At September 30, 2022, Central Hudson had uncommitted short-term credit arrangements totaling \$30 million. There were no outstanding borrowings under CH Energy Group or Central Hudson’s uncommitted credit agreements at September 30, 2023. There were outstanding borrowings of \$15 million under Central Hudson’s uncommitted credit agreements at December 31, 2022 and September 30, 2022.

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.

Central Hudson’s Bond Ratings

	September 30, 2023		December 31, 2022	
	Rating ⁽¹⁾	Outlook	Rating ⁽¹⁾	Outlook
S&P	BBB+	Stable	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 May 16, 2023, Moody’s affirmed Central Hudson’s senior unsecured credit rating of Baa1 with a stable outlook.

On March 2, 2023, S&P affirmed its rating of BBB+ and stable outlook for Central Hudson’s senior unsecured debt.

On December 1, 2022, S&P lowered the rating of Central Hudson’s senior unsecured debt from A- to BBB+ and changed its rating outlook from negative to stable. S&P indicated that the downgrade reflects the weakening of the Company’s financial measures driven by the effects of rising inflation and higher interest rates, as well as the Company’s elevated capital expenditures and increasing operating expenses. In addition, S&P cited that Central Hudson’s 2021 Rate Order is restraining to cash flows, which further weakens the Company’s financial measures.

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.

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 sunseting of the 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%.

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

CH Energy Group

	September 30, 2023		December 31, 2022	
	\$	%	\$	%
Long-term debt ⁽¹⁾	1,215.1	49.4	1,126.1	48.9
Short-term debt	45.0	1.9	105.0	4.5
Common equity	1,197.3	48.7	1,073.0	46.6
Total	<u>2,457.4</u>	<u>100.0</u>	<u>2,304.1</u>	<u>100.0</u>

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

Central Hudson

	September 30, 2023		December 31, 2022	
	\$	%	\$	%
Long-term Debt ⁽¹⁾	1,209.4	50.0	1,119.4	49.1
Short-term Debt	45.0	1.8	105.0	4.6
Common Equity	1,165.7	48.2	1,056.4	46.3
Total	<u>2,420.1</u>	<u>100.0</u>	<u>2,280.8</u>	<u>100.0</u>

(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 return on equity ("ROE") of 9.0%.

Summary of Changes in Accounting Policies since December 31, 2022

Regulation: There were no material changes to Central Hudson's regulatory accounting policies during the nine months ended September 30, 2023.

Critical Accounting Estimates: There were no material changes to CH Energy Group's or Central Hudson's critical accounting estimates during the nine months ended September 30, 2023.

Accounting Principles Generally Accepted in the United States of America ("GAAP") Accounting Policies: There were no changes to CH Energy Group's or Central Hudson's accounting policies during the nine months ended September 30, 2023.

Business Outlook

There have been no material changes to CH Energy Group's or Central Hudson's mission and strategy since its 2022 Annual Financial Report.

Changes in Internal Controls over Financial Reporting

There have been no material changes in CH Energy Group's or Central Hudson's internal controls over financial reporting during the nine months ended September 30, 2023.

Regulatory Proceedings

There have been no material changes to regulatory proceedings disclosed in the 2022 Annual Financial Report; however, activity related to on-going and new proceedings in 2023 are noted below.

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 an electric and natural gas rate case with the PSC requesting an increase in electric and natural gas delivery revenue of \$139.5 million and \$41.5 million, respectively, 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.

2023 Financing Petition

On May 23, 2023, Central Hudson filed a request with the PSC for authorization to enter into multi-year credit agreements to provide committed funding to meet projected liquidity needs in amounts not to exceed \$350 million in the aggregate and maturities not to exceed 5 years; and approval to issue and sell long-term debt securities, from time to time from January 1, 2024 through December 31, 2026 for general corporate purposes, in an aggregate amount not to exceed \$380 million.

