CENTRAL HUDSON GAS & ELECTRIC CORP
Form 10-K
February 16, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______________ to _______________

Commission File Number	Registrant, State of Incorporation Address and Telephone Number	IRS Employer Identification No.
0-30512	CH Energy Group, Inc. (Incorporated in New York) 284 South Avenue Poughkeepsie, New York 12601-4839 (845) 452-2000	14-1804460
1-3268	Central Hudson	14-0555980

Gas &
Electric
Corporation
(Incorporated
in New York)
284 South
Avenue
Poughkeepsie,
New York
12601-4839
(845)
452-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
CH Energy Group, Inc. Common Stock, $0.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Title of each class
Central Hudson Gas & Electric Corporation Cumulative Preferred Stock

4.50% Series
4.75% Series

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

CH Energy Group, Inc.	Yes þ No o
Central Hudson Gas & Electric Corporation	Yes o No þ

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

CH Energy Group, Inc.	Yes o No þ
Central Hudson Gas & Electric Corporation	Yes o No þ

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

CH Energy Group, Inc.	Yes þ No o
Central Hudson Gas & Electric Corporation	Yes þ No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

CH Energy Group, Inc.	Yes þ No o
Central Hudson Gas & Electric Corporation	Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

CH Energy Group, Inc.	Central Hudson Gas & Electric Corporation
Large Accelerated Filer þ	Large Accelerated Filer o
Accelerated Filer o	Accelerated Filer o
Non-Accelerated Filer o	Non-Accelerated Filer þ
Smaller Reporting Company o	Smaller Reporting Company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

CH Energy Group, Inc.	Yes o No þ
Central Hudson Gas & Electric Corporation	Yes o No þ

The aggregate market value of the voting and non-voting common equity of CH Energy Group held by non-affiliates as of February 1, 2012, was $860,353,783 based upon the price at which CH Energy Group's Common Stock was last traded on that date, as reported on the New York Stock Exchange listing of composite transactions.

The aggregate market value of the voting and non-voting common equity of CH Energy Group held by non-affiliates as of June 30, 2011, the last business day of CH Energy Group's most recently completed second fiscal quarter, was $821,719,300 computed by reference to the price at which CH Energy Group's Common Stock was last traded on that date, as reported on the New York Stock Exchange listing of composite transactions.

The aggregate market value of the voting and non-voting common equity of Central Hudson held by non-affiliates as of June 30, 2011 was zero.

The number of shares outstanding of CH Energy Group's Common Stock, as of February 1, 2012, was 14,897,901.

The number of shares outstanding of Central Hudson's Common Stock, as of February 1, 2012, was 16,862,087. All such shares are owned by CH Energy Group.

CENTRAL HUDSON MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (I)(1)(a) AND (b) OF FORM 10-K AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION (I)(2).

DOCUMENTS INCORPORATED BY REFERENCE

CH Energy Group's definitive Proxy Statement to be used in connection with its Annual Meeting of Shareholders to be held on April 24, 2012, is incorporated by reference in Part III hereof. Information required by Part III hereof with respect to Central Hudson has been omitted pursuant to General Instruction (I)(2)(c) of Form 10-K.

GLOSSARY OF TERMS

The following is a glossary of frequently used abbreviations or acronyms used herein.

CH Energy Group Companies and Investments

CHEC	Central Hudson Enterprises Corporation (the parent company of Griffith Energy Services, Inc. (not regulated by the PSC) and wholly owned subsidiary of CH Energy Group)
Griffith	Griffith Energy Services, Inc. (a wholly owned subsidiary of CHEC)
Lyonsdale	Lyonsdale Biomass, LLC (a formerly wholly owned subsidiary of CHEC)
CH-Auburn	CH-Auburn Energy, LLC (a formerly wholly owned subsidiary of CHEC)
CH-Greentree	CH-Greentree, LLC (a formerly wholly owned subsidiary of CHEC)
CH Shirley Wind	CH Shirley Wind, LLC (a formerly wholly owned subsidiary of CHEC which owned 90% controlling interest in Shirley Delaware, which owned 100% interest in Shirley Wind)
Shirley Delaware	Shirley Wind (Delaware), LLC (100% owner of Shirley Wind)
Shirley Wind	Shirley Wind, LLC (a 20 megawatt wind project)
Cornhusker Holdings	Cornhusker Energy Lexington Holdings, LLC (a CHEC investment)
JB Wind	JB Wind Holdings, LLC (a CH-Community Wind investee company)

Regulators

NYS	New York State
PSC	NYS Public Service Commission
FERC	Federal Energy Regulatory Commission
DEC	NYS Department of Environmental Conservation

Terms Related to Business Operations Used By CH Energy Group

1993 PSC Policy	PSC's 1993 Statement of Policy regarding pension and other post-employment benefits
2006 Rate Order	Order Establishing Rate Plan issued by the PSC to Central Hudson on July 24, 2006

2009 Rate Order	Order Establishing Rate Plan issued by the PSC to Central Hudson on June 22, 2009
2010 Rate Order	Order Establishing Rate Plan issued by the PSC to Central Hudson on June 18, 2010
Dth	Decatherms
Distributed Generation	An electrical generating facility located at a customer's point of delivery which may be connected in parallel operation to the utility system
kWh	Kilowatt-hour(s)
Mcf	Thousand Cubic Feet
MGP	Manufactured Gas Plant
MW / MWh	Megawatt(s) / Megawatt-hour(s)
OPEB	Other Post-Employment Benefits
RDMs	Revenue Decoupling Mechanisms
Retirement Plan	Central Hudson's Non-Contributory Defined Benefit Retirement Income Plan
ROE	Return on Equity
ROW	Right-of-Way
Settlement Agreement	Amended and Restated Settlement Agreement dated January 2, 1998, and thereafter amended, among Central Hudson, PSC Staff, and Certain Other Parties
Temporary State Assessment	New York State Temporary State Energy and Utility Service Conservation Assessment required to be collected from April 4, 2009 to March 31, 2014
Other	
COSO	Committee of Sponsoring Organizations of the Treadway Commission
EITF	FASB Emerging Issues Task Force
Exchange Act	Securities Exchange Act of 1934
GAAP	Accounting Principles Generally Accepted in the United States of America
NYISO	New York Independent System Operator
NYSERDA	New York State Energy Research and Development Authority
Registrants	CH Energy Group and Central Hudson

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PART I

FILING FORMAT

This 10-K Annual Report for the fiscal year ended December 31, 2011, is a combined report being filed by two different Registrants: CH Energy Group and Central Hudson. Any references in this 10-K Annual Report to CH Energy Group include all subsidiaries of CH Energy Group, including Central Hudson, except where the context clearly indicates otherwise. Central Hudson makes no representation as to the information contained in this 10-K Annual Report in relation to CH Energy Group and its subsidiaries other than Central Hudson. When this 10-K Annual Report is incorporated by reference into any filing with the SEC made by Central Hudson, the portions of this 10-K Annual Report that relate to CH Energy Group and its subsidiaries, other than Central Hudson, are not incorporated by reference therein.

CH Energy Group's wholly owned subsidiaries include Central Hudson and CHEC. For additional information, see the sub-caption "CHEC and Its Subsidiaries and Investments" in Item 1 - "Business" under the caption "Subsidiaries of CH Energy Group."

FORWARD-LOOKING STATEMENTS

Statements included in this Annual Report on Form 10-K and any documents incorporated by reference which are not historical in nature are intended to be, and are hereby identified as, "forward-looking statements" for purposes of the safe harbor provided by Section 21E of the Exchange Act. Forward-looking statements may be identified by words including "anticipates," "intends," "estimates," "believes," "projects," "expects," "plans," "assumes," "seeks," and similar expressions. Forward-looking statements including, without limitation, those relating to CH Energy Group's and Central Hudson's future business prospects, revenues, proceeds, working capital, investment valuations, liquidity, income, and margins, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors, including those identified from time-to-time in the forward-looking statements. Those factors include, but are not limited to: deviations from normal seasonal weather and storm activity; fuel prices; energy supply and demand; potential future acquisitions; legislative, regulatory, and competitive developments; interest rates; access to capital; market risks; electric and natural gas industry restructuring and cost recovery; the ability to obtain adequate and timely rate relief; changes in fuel supply or costs including future market prices for energy, capacity, and ancillary services; the success of strategies to satisfy electricity, natural gas, fuel oil, and propane requirements; the outcome of pending litigation and certain environmental matters, particularly the status of inactive hazardous waste disposal sites and waste site remediation requirements; and certain presently unknown or unforeseen factors, including, but not limited to, acts of terrorism. CH Energy Group and Central Hudson undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

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Given these uncertainties, undue reliance should not be placed on the forward-looking statements.

ITEM 1 - Business

CORPORATE STRUCTURE

CH Energy Group is the holding company parent corporation of two principal, wholly owned subsidiaries, Central Hudson and CHEC. Central Hudson is a regulated electric and natural gas subsidiary. CHEC, the parent company of CH Energy Group's unregulated businesses and investments, has one wholly owned subsidiary, Griffith Energy Services, Inc. ("Griffith"). CHEC also has ownership interests in certain subsidiaries that are less than 100% owned. For more information, see sub-caption "Other Subsidiaries and Investments" under caption "CHEC and Its Subsidiaries and Investments." For information concerning revenues, certain expenses, earnings per share, and information regarding assets of Central Hudson's regulated electric and regulated natural gas segments and of Griffith, see Note 13 - "Segments and Related Information."