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 Department of Public Service (“DPS”) Staff, and subsequently instituted Case 22-00666, to investigate billing issues subsequent to the implementation and to publicly track comments and other related documents. In connection with that investigation, the Company 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, in which it acknowledged 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.

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 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 since it fails to seek a PSC interpretation of a statute or rule and is deficient since it fails to allege a specific violation of either the UBP or BSA. Central Hudson’s Motion also argues that it is improper for Agway to seek compensatory damages as damages are limited pursuant to the BSA and outside of the PSC’s jurisdiction to provide. Agway has submitted a filing requesting mediation on this matter, including recurring meetings with both parties and DPS Staff. On June 24, 2022, the Company entered mediation with Agway and held weekly meetings thereafter to discuss, investigate, and resolve issues. On March 21, 2023, after almost a year of mediation, 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 New York State Office of the Attorney General (“AG’s Office”) seeking information regarding CIS implementation as a result of complaints that the AG’s Office received from Central Hudson’s customers. Central Hudson has responded to these inquiries and provided updates to the AG’s Office regarding the billing system and the commencement of collection efforts.

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 SDU being installed on Central Hudson’s transmission facilities, which are required to provide four Large Generating Facility Developers with Capacity Resource Interconnection Service. This charge provides Central Hudson with full recovery of all reasonably incurred costs related to the development, construction, O&M of the SDU, and a reasonable return on its investment. FERC approved an Offer of Settlement on October 4, 2021, which included an updated 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 an updated project cost 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 rate will be updated annually going forward.

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 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.

Central Hudson Management and Operations Audit

On December 16, 2021, the PSC instituted a proceeding for a new Central Hudson audit in its Order Initiating a Management & Operations Audit. The audit is being conducted by an independent auditor selected by DPS Staff as announced at the March 2022 PSC session. The scope of the audit includes issues from the previous audit for follow-up, as well as the planning and implementation of the Company’s information systems, including its CIS, improvements to the electric load forecasting processes to support grid modernization and CLCPA goals, and various elements of pipeline safety. Discovery has concluded after 689 information requests and 42 interviews, with subject matter experts and various members of Central Hudson’s Board of Directors. The independent auditor and DPS Staff released a Draft Audit Report on December 28, 2022. Central Hudson provided a comprehensive set of comments regarding factual accuracy and confidentiality on January 20, 2023, which were subsequently reviewed during an exit conference among Central Hudson, the independent auditor, and DPS Staff on February 22, 2023. The Final Audit Report was released under an Order approved by the Commission at its April 20, 2023 session, with such order requiring the submission of an Implementation Plan addressing the recommendations contained in the Final Audit Report. On May 22, 2023, Central Hudson submitted its Implementation Plan addressing the implementation of the 37 actionable recommendations contained in the Final Audit Report. On June 14, 2023, the PSC issued a notice indicating that public comments will be received on this Implementation Plan until August 14,

2023. Central Hudson has been working with DPS Staff and will be filing a revised Implementation Plan in November 2023 and expects a Commission order before year-end.

Storm Hardening & Climate Resilience Law

On December 22, 2021, the Governor signed the Storm Hardening & Climate Resilience Bill (S4824A) into law.

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

Climate Vulnerability Studies

On June 16, 2022, the PSC Issued its Order Initiating Proceeding Concerning Electric Utility Climate Vulnerability Studies and Plans and on July 14, 2022, the PSC issued an Order adopting the necessary definitions, processes, and procedures to implement. On August 15, 2022, the utilities jointly filed comments in response of the Order, including a request to the PSC to move expeditiously to approve cost recovery mechanisms associated with the development and implementation of each utility's Studies and Plans.

Central Hudson's Climate Vulnerability Study was filed on September 22, 2023. The study, which included stakeholder sessions to gather input, assesses the potential risks to Central Hudson's system from climate hazards including extreme heat and flooding. Work to develop the subsequent Climate Resilience Plan is ongoing.