HOLDING COMPANY REGULATION

CH Energy Group is a "holding company" under Public Utility Holding Company Act of 2005 ("PUHCA 2005") because of its ownership interests in Central Hudson and CHEC. CH Energy Group, however, is exempt from regulation as a holding company under PUHCA 2005, because it derives substantially all of its public utility company revenues from business conducted within a single state, the State of New York. At the present time, CH Energy Group cannot predict whether and when its circumstances may change such that it no longer qualifies for exemption from PUHCA 2005.

SUBSIDIARIES OF CH ENERGY GROUP

Central Hudson

Central Hudson is a New York State natural gas and electric corporation formed in 1926. Central Hudson purchases, sells at wholesale, and distributes electricity and natural gas at retail in portions of New York State. Central Hudson also generates a small portion of its electricity requirements.

Central Hudson serves a territory comprising approximately 2,600 square miles in the Hudson Valley, with a population estimated at 680,000. Electric service is available throughout the territory, and natural gas service is provided in and about the cities of Poughkeepsie, Beacon, Newburgh, and Kingston, New York, and in certain outlying and intervening territories. The number of Central Hudson employees at December 31, 2011, was 838.

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Central Hudson's territory reflects a diversified economy, including manufacturing industries, governmental agencies, public and private institutions, wholesale and retail trade operations, research firms, farms and resorts.

Seasonality and Other Weather Impacts

Central Hudson's delivery revenues have historically varied seasonally in response to weather. Sales of electricity are highest during the summer months, primarily due to the use of air-conditioning and other cooling equipment. Sales of natural gas are highest during the winter months, primarily due to space heating usage. Central Hudson's rates are developed based on forecasts of annual sales volumes. Effective July 1, 2009 and continuing in the 2010 Rate Order through June 30, 2013, Central Hudson's delivery rate structure includes RDMs, which provide the ability to record revenues equal to those forecasted in the development of current rates for most of Central Hudson's customers. As a result, fluctuations in actual sales volumes as a result of weather or other factors as compared to those forecasted in rate proceedings no longer have a significant impact on earnings. However, variations between actual expenses incurred due to storm activity and the amount set in rates may impact Central Hudson's earnings. Central Hudson has the ability to request regulatory recovery of significant incremental costs incurred if certain criteria are met as defined by the PSC and, as such, any adverse impact on earnings for higher storm expenses should be limited to non-material amounts, as long as the other criteria for deferral accounting are met.

Competition

Central Hudson is a regulated utility with a legal obligation to deliver electricity and natural gas within its PSC-approved franchise territory. Central Hudson has no direct competitors in its electricity distribution business; indirect competitors include distributed generation systems, including net metered systems. Central Hudson's natural gas business competes with other fuels, especially fuel oil and propane. The competitive marketplace continues to develop for electric and natural gas supply markets, and Central Hudson's electric and natural gas customers may purchase energy and related services from other providers. Central Hudson's rate making structure neutralizes any earnings impact of customers' decisions to purchase electricity and natural gas from other providers.

Regulation

Central Hudson is subject to regulation by the PSC regarding, among other things, services rendered (including the rates charged), major transmission facility siting, accounting treatment of certain items, and issuance of securities. For certain restrictions imposed by the Settlement Agreement, see Note 2 - "Regulatory Matters."

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Certain activities of Central Hudson, including accounting and the acquisition and disposition of property, are subject to regulation by FERC under the Federal Power Act.

Central Hudson is not subject to the provisions of the Natural Gas Act. Central Hudson's hydroelectric facilities are not required to be licensed under the Federal Power Act but are regulated by the DEC.

Central Hudson is subject to regulation by the North American Electric Reliability Corporation regarding its ownership, operation and use of bulk power system.

Rates

General: The electric and natural gas rates charged by Central Hudson applicable to service supplied to retail customers within New York State are regulated by the PSC. Costs of service, both for electric and gas delivery service and for electric and gas supply costs, are recovered from customers through PSC approved tariffs, subject to a standard of prudency. Both transmission rates and rates for electricity sold for resale which involve interstate commerce are regulated by FERC.

Since July 2009, Central Hudson's rates have included RDMs which are intended to minimize the earnings impact resulting from reduced energy consumption as energy efficiency programs are implemented by breaking the link between energy sales and utility revenues and profits. Central Hudson's RDMs allow the Company to recognize electric delivery revenues and gas sales per customer at the levels approved in rates for most of Central Hudson's electric and gas customer classes.

Central Hudson's retail electricity rate structure consists of various service classifications covering delivery service and full service (which includes electricity supply) for residential, commercial, and industrial customers. Retail rates for delivery and supply are shown separately on retail bills to allow customers to see the costs associated with their commodity supply, and thus facilitate retail competition. During 2011, the average price of electricity for full service customers was 14.48 cents per kWh as compared to an average of 14.94 cents per kWh in 2010. The PSC has authorized Central Hudson to recover the costs of the electric commodity from customers, without earning a profit on the commodity costs. The average delivery price in 2011 was 5.60 cents per kWh and 5.26 cents per kWh in 2010. The increase in delivery price was primarily due to the implementation of new rates as part of the 2010 Rate Order. The average delivery price in 2011 also includes a surcharge resulting from the Electric RDM.

Central Hudson's retail natural gas rate structure consists of various service classifications covering transport, retail access service, and full service (which includes natural gas supply) for residential, commercial, and industrial customers. During 2011, the average price of natural gas for full-service customers was $15.50 per Mcf as compared to an average of $14.86 per Mcf in 2010. The PSC has authorized Central Hudson to recover the costs of the gas commodity from customers, without earning a profit on the commodity costs. The average delivery price for natural gas for retail and full service in 2011 was $6.94 per Mcf and $6.67 per Mcf in 2010. The increase in delivery price was primarily due to the implementation of new rates as part of the 2010 Rate Order and increases associated with surcharges to cover additional assessments from New York State agencies. The average delivery price in 2011 includes a surcharge resulting from the Gas RDM.

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For further information regarding the terms of the 2006 Rate Order, 2009 Rate Order and 2010 Rate Order under which Central Hudson operated during the current reporting period, see Note 2 - "Regulatory Matters" under the caption "2006, 2009 and 2010 Rate Orders."

Cost Adjustment Clauses and RDMs: For information regarding Central Hudson's electric and natural gas cost adjustment clauses and RDMs, see Note 1 - "Summary of Significant Accounting Policies" under the caption "Rates, Revenues and Cost Adjustment Clauses."

Capital Expenditures and Financing

For estimates of future capital expenditures for Central Hudson, see the sub-caption "Anticipated Sources and Uses of Cash" in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report under the caption "Capital Resources and Liquidity."

Central Hudson's Certificate of Incorporation and its various debt instruments do not contain any limitations upon the issuance of authorized, but unissued, Preferred Stock or unsecured short-term debt.

Central Hudson has in place certain credit facilities with financial covenants that limit the amount of indebtedness Central Hudson may incur. Additionally, Central Hudson's ability to issue debt securities is limited by authority granted by the PSC. Central Hudson believes these limitations will not impair its ability to issue any or all of the debt described under the sub-caption "Financing Program" in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report under the caption "Capital Resources and Liquidity."

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Purchased Power and Generation Costs

For the year ended December 31, 2011, the sources and related costs of purchased electricity and electric generation for Central Hudson were as follows (In Thousands):

Sources of Energy	Aggregate Percentage of Energy Requirements		Costs in 2011
Purchased Electricity	96.8	%	$196,009
Hydroelectric and Other	3.2	%	374
	100.0	%	
Deferred Electricity Cost			9,777
Total			$206,160

Research and Development

Central Hudson is engaged in the conduct and support of research and development ("R&D") activities, which are focused on the improvement of existing energy technologies and the development of new technologies for the delivery and customer use of energy. Central Hudson's R&D expenditures were $2.1 million in 2011, $3.1 million in 2010 and $3.9 million in 2009. These expenditures were for internal research programs and for contributions to research administered by New York State Energy Research and Development Authority ("NYSERDA"), the Electric Power Research Institute, and other industry organizations. The decrease in total R&D expenditures in 2011 as compared to the prior two periods is a result of a PSC Order to cease the collection from customers and payment to NYSERDA of certain energy efficiency research funds in the current year. There is no impact on earnings related to this change and the collections and payments have resumed in 2012. R&D expenditures are provided for in Central Hudson's rates charged to customers for electric and natural gas delivery service, with any differences between R&D expense and the rate allowances deferred for future recovery from or return to customers.

Other Central Hudson Matters

Labor Relations: Central Hudson has an agreement with Local 320 of the International Brotherhood of Electrical Workers for its 519 unionized employees, representing construction and maintenance employees, customer service representatives, service workers, and clerical employees (excluding persons in managerial, professional, or supervisory positions). This agreement became effective on May 1, 2011, and remains effective through April 30, 2016.

CHEC and Its Subsidiaries and Investments

CHEC, a New York corporation, is a wholly owned subsidiary of CH Energy Group. CHEC's wholly owned subsidiary Griffith is engaged in the business of marketing petroleum products and related services to retail and wholesale customers. For further discussion of certain energy-related projects within other subsidiaries and investments, see Note 5 - "Acquisitions, Divestitures and Investments."

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Griffith

Griffith is an energy services company engaged in fuel distribution, including heating oil, gasoline, diesel fuel, kerosene, and propane, and the installation and maintenance of heating, ventilating, and air conditioning equipment. The number of Griffith employees at December 31, 2011 was 403.

Other Subsidiaries and Investments

Pursuant to the strategy shift announced in 2010, during 2011, CH Energy Group sold its four largest renewable energy investments; Lyonsdale, Shirley Wind, CH-Auburn and the molecular gate owned by CH-Greentree. See Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Executive Summary" for further discussion.

Seasonality

A substantial portion of CHEC's revenues vary seasonally, as Griffith's fuel oil deliveries are directly related to use for space heating and are highest during the winter months.

Competition

Griffith participates in a competitive fuel distribution industry that is subject to different risks than those found in the businesses of the regulated utility, Central Hudson. Griffith faces competition from other fuel distribution companies and from companies supplying other fuels for heating, such as natural gas and propane. For a discussion of Griffith's operating revenues and operating income, see the caption "Results of Operations" in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report.

ENVIRONMENTAL QUALITY REGULATION

Central Hudson and Griffith are subject to regulation by federal, state, and local authorities with respect to the environmental effects of their operations. Environmental matters may expose Central Hudson and Griffith to potential liability, which, in certain instances, may be imposed without regard to fault or may be premised on historical activities that were lawful at the time they occurred.

Central Hudson and Griffith each monitor their activities in order to determine their impact on the environment and to comply with applicable environmental laws and regulations.

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The principal environmental areas relevant to these companies (air, water and industrial and hazardous wastes, other) are described below. Unless otherwise noted, all required permits and certifications have been obtained by the applicable company. Management believes that each company was in material compliance with these permits and certifications during 2011, except as noted in Note 12 – "Commitments and Contingencies" under the caption "Environmental Matters" of this 10-K Annual Report.

Air Quality

The Clean Air Act Amendments of 1990 address attainment and maintenance of national air quality standards and impact Central Hudson electric generating facilities in South Cairo and Coxsackie, NY. See Note 12 – "Commitments and Contingencies" under the caption "Environmental Matters" regarding the investigation by the EPA into the compliance of a former major Central Hudson generating asset.

Prior to the sale of CH-Auburn, a Notice of Violation of its air permit was received from the NYS DEC in 2010. CH-Auburn reached an agreement with the NYS DEC to resolve this issue and paid a civil penalty of approximately $30,000 in the first quarter of 2011. There were no outstanding violations at the time of sale.

Water Quality

The Clean Water Act established the basic framework for federal and state regulation of water pollution control and requires facilities that discharge waste or storm water into the waters of the United States to obtain permits. Central Hudson and Griffith have permits regulating pollutant discharges for relevant locations.

Industrial & Hazardous Substances and Wastes

Central Hudson and Griffith are subject to federal, state and local laws and regulations relating to the use, handling, storage, treatment, transportation, and disposal of industrial, hazardous, and toxic wastes. Currently, there are no permit or certification requirements for Griffith. See Note 12 – "Commitments and Contingencies" under the caption "Environmental Matters" for additional discussion regarding, among other things, Central Hudson's former MGP facilities and Little Britain Road.

Environmental Expenditures

2011 actual and 2012 estimated expenditures attributable in whole or in substantial part to environmental considerations are detailed in the table below:

	Central Hudson	Griffith
	2011 - $2.1 million	2011 - $0.8 million
	2012 - $6.8 million	2012 - $0.5 million

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Prior to their sale in 2011, actual environmental expenditures by CH-Auburn and Lyonsdale were not material.

Central Hudson and Griffith are also subject to regulation with respect to other environmental matters, such as noise levels, protection of vegetation and wildlife, and limitations on land use, and are in compliance with regulations in these areas.

Regarding environmental matters, except as described in Note 12 - "Commitments and Contingencies" under the caption "Environmental Matters," neither CH Energy Group, Central Hudson nor Griffith are involved as defendants in any material litigation, administrative proceeding, or investigation and, to the best of their knowledge, no such matters are threatened against any of them.

AVAILABLE INFORMATION

CH Energy Group and Central Hudson file annual, quarterly, and current reports and other information with the SEC. CH Energy Group also files proxy statements. The public may read and copy any of the documents each company files at the SEC's Public Reference Room at 100 F Street N.E., Room 1580, Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. SEC filings are also available to the public from the SEC's Internet website at www.sec.gov.

CH Energy Group and Central Hudson make available free of charge at www.CHEnergyGroup.com their annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC. CH Energy Group's proxy statements, governance guidelines, Code of Business Conduct and Ethics, and the charters of its Audit, Compensation, Governance and Nominating, and Strategy and Finance Committees are also available at www.CHEnergyGroup.com. The governance guidelines, the Code of Business Conduct and Ethics, and the charters may also be obtained by writing to the Corporate Secretary, CH Energy Group, Inc., 284 South Avenue, Poughkeepsie, New York 12601-4839.

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EXECUTIVE OFFICERS OF CH ENERGY GROUP

All executive officers of CH Energy Group are elected or appointed annually by its Board of Directors. There are no family relationship among any of the executive officers of CH Energy Group. The names of the current executive officers of CH Energy Group, their positions held and business experience during the past five years, and ages (at December 31, 2011) are as follows:

			Date Commenced		
Executive Officers	Age	Current and Prior Positions	CH Energy Group	Central Hudson	CHEC
Steven V. Lant	54	Chairman of the Board	Apr 2004	May 2004	May 2004
		Chief Executive Officer	Jul 2003	Jul 2003	Jul 2003
		President	Jul 2003		Jul 2003
		Director	Feb 2002	Dec 1999	Dec 1999
James P. Laurito(1)	55	President		Jan 2010	
		Executive Vice President	Nov 2009	Nov 2009	
		Director		Nov 2009	Nov 2009
Christopher M. Capone	49	President			Sep 2010
		Executive Vice President	Jan 2007	Jan 2007	
		Director		Mar 2005	Mar 2007
		Chief Financial Officer	Sep 2003	Sep 2003	Sep 2003
		Treasurer	Apr 2003	Jun 2001	Apr 2003
John E. Gould(2)	67	Executive Vice President and General Counsel	Oct 2009	Jan 2010	Jan 2010
		Secretary	Mar 2007	Jun 2007	Jun 2007
		Assistant Secretary	Nov 1999	Jan 2000	
Denise D. VanBuren	50	Secretary	Dec 2009	Jan 2010	Jan 2010
		Vice President - Corporate Communications	Dec 2009	Jan 2010	
		Vice President - Public Affairs and Energy Efficiency	Aug 2007	Aug 2007	
		Vice President - Corporate Communications and Community Relations	Nov 2000	Nov 2000	
Charles A. Freni, Jr.	52	Director		Mar 2011	
		Senior Vice President - Customer Services		Jan 2005	

W. Randolph Groft	50	Executive Vice President Director			Jan 2003 Jan 2003
Kimberly J. Wright	44	Vice President - Accounting and Controller Controller	May 2008	 Oct 2006	

(1) From 2003 to August 2009, served as the President and Chief Executive Officer of New York State Electric and Gas Corporation and of Rochester Gas and Electric Corporation; both companies are gas and electric utilities.
(2) Before October 2009, served as a partner of the law firm of Thompson Hine LLP.

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ITEM 1A - Risk Factors

STORMS AND OTHER EVENTS BEYOND CENTRAL HUDSON'S AND GRIFFITH'S CONTROL MAY INTERFERE WITH THEIR OPERATIONS

Description and Sources of Risk

In order to conduct their businesses, (1) Central Hudson must have access to natural gas and electric supplies and be able to utilize its electric and natural gas infrastructure, and (2) Griffith needs access to petroleum supplies from storage facilities in its service territories. Central Hudson has designed its electric and natural gas systems to serve customers under various contingencies in accordance with good utility practice.

However, any one or more of the following could impact either or both of the companies' ability to access supplies and/or utilize critical facilities:

- Storms, natural disasters, wars, terrorist acts, failure of critical equipment and other catastrophic events occurring both within and outside Central Hudson's and Griffith's service territories.
- Bulk power system and gas transmission pipeline system capacity constraints could impact Central Hudson.
- Unfavorable developments in the world oil markets could impact Griffith.
- Third-party facility owner or supplier financial distress.
- Unfavorable governmental actions or judicial orders.

Potential Impacts

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

CENTRAL HUDSON'S RATES LIMIT ITS ABILITY TO RECOVER ITS COSTS FROM ITS CUSTOMERS

Description and Sources of Risk

Central Hudson's retail rates are regulated by the PSC. Rates generally may not be changed during their respective terms. Therefore, rates cannot be modified for higher expenses than those assumed in the current rates, absent circumstances such as an increase in expenses that meet the PSC's threshold requirements for filing for approval of deferral accounting. Central Hudson is operating under a three year rate order plan approved by the PSC effective July 1, 2010. The following could unfavorably impact Central Hudson's financial results:

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- Higher expenses than reflected in current rates. Higher expenses could result from, among other things, increases in taxes and assessments, unrecoverable storm restoration expense, labor, health care benefits or other expense components.

- Penalties imposed by the PSC for the failure to achieve performance metrics established in rate proceedings, or violation of PSC Orders.

- Higher electric and natural gas capital project costs resulting from escalation of labor, material and equipment prices, as well as potential delays in the siting and legislative and/or regulatory approval requirements associated with these projects.

- A determination by the PSC that the cost to place a project in service is above a level which is deemed prudent.

Potential Impacts

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

Additional Information

See Note 2 - “Regulatory Matters” of this 10-K Annual Report.

UNUSUAL TEMPERATURES IN GRIFFITH’S SERVICE TERRITORIES MAY ADVERSELY IMPACT EARNINGS

Description and Sources of Risk

Griffith serves the Mid-Atlantic region of the United States. This area experiences seasonal fluctuations in temperature. A considerable portion of Griffith’s earnings is derived directly or indirectly from the weather-sensitive end uses of space heating and air conditioning. As a result, sales volumes fluctuate and vary from normal expected levels based on variations in weather from historically normal seasonal levels. Such variations could significantly reduce sales volumes.