Low Income Energy Affordability & COVID-19 Proceeding

On January 19, 2023, the PSC issued 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 AMP. Through the Phase 2 AMP, Central Hudson provided approximately \$22.4 million in relief to non-low-income customers in March and April of 2023. The Phase 2 AMP will be funded through a surcharge over a seven-year period on utility bills not to exceed a 0.5% bill impact for residential customers.

The 2024 State budget, signed by the Governor on May 3, 2023, included the appropriation of \$200 million for prompt affordability assistance to utility customers. The DPS will administer the funds in consultation with the Energy Affordability Policy Working Group ("EAPWG"), which includes Central Hudson and other utilities and stakeholders. The 2024 State budget also requires the DPS to establish a new, expanded discount program in consultation with the EAPWG to provide relief to customers that do not currently qualify for EAPWG programs, but earn less than the state median income, as well as establishing an Energy Affordability Guarantee designed to ensure that customers participating in NYSERDA's EmPower Plus Program have energy cost burdens less than six percent of household income.

On August 21, 2023, the DPS filed its proposal for appropriation of the \$200 million. Staff proposed that utilities would (1) receive an allocation of the \$200 million based on their share of statewide 2022 EAPWG expenditures; (2) allocate their appropriation to each of their service classes in a manner reasonably calculated to be equitable and to approximate the same method as EAPWG program

expenses are recovered from customers; and (3) distribute credits to customers over a term of six months beginning December 1, 2023.

On September 11, 2023, the Public Utility Law Project of New York (“PULP”) filed its proposal for appropriation of the \$200 million. PULP proposed that the \$200 million should be allocated solely to residential utility customer classes based on an equal dollar amount per customer credit and requesting release of the funds as soon as possible.

The Accelerated Renewable Energy Growth and Community Benefit (“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 DPS to develop and implement plans for future investments in the electric grid to ensure it will support the State’s aggressive climate goals.

As a focus on local planning and projects, the PSC issued an Order Local Transmission and Distribution Planning Process and Phase 2 Project Proposals on September 9, 2021 (“September 9th Order”), which 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 Joint Utilities (“JU”) to coordinate with NYSERDA, the NYISO, and DPS Staff on various compliance filings, which were due between December 2021 and March 2022. On January 7, 2022, the JU filed a Cost Sharing and Recovery Agreement (“CSRA”) and Cost Allocation Mechanism in compliance with Clauses 3 and 4 of the PSC’s September 9th Order.

On February 1, 2022, pursuant to Clause 8 of the PSC’s September 9th Order, the JU filed their Revised Headroom Calculations and on March 8, 2022, pursuant to Clause 6 of the same Order, Central Hudson along with several other utilities, submitted their Petition Identifying Area of Concern Needs and Recommended Solutions. On May 12, 2022, the PSC issued Order Accepting both the CSRA and Rate Schedule 19 as compliant with its Phase 2 Order. The JU will proceed to FERC for approval of the PSC-sanctioned CSRA and Rate Schedule 19 under Federal Power Act (“FPA”) section 205, in order to establish a cost allocation and recovery framework for Approved Local CLCPA Projects. On December 22, 2022, the JU requested an extension of Ordering Clause 5 of the Order on Local Transmission and Distribution Planning Process and Phase 2 Project Proposals, issued September 9, 2021, which directed the Filing Parties to submit a coordinated portfolio of Phase 2 projects that meet the requisite investment criteria and benefit cost analysis by January 1, 2023. On December 29, 2022, the extension was granted until March 3, 2023 and the Company filed its response on February 10, 2023. 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 approved Transmission Projects (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 Load Serving Entities (“LSE”)s pursuant to Rate Schedule 19 of the NYISO OATT plus

O&M and other applicable costs. On September 21, 2023, FERC issued a letter of deficiency on the formula rate filing with a response due in 30 days.

To address bulk transmission planning considerations, the PSC issued an Order on Power Grid Study Recommendations on January 20, 2022, 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.

Community Distributed Generation (“CDG”)

In November 2021, the PSC issued its Order Identifying Further Procedural Steps Regarding the Development of Opt-Out Community Distributed Generation, which initiated a process to implement a statewide opt-out CDG program to supplement the existing opt-in CDG program. Subsequently on March 29, 2022, DPS Staff filed its proposal for opt-out CDG program operation, oversight, and enforcement rules for future PSC consideration. On May 19, 2023, DPS Staff filed a Whitepaper proposing a statewide Solar for All program, whereby the utilities would aggregate community solar credits and allocate them to EAP participants presumably in place of opt-out CDG. The JU filed comments supporting Solar for All as the preferred approach in August 2023.

Additionally, on September 15, 2022, the Commission issued an Order establishing a process intended to address and resolve ongoing CDG billing issues, improve the industry’s visibility into the utilities’ transition to an automated Net-Crediting billing process, and incentivize more accurate and timely utility performance in CDG billing. A series of stakeholder conferences were held focused on developing utility CDG billing and crediting performance metrics and a NRA mechanism. Staff is expected to propose CDG billing metrics, NRAs, and reporting requirements to the Commission for consideration by the end of 2023.

Clean Energy Standard (“CES”) / CEF

On November 9, 2022, NYSERDA filed a petition with the PSC to modify the CES to transition from a defined percentage obligation to a load share obligation for Load Serving Entities (“LSE”). 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 Renewable Energy Credits (“REC”) from NYSERDA 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 NYSERDA, 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 NYSERDA. On February 6, 2023, the JU filed comments in support of certain elements of NYSERDA’s petition, while also providing additional recommendations including a Value of Distributed Energy Resources compensation factor, which would be designed to account for RECs that will be produced throughout the year by utility customers with distributed generation. The Commission issued an Order on April 20, 2023, largely adopting the JU position.

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 renewable energy credits as well as Clean Path New York LLC for its the Tier 1 renewable generation purchases, and by Champlain

Hudson Power Express, LLC and Hydro Quebec Energy Services (U.S.) Inc. on August 28, 2023 for its REC contracts. In its comments NYSERDA 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. Monthly residential bill increases across the state stemming from the three petitions would amount to \$4.67. Comments were filed by several parties and the matter is before the PSC for consideration.

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 Zero-Emission Credits 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 12 billing periods beginning October 1, 2023.

New Efficiency New York

The New Efficiency New York proceeding addresses the statewide customer EE and electrification program portfolios. The proceeding was substantially initiated with the filing of a joint DPS Staff & NYSERDA New Efficiency: New York 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.

In September 2022, the Commission issued its Order Initiating the New Efficiency: New York Interim Review and CEF Review. The review was intended to provide an opportunity to assess progress to date and consider modifications that will improve the management of the portfolios, increase the effectiveness of the programs, and ensure alignment with evolving state policies.

On July 20, 2023, the Commission issued its Order Directing Energy Efficiency and Building Electrification 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 Energy Efficiency and Building Electrification ("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. The Order directs each Program Administrator to submit portfolio proposals by October 18, 2023 and lays out additional processes moving forward. The Order also specifically indicates that the Commission will not consider EE or BE Earnings Adjustment Mechanisms until such time as the Commission determines an appropriate path forward.

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 with modifications on June 23, 2023. The Order:

- authorizes Central Hudson to reallocate \$13.5 million from its non-low-income and moderate-income electric EE portfolio to its Clean Heat program;
- utilize \$1.7 million in accrued interest on the Company's CEF collections towards the Clean Heat program once transferred funds are depleted;
- establishes a Continuity Funding mechanism of up to \$6 million to be expended, at a maximum rate of \$1 million per month, once the accrued interest is depleted; and
- recover funds associated with the Continuity Funding through a Clean Heat Program surcharge.

Management does not anticipate the reallocation of funding until second quarter of 2024.

CLCPA

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 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 New York State Department of Environmental Conservation ("NYSDEC") 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. Coincident with the Implementation Order, the PSC also issued a request for public comments regarding utility ownership of distributed energy resources and large-scale renewables.