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Potential Impacts

Griffith could experience lower delivery volumes in periods of milder than normal weather, leading to lower earnings and reduced cash flows.

GRIFFITH'S ABILITY TO ATTRACT NEW CUSTOMERS, RETAIN EXISTING CUSTOMERS, MAINTAIN SALES VOLUMES, AND MAINTAIN MARGINS MAY ADVERSELY IMPACT EARNINGS

Description and Sources of Risk

Lower sales can occur for various reasons, including the following:

- Changes in customers' usage patterns driven by customer responses to product prices,
- Economic conditions,
- Energy efficiency programs, and/or
- The loss of major customers, the loss of a large number of residential customers, or the addition of fewer new customers than expected.

Significant volatility in wholesale oil prices could negatively impact margins and/or cause current and/or prospective full service customers to reduce their usage and/or purchase fuel from discount distributors.

Potential Impacts

Any one or more of the following could result from these events:

- An adverse impact on Griffith's ability to attract new full-service residential customers and retain existing full-service residential customers.
- Further sales volume reductions, and/or compressed margins.
- Increased working capital requirements stemming from an increase in oil and/or propane prices.

These events could materially reduce Griffith's contribution to CH Energy Group's earnings and cash flow.

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CENTRAL HUDSON IS SUBJECT TO RISKS RELATING TO ASBESTOS LITIGATION AND MANUFACTURED GAS PLANT FACILITIES

Description and Sources of Risk

Litigation has been commenced by third parties against Central Hudson arising from the use of asbestos at certain of its previously owned electric generating stations, and Central Hudson is involved in a number of matters arising from contamination at former MGP sites.

Potential Impacts

To the extent not covered by insurance or recovered through rates, remediation costs, court decisions and settlements resulting from any litigation could reduce earnings and cash flows.

Additional Information

See Note 12 - “Commitments and Contingencies” and in particular the sub-captions in Note 12 regarding “Asbestos Litigation” and “Former Manufactured Gas Plant Facilities” under the caption “Environmental Matters.”

ITEM 1B - Unresolved Staff Comments

None.

ITEM 2 - Properties

CH Energy Group has no significant properties other than those of Central Hudson and CHEC.

CENTRAL HUDSON

Electric

Central Hudson owns hydroelectric and gas turbine generating facilities as described below.

Type of Electric Generating Plant	Year Placed in Service/Refurbished	MW(1) Net Capability
Hydroelectric (3 stations)	1920-1986	22.4
Gas turbine (2 stations)	1969-1970	42.5
Total		64.9

(1) Reflects maximum one-hour net capability (winter rating as of December 31, 2011) of Central Hudson’s electric generating plants and therefore does not include firm purchases or sales.

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Central Hudson owns substations having an aggregate transformer capacity of 5.0 million kilovolt amperes. Central Hudson's electric transmission system consists of 629 pole miles of line. The electric distribution system consists of approximately 7,300 pole miles of overhead lines and 1,400 trench miles of underground lines, as well as customer service lines and meters.

Electric Load and Capacity

Central Hudson's maximum one-hour demand for electricity within its own territory for the year ended December 31, 2011, occurred on July 22, 2011, and amounted to 1,225 MW. In prior summer periods peak electric demand has reached 1,295 MW which occurred on August 2, 2006. Central Hudson's maximum one-hour demand for electricity within its own territory for that part of the 2011-2012 winter capability period through January 18, 2012, occurred on December 18, 2011, and amounted to 840 MW.

Central Hudson owns minimal generating capacity and relies on purchased capacity and energy from third-party providers to meet the demands of its full service customers. For more information, see Note 12 - "Commitments and Contingencies."

Natural Gas

Central Hudson's natural gas system consists of 164 miles of transmission pipelines and 1,185 miles of distribution pipelines, as well as customer service lines and meters. For the year ended December 31, 2011, the total amount of natural gas purchased by Central Hudson from all sources was 11,456,822 Mcf. Central Hudson owns two propane-air mixing facilities, one located in Poughkeepsie, New York, and the other in Newburgh, New York. As of December 31, 2011, these facilities are no longer in service and are in the process of being dismantled. The cost to be incurred associated with the retirement of these facilities is not expected to be material and will have no impact on earnings.

The peak daily demand for natural gas of Central Hudson's customers for the year ended December 31, 2011, and for that part of the 2011-2012 heating season through January 30, 2012, occurred on January 23, 2011 and amounted to 115,807 Mcf. In prior years, winter period daily peak demand has reached 125,496 Mcf which occurred on January 27, 2005. Central Hudson's firm peak day natural gas capability in the 2011-2012 heating season was 134,484 Mcf.

Other Central Hudson Matters

Central Hudson owns its corporate headquarters located in Poughkeepsie, New York, as well as several district offices located throughout the Hudson Valley. Central Hudson's electric generating plants and important property units are generally held by it in fee simple, except for certain ROW and a portion of the property used in connection with hydroelectric plants consisting of flowage or other riparian rights. Certain of the Central Hudson properties are subject to ROW and easements that do not interfere with Central Hudson's operations. In the case of certain distribution lines, Central Hudson owns only a partial interest in the poles upon which its wires are installed and the remaining interest is owned by various telecommunications companies. In addition, certain electric and natural gas transmission facilities owned by others are used by Central Hudson under long-term contracts.

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During the three-year period ended December 31, 2011, Central Hudson made gross property additions of $244.8 million and property retirements and adjustments of $40.4 million, resulting in a net increase (including construction work in progress) in gross utility plant of $204.4 million, or 16%.

CHEC

As of December 31, 2011, CHEC owned a 100% interest in Griffith. As of December 31, 2011, Griffith owned or leased several office, warehouse, and bulk petroleum storage facilities. These facilities are located in Delaware, Maryland, Virginia, and West Virginia. The bulk petroleum storage facilities have capacities from 60,000 gallons up to 760,000 gallons. Griffith leases its corporate headquarters, which is located in Columbia, Maryland.

ITEM 3 - Legal Proceedings

For information about developments regarding certain legal proceedings, see Note 12 - "Commitments and Contingencies" of this 10-K Annual Report.

ITEM 4 – Mine Safety Disclosures

Not applicable.

PART II

ITEM 5 - Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

For information regarding the market for CH Energy Group's Common Stock and related stockholder matters, see Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report under the caption "Capital Resources and Liquidity - Financing Program" and Note 8 - "Capitalization - Common and Preferred Stock."

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Under applicable statutes and their respective Certificates of Incorporation, CH Energy Group may pay dividends on its Common Stock and Central Hudson may pay dividends on its Common Stock and its Preferred Stock, in each case only out of surplus.

The line graph set forth below provides a comparison of CH Energy Group's cumulative total shareholder return on its Common Stock with the Standard and Poor's 500 Index ("S&P 500") and with the Edison Electric Institute Index (the "EEI Index"), which consists of the 58 U.S. shareholder-owned electric utilities. Total shareholder return is the sum of the dividends paid and the change in the market price of the stock.

	Indexed Returns					
	Base Period	Years Ending				
Company / Index	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011
CH Energy Group, Inc.	$100	$88.27	$107.80	$93.44	$113.08	$140.76
S&P 500 Index	$100	$105.49	$66.46	$84.05	$96.71	$98.76
EEI Index	$100	$116.56	$86.37	$95.62	$102.34	$122.80

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COMMON STOCK DIVIDENDS AND PRICE RANGES

CH Energy Group and its principal predecessors (including Central Hudson) have paid dividends on their respective Common Stock in each year commencing in 1903, and the Common Stock has been listed on the New York Stock Exchange since 1945. The closing price as of December 31, 2011 and December 31, 2010 was $58.38 and $48.89, respectively. The price ranges and the dividends paid for each quarterly period during the last two fiscal years are as follows:

	2011			2010		
	High	Low	Dividend	High	Low	Dividend
1st Quarter	$50.75	$47.44	$0.540	$43.57	$38.25	$0.540
2nd Quarter	$54.44	$48.76	$0.540	$43.47	$37.75	$0.540
3rd Quarter	$57.12	$48.00	$0.540	$44.77	$38.60	$0.540
4th Quarter	$59.67	$50.55	$0.555	$50.33	$43.72	$0.540

In the third and fourth quarters of 2011, the Board of Directors of CH Energy Group declared a quarterly dividend of 55.5 cents per share. This dividend is an increase from the 54 cents per share declared to shareholders each quarter since 1998. This increase is consistent with CH Energy Group’s strategy which targets stable and predictable earnings, with growth trend expectations of 5% or more per year off a base of $2.76 in 2009 and the expectation to provide an annualized common stock dividend that is the higher of $2.22 per share or 65% to 70% of annual earnings. In declaring future dividends, CH Energy Group will evaluate all circumstances at the time of making such decisions, including business, financial, and regulatory considerations.

CH Energy Group’s ability to pay dividends to common shareholders is affected by the ability of its subsidiaries to pay dividends to the parent company. The Federal Power Act limits the payment of dividends by Central Hudson to its retained earnings. More restrictive is the PSC’s limit on the dividends Central Hudson may pay to CH Energy Group which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation as of December 31, 2011, Central Hudson would be able to pay a maximum of $44.6 million in dividends to CH Energy Group without violating the restrictions imposed by the PSC. Central Hudson’s dividend would be reduced to 75% of its average annual income in the event of a downgrade of its senior debt rating below “BBB+” by more than one rating agency if the stated reason for the downgrade is related to CH Energy Group or any of Central Hudson’s affiliates. Further restrictions are imposed for any downgrades below this level. During the year ended December 31, 2011, Central Hudson declared and paid dividends of $43.0 million to CH Energy Group. CH Energy Group’s other subsidiaries do not have express restrictions on their ability to pay dividends.

The number of registered holders of Common Stock of CH Energy Group as of December 31, 2011 was 13,980.

All of the outstanding Common Stock of Central Hudson and all of the outstanding Common Stock of CHEC are held by CH Energy Group.

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Beginning in the fourth quarter of 2010 CH Energy Group, using excess liquidity largely related to proceeds from divestitures, repurchased shares of its own common stock. For more information regarding CH Energy Group’s stock repurchase program, see the “Anticipated Sources and Uses of Cash” section of Item 7 - Management Discussion and Analysis.

The following table provides a summary of shares repurchased by CH Energy Group for the quarter ended December 31, 2011:

	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (3)	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs (3)
October 1-31, 2011	1,042	$ 52.17	-	1,051,324
November 1-30, 2011	377	$ 54.58	-	1,051,324
December 1-31, 2011	-	$ -	-	1,051,324
Total	1,419	$ 52.81	-	

(1) Consists of shares surrendered to CH Energy Group in satisfaction of tax withholdings on the vesting of restricted shares.
(2) Value at which reacquired shares of CH Energy Group's common stock credited on the date the stock was surrendered.
(3) On July 31, 2007, the Board of Directors authorized the repurchase of up to 2,000,000 shares or approximately 13% of CH Energy Group's outstanding common stock on that date, from time to time, over the five year period ending July 31, 2012.

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ITEM 6 - Selected Financial Data of CH Energy Group and Its Subsidiaries

FIVE-YEAR SUMMARY OF CONSOLIDATED OPERATIONS AND SELECTED FINANCIAL DATA(1)
(CH ENERGY GROUP)
(In Thousands, except per share data)

	2011	2010	2009	2008	2007
Operating Revenues					
Electric - Delivery	$332,388	$317,023	$275,167	$242,334	$233,033
Electric - Supply	206,160	246,116	261,003	365,827	383,806
Natural Gas - Delivery	85,196	81,606	66,916	59,897	55,326
Natural Gas - Supply	76,778	75,189	107,221	129,649	110,123
Competitive business subsidiaries	284,998	240,174	211,250	330,254	287,882
Total	985,520	960,108	921,557	1,127,961	1,070,170
Operating Income	99,589	99,303	81,585	70,701	76,426
Income from continuing operations	43,184	40,330	33,597	30,968	41,143
Income (Loss) from discontinued operations, net of tax	3,126	(1,128)	10,681	5,186	2,343
Dividends declared on Preferred Stock of subsidiary	970	970	970	970	970
Net Income attributable to CH Energy Group	45,340	38,504	43,484	35,081	42,636
Dividends Declared on Common Stock	33,291	34,161	34,119	34,086	34,052
Change in Retained Earnings	12,049	4,343	9,365	995	8,584
Retained Earnings - beginning of year	230,342	225,999	216,634	215,639	207,055
Retained Earnings - end of year	$242,391	$230,342	$225,999	$216,634	$215,639
Common Share Data:					
Average shares outstanding - basic	15,278	15,785	15,775	15,768	15,762
Income from continuing operations - basic	$2.77	$2.51	$2.08	$1.89	$2.55
Income from discontinued operations - basic	$0.20	$(0.07)	$0.68	$0.33	$0.15
Net Income attributable to CH Energy Group - basic	$2.97	$2.44	$2.76	$2.22	$2.70
Average shares outstanding - diluted	15,481	15,952	15,881	15,805	15,779
Income from continuing operations - diluted	$2.73	$2.48	$2.07	$1.89	$1.89
Income from discontinued operations - diluted	$0.20	$(0.07)	$0.68	$0.33	$0.15
Net Income attributable to CH Energy Group - diluted	$2.93	$2.41	$2.74	$2.22	$2.04
Dividends declared per share	$2.19	$2.16	$2.16	$2.16	$2.16
Book value per share (at year-end)	$32.88	$34.03	$33.76	$33.17	$33.19
Total Assets (at year-end)	$1,730,112	$1,729,275	$1,697,883	$1,730,183	$1,494,748
Long-term Debt (at year-end)(2)	$446,003	$502,959	$463,897	$413,894	$403,892
Cumulative Preferred Stock (at year-end)	$21,027	$21,027	$21,027	$21,027	$21,027
Total CH Energy Group Common Shareholders' Equity (at year-end)	$502,248	$537,804	$553,502	$523,534	$523,148

(1) This summary should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 - "Financial Statements and Supplementary Data" of this 10-K Annual Report.
(2) Net of current maturities of long-term debt.

For additional information related to the impact of acquisitions and dispositions on the above, this summary should be read in conjunction with Item 7 - "Management Discussion and Analysis of Financial Condition and Results of Operations" of this 10-K Annual Report and Note 5 - "Acquisitions, Divestitures and Investments" of Item 8 - "Financial Statements and Supplementary Data" of this 10-K Annual Report.

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FIVE-YEAR SUMMARY OF CONSOLIDATED OPERATIONS AND SELECTED FINANCIAL DATA(1)
(CENTRAL HUDSON)
(In Thousands)

	2011	2010	2009	2008	2007
Operating Revenues					
Electric - Delivery	$332,388	$317,023	$275,167	$242,334	$233,033
Electric - Supply	206,160	246,116	261,003	365,827	383,806
Natural Gas - Delivery	85,196	81,606	66,916	59,897	55,326
Natural Gas - Supply	76,778	75,189	107,221	129,649	110,123
Total	700,522	719,934	710,307	797,707	782,288
Operating Income	95,526	94,848	76,338	67,344	71,406
Net Income	45,037	46,118	32,776	27,238	33,436
Dividends Declared on Cumulative Preferred Stock	970	970	970	970	970
Income Available for Common Stock	44,067	45,148	31,806	26,268	32,466
Dividends Declared to Parent - CH Energy Group	43,000	31,000	-	-	8,500
Change in Retained Earnings	1,067	14,148	31,806	26,268	23,966
Retained Earnings - beginning of year	164,898	150,750	118,944	92,676	68,710
Retained Earnings - end of year	$165,965	$164,898	$150,750	$118,944	$92,676
Total Assets (at year-end)	$1,602,381	$1,539,074	$1,485,600	$1,492,196	$1,252,694
Long-term Debt (at year-end)(2)	$417,950	$453,900	$413,897	$413,894	$403,892
Cumulative Preferred Stock (at year-end)	$21,027	$21,027	$21,027	$21,027	$21,027
Total Equity (at year-end)	$445,295	$444,228	$430,080	$373,274	$347,006

(1) This summary should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Item 8 - "Financial Statements and Supplementary Data" of this 10-K Annual Report.

(2) Net of current maturities of long-term debt.

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ITEM 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

The following Management's Discussion and Analysis of Financial Condition and Results of Operations are intended to help the reader understand CH Energy Group and Central Hudson.

Please note that the Executive Summary (below) is provided as a supplement to, and should be read together with, the remainder of this Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Consolidated Financial Statements, including the Notes thereto, and the other information included in this 10-K Annual Report.

EXECUTIVE SUMMARY

Business Overview

CH Energy Group is a holding company with four business units:

Business Segments:

(1) Central Hudson's regulated electric utility business;
(2) Central Hudson's regulated natural gas utility business;
(3) Griffith's fuel distribution business;

Other Businesses and Investments:

(4) CHEC's renewable energy investments and the holding company's activities, which consist primarily of financing its subsidiaries.

CH Energy Group's objective is to deliver value to its shareholders through current income, in the form of quarterly dividend payments, and through share appreciation that is expected to result from earnings and dividend growth over the long-term.

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Mission and Strategy

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

CH Energy Group endeavors to fulfill its mission, providing an attractive risk adjusted return to CH Energy Group shareholders, by executing our plan to:

- Concentrate on energy distribution through Central Hudson in the Mid-Hudson Valley and through Griffith in the Mid-Atlantic region
- Invest primarily in utility electric and natural gas transmission and distribution
- Focus on risk management
- Limit commodity exposure
- Manage regulatory affairs effectively
- Maintain a financial profile that supports a credit rating in the "A" category
- Target stable and predictable earnings, with growth trend expectations of 5% or more per year off a base of $2.76 per share in 2009
- Provide an annualized common stock dividend that is the higher of $2.22 per share or 65% to 70% of annual earnings

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Implementation and Achievements

CH Energy Group has effectively completed the strategy transition announced in October 2010, reducing earnings risk and volatility while strengthening the foundation for future earnings growth. During 2011, CH Energy Group divested its significant renewable energy investments, repurchased $50 million of CH Energy Group Common Stock, repaid $20 million of CH Energy Group long-term debt, invested over $85 million in Central Hudson's infrastructure, increased Central Hudson's core earnings and invested approximately $4.5 million in new tuck-in acquisitions at Griffith. Based on the results of the strategy implementation, the Board of Directors of CH Energy Group approved an increase to the dividend in the third quarter of 2011 by approximately 3%; the first increase since 1998. The following charts depict the asset composition of CH Energy Group as of December 31, 2011 and 2010 which demonstrate the implementation of the announced strategy shift.