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 ("Cap and Invest") 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 NYSDEC and NYSERDA are moving forward with a multi-phase plan to create a Cap and Invest program in New York that will cover all sectors of the New York economy, which they hope to have implemented by 2025.

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. Neither the PSC nor DPS Staff have taken further action on this matter yet.

Thermal Network Pilots

On July 5, 2022, the Utility Thermal Energy Networks and Jobs Act (“Act”) was signed into law by the Governor. The Act requires each utility to submit proposals for up to five thermal energy pilots and requires the PSC to promulgate rules and regulations related to thermal energy networks. The Act includes provisions requiring that a minimum number of projects be located in disadvantaged communities and that the operation of the projects be staffed with union labor, including apprenticeship and pre-apprenticeship programs.

On September 15, 2022, the PSC issued an Order on Developing Thermal Energy Networks Pursuant to the Utility Thermal Energy Network and Jobs Act under Case 22-M-0429. This Order requires that utilities in NYS, including Central Hudson, submit proposals for pilot projects to install anywhere from one to five thermal energy networks as demonstrations for how the building sector can be transitioned from using fossil fuels for space and water heating. In accordance with the Order, Central Hudson filed its Thermal Energy Network Pilot Plan on October 7, 2022 and subsequently filed the Thermal Energy Network File Plan Update on January 9, 2023. On February 1, 2023, the Commission issued Notice Soliciting Comment by April 3, 2023. Central Hudson filed an updated plan on June 30, 2023, with a proposed pilot project at a community center and the surrounding neighborhood in the city of Poughkeepsie, New York.

On September 14, 2023, the PSC issued an Order Providing Guidance on Development of Utility Thermal Energy Network Projects, which denied the filed pilots but instead directed the utilities to further refine the proposals that were already submitted. These revised filings are due December 15, 2023.

EV

On December 31, 2021, the Governor signed bill A3876/S3929 into law, requiring utilities to propose alternative non-demand based commercial EV charging tariffs. Subsequently on March 18, 2022, the Governor signed bill A8797/S7836 into law, which amended the prior law by expanding the scope of the utilities’ proposal to other potential operating cost relief mechanisms.

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 are 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. We anticipate an Order on the Demand Charge Rebate, PPI, and load management programs by the end of 2023, and the EV Phase-In Rate and Commercial Managed Charging Program in 2024.

On July 14, 2022, the PSC issued the Order Approving Managed Charging Programs with Modifications, establishing utility-administered programs for residential customers, which are designed to encourage vehicle charging during off-peak times. Subsequently, DPS Staff convened a stakeholder process to investigate the accuracy of managed charging-enabling technologies. Central Hudson filed its Managed Charging Program Implementation Plan on September 26, 2022 and a petition to modify

the incentive payment frequency from monthly to end-of-season, which was approved on June 23, 2023. The program will launch in November 2023.

Additionally, DPS Staff commenced the Electric Vehicle Supply Equipment Make-Ready program midpoint review on August 30, 2022. On October 3, 2022, the JU filed comments related to the midpoint review, and subsequently, on March 1, 2023, DPS Staff issued a Midpoint Review and Recommendations Whitepaper, which proposed several program changes, including increased Direct Current Fast Charging (“DCFC”) and decreased Level 2 targets, expanded Medium/Heavy Duty Pilots, and modified eligibility criteria for Disadvantaged Communities. The utilities filed comments in May 2023 and we anticipate an Order by the end of 2023.

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. The Company expects Staff to prepare at least one whitepaper for stakeholder and Commission consideration.

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 1) Order Adopting Gas System Planning Process (“Planning Process Order”) and 2) 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 NYS. 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 January 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 DPS Staff and the natural gas distribution utilities. At this time, no further direction has been provided to Central Hudson by DPS 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 New York State 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.

FORWARD-LOOKING STATEMENTS

Statements included in this Quarterly Financial Report, which are not historical in nature, are intended to be “forward-looking statements.” Forward-looking statements may be identified by words such as “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 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.