CH Energy Group Assets at December 31, 2011 and 2010

2011	2010

Central Hudson Griffith Other Businesses and Investments

During 2011, CH Energy Group has divested CHEC's four largest renewable energy investments; Lyonsdale, Shirley Wind, CH-Auburn and CH-Greentree. The sale of these investments increased earnings by $2.3 million in 2011. Proceeds from the sales of these investments were used primarily for the repurchase of outstanding Common Stock of CH Energy Group and debt repayment. During 2011, approximately 949,000 shares, or 6% of CH Energy Group's outstanding Common Stock, were repurchased. Additionally, a portion of the proceeds from the sale of Shirley Wind was used to pay down $20 million of CH Energy Group private placement debt.

Central Hudson's electric and natural gas infrastructure are the core growth drivers of CH Energy Group. Central Hudson's capital expenditures have grown over the past 5 years, totaling approximately $400 million over that period. Central Hudson expects to invest $300 million during the current three-year rate plan between July 1, 2010 and June 30, 2013, and similar or higher levels of capital expenditures beyond the three-year rate agreement.

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Additionally, Griffith's tuck-in acquisitions are expected to increase this business unit's contributions to CH Energy Group's earnings. Griffith resumed its acquisition activity at the end of 2010 and has successfully acquired 7 new businesses as of December 31, 2011. Additionally, Griffith was able to effectively manage costs to offset inflation and increase margins in an environment of high commodity prices and contracting customer demand for petroleum products.

With the successful implementation of the strategy transition, CH Energy Group's management believes that it is well positioned to achieve its goal of a 5% earnings growth trend starting with 2009 as a base year.

The following information outlines the strategies for each of CH Energy Group's business units, including a description of the business core competencies, investment opportunities, potential risks, and notable activity during 2011. Business unit contributions to operating revenues and net income for the years ended December 31, 2011, 2010 and 2009 are discussed in the Results of Operations section of this Management's Discussion and Analysis.

Central Hudson

Business Description and Strategy

Central Hudson's earnings are derived primarily from the revenue it generates from delivering energy to approximately 300,000 electric customers and 75,000 natural gas customers. The delivery rates Central Hudson charges its customers are set by the PSC and are designed to recover the cost of providing safe and reliable service to Central Hudson's customers while providing the opportunity to earn a fair and reasonable return on the capital invested by shareholders.

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

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

Central Hudson believes that it has strong competencies in safe and efficient utility operations, financial management, risk management and regulatory affairs which will facilitate the achievement of its strategy. Central Hudson has bolstered its strategic and business planning processes and has formalized the goal alignment throughout all levels of the organization in an effort to meet or exceed the expectations of its key stakeholders.

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Opportunities and Risks

Earnings growth is primarily expected to come from increases in net utility plant. Central Hudson invests significant capital on an annual basis to attach new customers to the system and to replace aging infrastructure. Central Hudson's investments enhance safety and reliability, and improve customer satisfaction and reduce risk. Opportunities to enhance transmission and distribution systems and information systems technologies are evaluated and prioritized based on their designed benefits, projected costs, and estimated risks. Management continually monitors and evaluates its capital expenditure forecasts and project priorities, which include certain long-term investment opportunities in the system's distribution infrastructure and potentially in gas and electric transmission.

Central Hudson continues to advance its cost management efforts and seek opportunities to improve existing business processes utilizing Lean Six Sigma techniques, which is a data driven approach to eliminating waste as well as improving efficiency and service quality. These incremental process improvements focus on producing more revenue, providing cost savings and creating quality improvements, thereby providing benefits for both CH Energy Group shareholders and Central Hudson customers. Central Hudson also recognizes the importance of innovation and encourages employees to create new value and opportunities to reduce costs and improve quality through event driven activities.

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

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

The current three-year rate plan, which commenced on July 1, 2010, reduces uncertainty and risk and supports investment in Central Hudson's infrastructure to improve the quality of service to customers. The key provisions of the rate plan include an authorized regulatory return on equity of 10.0% and a 48% regulatory equity ratio; the continuation of a RDM; full recovery and deferral provisions for purchased electric and gas, MGP site remediation, pension and OPEB expenses. The rate plan also contains a number of service quality thresholds; performance below these thresholds entails financial penalties. Additionally, PSC staff approved and incorporated in the development of rates, Central Hudson's capital expenditure budget for the term of the three-year rate plan, subject to the achievement of certain defined Net Plant targets. The PSC's regulations also provide an opportunity to recover certain extraordinary expenditures that are not reflected in rates. However, the 3-pronged test criteria required for approval may limit Central Hudson from recovering some or all of such costs, reducing earnings for shareholders. Management believes the current rate plan and other regulatory orders under which Central Hudson operates demonstrate a constructive relationship with New York State regulators and the willingness of regulators to enable Central Hudson to earn stable, predictable returns while providing reliable, high quality service and fulfilling New York State energy policy objectives.

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The impacts of laws and other regulations represent another risk to the Central Hudson strategy. In addition to the recovery of costs of operation, Central Hudson's current rate structure includes a return on the utility's projected rate base. Rate base represents Central Hudson's investment in its utility infrastructure adjusted for certain required regulatory items. Changes in tax legislation or accounting can reduce the amount of Central Hudson rate base, reducing Central Hudson's future rates and potential earnings. Central Hudson's election to utilize bonus depreciation as it has been made available in recent years has had just such an impact. In addition, Central Hudson's change to the accounting tax method related to costs to repair and maintain utility assets has resulted in an increase in its deferred tax liability and a decrease to rate base. For additional discussion of these tax items, see Note 4 – "Income Tax."

Another risk is the ability to effectively manage costs, which is a key component of Central Hudson's strategy. The continued implementation of Lean Six Sigma techniques to create value in existing business processes and innovation to create new value will play critical roles in managing the costs of doing business in a sustainable manner as well as result in continuous improvement in services provided to customers.

The fourth risk, the economy in Central Hudson's service territory, affects the ability to collect receivables and the growth of utility rate base and earnings through a direct relationship to customer additions and peak demand growth. Management believes the economy in Central Hudson's service territory has good long-term growth prospects, but unexpected prolonged downturns could inhibit its ability to meet long term business objectives.

Other Notable 2011 Activity

During 2011, Central Hudson experienced several significant weather related events which disrupted service to our customers and resulted in extensive damage to our infrastructure. Central Hudson's dedicated management team and skilled labor force demonstrated their capabilities in executing organized and efficient emergency response and service restoration, while maintaining a strong focus on safety. Two of these weather related events, Tropical Storm Irene and the late October Snowfall event, were the second and third largest storms in Central Hudson's history and Management's current estimate for recoverable incremental costs associated with the electric service restoration efforts of these storms have been deferred for future recovery from customers. Central Hudson also incurred incremental costs associated with weather related gas emergencies early in 2011 and as a result of the impacts of Tropical Storm Irene; however these costs have not been deferred as of December 31, 2011 as they did not individually meet the PSC criteria for deferral accounting. Despite these severe weather events, Central Hudson was able to improve its service quality and customer satisfaction metrics significantly in 2011.

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Additionally during 2011, Central Hudson earned energy efficiency incentives of $2.7 million based on calculated energy savings for completed and committed projects with residential and commercial customers compared to 2008-2011 cumulative savings targets as approved and defined by PSC Order through the Energy Efficiency Portfolio Standard ("EEPS") proceedings.

For further discussions relating to the extraordinary storm events and earned Energy Efficiency Incentives, see Note 2 – "Regulatory Matters."

Griffith

Business Description and Strategy

Griffith provides fuel distribution products and services to approximately 56,000 customers in Delaware, Washington, D.C., Maryland, Pennsylvania, Virginia and West Virginia. Griffith's revenues, cash flows, and earnings are derived from the sale and delivery of heating oil, gasoline, diesel fuel, kerosene, and propane and from the installation and maintenance of heating, ventilating, and air conditioning ("HVAC") equipment. For a breakdown of Griffith's gross profit by product and service line for the years ended December 31, 2011, 2010 and 2009, see the chart in the Results of Operations under the caption – "Griffith."

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

- practicing continuous improvement in everything we do;
- growing through selective tuck-in acquisitions; and
- expanding its service offerings.

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Opportunities and Risks

Griffith has a strong regional brand that Management believes stands for quality, reliability, and value. Griffith intends to continue its marketing efforts and focus on customer satisfaction, which Management believes will help to minimize customer attrition. With reduced commodity-related volatility of earnings and cash flows following the 2009 divestiture of certain of its operations, Management has focused its attention on improving the profitability of operations and expanding products and services in the Mid-Atlantic region.

Griffith also continues to seek selective “tuck-in” acquisitions to be funded from internally generated cash. This growth strategy focuses on acquiring and retaining customers in geographic areas that overlap Griffith’s existing operations. Griffith expects to generate additional earnings and cash flow as a result of the expansion of its HVAC business. These growth strategies are not expected to result in the growth of CH Energy Group’s total invested capital in Griffith.

Management sees two key risks associated with this strategy. The primary factor that could prevent Griffith from achieving earnings growth is a sustained, significant increase in wholesale oil prices, which could reduce residential sales volumes, put downward pressure on margins and increase bad debt expense. While Management believes that margin expansion would still be possible in this environment as competitors would be forced to increase their prices to cover their costs, Management expects that this result would lag the increase in commodity prices. Additionally, weakness in the economy of the Mid-Atlantic region could limit Griffith’s ability to expand margins since customers’ willingness and ability to pay are typically tied to income levels and unemployment rates. Griffith limits the impact of weather on its business through the purchase of weather derivative instruments.

Notable 2011 Activity

In 2011, Griffith acquired six fuel distribution and service businesses and acquired one additional business effective January 1, 2012. These strategic acquisitions have already begun contributing to Griffith’s earnings and cash flows. However, during 2011 Griffith’s earnings were adversely impacted by both a weak economy and high fuel prices. The combination of both these events is not typical and resulted in increased customer conservation and attrition in 2011. Griffith also experienced a decline in the number of service installations under its expanded HVAC program in 2011, which Management believes resulted from increased installation activity at the end of 2010 driven by the expiration of federal tax credits. Despite the unfavorable environment, Management was successful in continuing its trend of increasing margins. Additionally, Griffith continues to implement effective cost management measures, which have successfully offset inflationary cost pressures. Management believes the current state of the economy and the reduced HVAC installations are temporary situations and that the long-term outlook of the economy in Griffith’s service territory continues to be strong with a stable pool of current and prospective customers that value quality service at a fair price.

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Other Businesses and Investments

CHEC's remaining two investments in renewable energy have zero fair value as of December 31, 2011. CHEC also has investments in 2 cogeneration partnerships and an energy sector venture capital fund totaling approximately $2.8 million as of December 31, 2011. These investments are not considered a part of the core business, are not expected to require significant management oversight, and no further capital investment in them is planned. Management intends to retain these remaining investments, but will continue to monitor market conditions to evaluate the fair market value of these investments and consider whether the opportunity exists to create greater shareholder value through divestitures. For further discussions relating to CHEC's renewable energy investments, see Note 5 – "Acquisitions, Divestitures and Investments."

EARNINGS PER SHARE AND OVERVIEW OF YEAR-TO-DATE RESULTS

The following discussion and analyses include explanations of significant changes in revenues and expenses between the year ended December 31, 2011, and 2010 and the year ended December 31, 2010, and 2009, for Central Hudson's regulated electric and natural gas businesses, Griffith, and the Other Businesses and Investments.

The discussions and tables below present the change in earnings of CH Energy Group's business units in terms of earnings for each outstanding share of CH Energy Group's Common Stock. Management believes that expressing the results in terms of the impact on shares of CH Energy Group is useful to investors because it shows the relative contribution of the various business units to CH Energy Group's earnings. This information is considered a non-GAAP financial measure and not an alternative to earnings per share determined on a consolidated basis, which is the most directly comparable GAAP measure. Additionally, Management believes that the disclosure of Significant Events within each business unit provides investors with the context around the Company's results that is important in enabling them to ascertain the likelihood that past performance is indicative of future performance. A reconciliation of each business unit's earnings per share to CH Energy Group's earnings per share, determined on a consolidated basis, is included in the table below.

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Earnings

Earnings per share (basic and diluted) of CH Energy Group's Common Stock are computed on the basis of the average number of common shares outstanding (basic and diluted) during the subject year. The number of average shares outstanding of CH Energy Group Common Stock, the earnings per share, and the rate of return earned on average common equity, which is net income as a percentage of a monthly average of common equity, are as follows (Shares In Thousands):

	2011	2010	2009
Average shares outstanding:			
Basic	15,278	15,785	15,775
Diluted	15,481	15,952	15,881
Earnings per share from continuing operations:			
Basic	$2.77	$2.51	$2.08
Diluted	$2.73	$2.48	$2.07
Earnings per share from discontinued operations:			
Basic	$0.20	$(0.07)	$0.68
Diluted	$0.20	$(0.07)	$0.67
Earnings per share:			
Basic	$2.97	$2.44	$2.76
Diluted	$2.93	$2.41	$2.74
Return earned on average common equity	9.1%	7.4%	8.6%

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2011 AS COMPARED TO 2010

CH Energy Group Consolidated

Earnings per Share (Basic)

	Year Ended December 31, 2011	2010	Change
Central Hudson - Electric	$2.22	$2.10	$0.12
Central Hudson - Natural Gas	0.66	0.76	(0.10)
Griffith	0.10	0.11	(0.01)
Other Businesses and Investments	(0.01)	(0.53)	0.52
Total CH Energy Group Consolidated Earnings, as reported	$2.97	$2.44	$0.53
Significant Events:			
Central Hudson	$(0.12)	$0.12	$(0.24)
Griffith	-	(0.02)	0.02
Other Businesses and Investments	(0.06)	(0.44)	0.38
Total Significant Events	$(0.18)	$(0.34)	$0.16
CH Energy Group Consolidated Adjusted Earnings Per Share (non-GAAP):			
Central Hudson	$3.00	$2.74	$0.26
Griffith	0.10	0.13	(0.03)
Other Businesses and Investments	0.05	(0.09)	0.14
Total CH Energy Group Consolidated Adjusted Earnings Per Share (non-GAAP)	$3.15	$2.78	$0.37

Earnings for CH Energy Group totaled $2.97 per share in 2011, an increase of $0.53 per share from the same period in 2010 when earnings had been negatively impacted by impairments on two of its non-utility assets.

Details by business unit were as follows:

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Central Hudson

Earnings per Share (Basic)

	Year Ended December 31,		
	2011	2010	Change
Central Hudson - Electric	$2.22	$2.10	$0.12
Central Hudson - Natural Gas	0.66	0.76	(0.10)
Total Central Hudson Earnings	$2.88	$2.86	$0.02
Significant Events:			
Uncollectible deferral in 2010	$-	$0.12	$(0.12)
Higher weather related restoration costs(1)	(0.31)	-	(0.31)
Energy efficiency incentives	0.10	-	0.10
Share accretion	0.09	-	0.09
Central Hudson Adjusted Earnings Per Share	$3.00	$2.74	$0.26

	Change
Delivery revenue	$0.42
Higher property and other taxes	(0.12)
Higher depreciation	(0.11)
Higher trimming costs	(0.02)
Other	0.09
	$0.26

(1) Amount represents incremental costs incurred for weather related service restoration, including costs for outside contractor assistance in restoration efforts and higher than average internal expenses (such as overtime and materials), which did not meet the PSC criteria for deferral and therefore have not been deferred for future recovery from customers.

Earnings from Central Hudson's electric and natural gas operations increased in the year ended December 31, 2011 compared to 2010. After adjusting Central Hudson's earnings per share for the significant items displayed above, including incremental weather related restoration costs, earnings were $0.26 per share higher year-over-year. The single largest driver was an increase in delivery revenue resulting from mid-year delivery rate increases in both 2011 and 2010. This additional revenue was needed for increased operating costs such as those noted above and to provide a reasonable return to shareholders.

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Griffith

Earnings per Share (Basic)

	Year Ended December 31, 2011	2010	Change
Griffith - Fuel Distribution Earnings	$0.10	$0.11	$(0.01)
Significant Events:			
Discontinued operations	$0.02	$-	$0.02
Weather impact on sales	(0.02)	(0.02)	-
Griffith Adjusted Earnings Per Share	$0.10	$0.13	$(0.03)

	Change
Weather-normalized sales (including conservation)	$(0.13)
Gross margin on petroleum sales	0.09
Operating expenses	0.03
Other	(0.02)
	$(0.03)

Griffith's earnings decreased for the year ended December 31, 2011 compared to the same period in 2010. This decrease was primarily attributable to contractions in volume due to customer conservation that was brought on by a combination of the continued weak economy and higher wholesale fuel prices. Improved margins and lower operating costs offset a majority of this impact.

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Other Businesses and Investments

Earnings per Share (Basic)

	Year Ended December 31, 2011	2010	Change
Other Businesses & Investments Earnings	$(0.01)	$(0.53)	$ 0.52
Significant Events:			
Renewable Investments:			
Ethanol investment impairment in 2010	$-	$(0.44)	$ 0.44
Biomass impairment in 2010	-	(0.08)	0.08
Wind investment impairment in 2011	(0.14)	-	(0.14)
Gain from sales of renewable investments	0.17	-	0.17
Pre-payment penalty on early retirement of debt following 2011 divestiture	(0.11)	-	(0.11)
Operations	(0.02)	(0.03)	0.01
Tax impacts	0.02	-	0.02
Income taxes related to deductions for prior periods	0.02	0.11	(0.09)
Other Businesses and Investments Adjusted Earnings Per Share	$0.05	$(0.09)	$ 0.14

	Change
Higher interest income	$ 0.05
Lower interest expense	0.02
Lower income taxes	0.05
Other	0.02
	$ 0.14

The earnings activity of CH Energy Group (the holding company) and CHEC's partnerships and other investments increased in the year ended December 31, 2011 compared to the same period in 2010. Net of the impacts of renewable investment activity and prior period income tax adjustments noted above, Other Businesses and Investments adjusted earnings per share increased $0.14 per share. This increase was primarily due to higher interest income related to intercompany debt and lower interest expense related to the pay down of debt with the proceeds from the sale of renewable investments.

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2010 AS COMPARED TO 2009

CH Energy Group Consolidated

Earnings per Share (Basic)

	Year Ended December 31, 2010	2009	Change
Central Hudson - Electric	$2.10	$1.60	$0.50
Central Hudson - Natural Gas	0.76	0.42	0.34
Griffith	0.11	0.76	(0.65)
Other Businesses and Investments	(0.53)	(0.02)	(0.51)
	$2.44	$2.76	$(0.32)
Significant Events:			
Central Hudson	$0.12	$0.26	$(0.14)
Griffith	(0.02)	0.63	(0.65)
Other Businesses and Investments	(0.41)	(0.06)	(0.35)
Total CH Energy Group Consolidated Adjusted Earnings Per Share (non-GAAP)	$2.75	$1.93	$0.82

Earnings for CH Energy Group totaled $2.44 per share in 2010, a decrease of $0.32 per share from the same period in 2009. The decrease in year-over-year earnings per share were driven primarily by the $0.34 2009 gain and $0.23 of discontinued operations from the Griffith divestiture and the 2010 impairments in two renewable energy investments, partially reduced by increased delivery rates at Central Hudson.

Detail by business unit were as follows:

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Central Hudson

Earnings per Share (Basic)

	Year Ended December 31, 2010	2009	Change
Central Hudson - Electric	$2.10	$1.60	$0.50
Central Hudson - Natural Gas	0.76	0.42	0.34
Total Central Hudson Earnings	$2.86	$2.02	$0.84
Significant Events:			
Uncollectible deferral	$0.12	$0.13	$(0.01)
Weather impact on sales	-	0.13	(0.13)
Central Hudson Adjusted Earnings Per Share	$2.74	$1.76	$0.98

	Change
Delivery revenue	$1.22
Lower uncollectible reserves	0.17
Higher trimming costs	(0.06)
Higher storm restoration expense(1)	(0.13)
Higher depreciation	(0.11)
Higher property and other taxes	(0.17)
Other	0.06
	$0.98

(1) Excludes incremental costs incurred associated with the severe storms that occurred in late February 2010, which have been deferred for future recovery from customers.

Earnings from Central Hudson's electric and natural gas operations increased in the year ended December 31, 2010 compared to 2009 primarily due to the increases in electric and natural gas delivery rates, including the RDM, which became effective July 1, 2009 and 2010. These increases provided revenues that better align with Central Hudson's costs of providing safe and reliable service to customers and provide an opportunity to earn an appropriate return for shareholders. Higher operating expenses partially offset the favorable impacts of delivery rate increases. The net increase in year-over-year results includes the impact of lower earnings during the first six months of 2009 resulting from the sales shortfall under the expiring 2006 Rate Order.

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Griffith

Earnings per Share (Basic)

	Year Ended December 31, 2010	2009	Change
Griffith - Fuel Distribution Earnings	$0.11	$0.76	$(0.65)
Significant Events:			
Discontinued operations	$-	$0.23	$(0.23)
Weather impact on sales (including hedging)	(0.02)	0.02	(0.04)
Gain on sale of Northeast operations(1)	-	0.40	(0.40)
Griffith Adjusted Earnings Per Share	$0.13	$0.11	$0.02

	Change
Margin on petroleum sales and services	$0.01
Weather normalized sales (including conservation)	(0.05)
Lower operating expenses	0.06
Lower uncollectible accounts	0.04
Other	(0.04)
	$0.02

(1) See additional taxes owed by CH Energy Group within Other Businesses & Investments

Griffith's earnings decreased for the year ended December 31, 2010 compared to the same period in 2009. This decrease was primarily attributable to the sale of operations in certain geographic locations at the end of 2009. The gain recorded as a result of the sale and the decreased customer base resulted in a decrease in 2010 earnings as compared to 2009. Unfavorable impacts of weather and continued customer conservation also contributed to the decreased earnings, but were offset by lower operating expenses resulting from cost reductions implemented by Management to align its cost structure to its smaller size following the partial divestiture. Lower uncollectible accounts also favorably impacted 2010 results.

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Other Businesses and Investments

Earnings per Share (Basic)

	Year Ended December 31, 2010	2009	Change
Other Businesses & Investment Earnings	$(0.53)	$(0.02)	$(0.51)
Significant Events:			
Ethanol investment impairment	$(0.44)	$-	$(0.44)
Biomass investment impairment	(0.08)	-	(0.08)
Lower income taxes	0.11	-	0.11
Holding company's income taxes on Griffith sale	-	(0.06)	0.06
Other Businesses and Investments Adjusted Earnings Per Share	$(0.12)	$0.04	$(0.16)

	Change
Renewable Energy Investments	$(0.11)
Holding company interest expense	(0.05)
	$(0.16)

The earnings activity of CH Energy Group (the holding company) and CHEC’s partnerships and other investments decreased in the year ended December 31, 2010 compared to the same period in 2009 primarily due to 2010 impairment charges for CHEC's ethanol and biomass investments. The expiration of production tax credits related to CHEC’s biomass investment on December 31, 2009 and a repair to the plant's steam turbine also negatively impacted earnings. CHEC's earnings from its ethanol investment were also lower in 2010 due to lower crush margins and lower prices for one of the byproducts of the production process. These decreases were partially reduced by a favorable change to the effective tax rate of the consolidated entity resulting in overall lower tax expense. The additional taxes in 2009 related to Griffith's partial divestiture.

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RESULTS OF OPERATIONS

A breakdown by business unit of CH Energy Group's operating revenues (net of divestitures) and net income for the year ended December 31, 2011 and 2010 are illustrated below (Dollars in Thousands):

	Year Ended December 31, 2011				Year Ended December 31, 2010			
Business Unit	Operating Revenues		Net Income (loss) attributable to CH Energy Group		Operating Revenues		Net Income (loss) attributable to CH Energy Group	
Electric(1)	$538,548	55 %	$33,936	75 %	$563,139	59 %	$33,125	86 %
Gas(1)	161,974	16 %	10,131	23 %	156,795	16 %	12,023	31 %
Total Central Hudson	700,522	71 %	44,067	98 %	719,934	75 %	45,148	117 %
Griffith(1), (2)	284,998	29 %	1,503	3 %	240,174	25 %	1,774	5 %
Other Businesses and Investments(3)	-	- %	(230)	(1)%	-	- %	(8,418)	(22)%
Total CH Energy Group	$985,520	100 %	$45,340	100 %	$960,108	100 %	$38,504	100 %

(1) A portion of the revenues above represent amounts collected from customers for the recovery of purchased electric and natural gas costs at Central Hudson and the cost of purchased petroleum products at Griffith and therefore have no material impact on net income. A breakout of these components is as follows:
Electric 2011: 21% cost recovery revenues + 34% other revenues = 55%
Electric 2010: 26% cost recovery revenues + 33% other revenues = 59%
Natural Gas 2011: 8% cost recovery revenues + 8% other revenues = 16%
Natural Gas 2010: 8% cost recovery revenues + 8% other revenues = 16%
Griffith 2011: 23% cost recovery revenues + 6% other revenues = 29%
Griffith 2010: 19% cost recovery revenues + 6% other revenues = 25%

(2) Net income for Griffith for the year ended December 31, 2011 includes net income from discontinued operations of $277.

(3) Net income for Other Businesses and Investments for the years ended December 31, 2011 and 2010 includes net income/(loss) from discontinued operations of $2,849 and ($1,128), respectively.

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Central Hudson

The following discussions and analyses include explanations of significant changes in operating revenues, operating expenses, volumes delivered, other income, interest charges, and income taxes between the years ended December 31, 2011 and 2010, and December 31, 2010 and 2009 for Central Hudson's regulated electric and natural gas businesses.

Income Statement Variances
(Dollars In Thousands)

	Year Ended December 31,		Increase/(Decrease) in	
	2011	2010	Amount	Percent
Operating Revenues	$700,522	$719,934	$(19,412)	(2.7)%
Operating Expenses:				
Purchased electricity, fuel and natural gas	282,938	321,305	(38,367)	(11.9)%
Depreciation and amortization	35,475	33,815	1,660	4.9%
Other operating expenses	286,583	269,966	16,617	6.2%
Total Operating Expenses	604,996	625,086	(20,090)	(3.2)%
Operating Income	95,526	94,848	678	0.7%
Other Income, net	6,879	3,282	3,597	109.6%
Interest Charges	29,191	25,848	3,343	12.9%
Income before income taxes	73,214	72,282	932	1.3%
Income Taxes	28,177	26,164	2,013	7.7%
Net income	$45,037	$46,118	$(1,081)	(2.3)%

	Year Ended December 31,		Increase/(Decrease) in	
	2010	2009	Amount	Percent
Operating Revenues	$719,934	$710,307	$9,627	1.4%
Operating Expenses:				
Purchased electricity, fuel and natural gas	321,305	368,224	(46,919)	(12.7)%
Depreciation and amortization	33,815	32,094	1,721	5.4%
Other operating expenses	269,966	233,651	36,315	15.5%
Total Operating Expenses	625,086	633,969	(8,883)	(1.4)%
Operating Income	94,848	76,338	18,510	24.2%
Other Income, net	3,282	2,465	817	33.1%
Interest Charges	25,848	24,885	963	3.9%
Income before income taxes	72,282	53,918	18,364	34.1%
Income Taxes	26,164	21,142	5,022	23.8%
Net income	$46,118	$32,776	$13,342	40.7%

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Delivery Volumes

Delivery volumes for Central Hudson vary in response to weather conditions and customer behavior. Electric deliveries peak in the summer and deliveries of natural gas used for heating purposes peak in the winter. Delivery volumes also vary as customers respond to the price of the particular energy product and changes in local economic conditions.

The following chart reflects the change in the level of electric and natural gas deliveries for Central Hudson in 2011 compared to 2010, and in 2010 compared to 2009. Deliveries of electricity and natural gas to residential and commercial customers have historically contributed the most to Central Hudson's earnings. Industrial sales and interruptible sales have a negligible impact on earnings. Beginning July 1, 2009, Central Hudson's delivery rate structure includes a RDM which provides the ability to record revenues equal to those forecasted in the development of current rates for most of Central Hudson's customers. As a result, fluctuations in actual delivery volumes do not have a significant impact on Central Hudson's earnings.

Electric Deliveries
(In Gigawatt-Hours)

	Actual Deliveries				Weather Normalized Deliveries(1)			
	Year Ended December 31,		Variation in		Year Ended December 31,		Variation in	
	2011	2010	Amount	Percent	2011	2010	Amount	Percent
Residential	2,105	2,098	7	- %	2,055	2,058	(3)	- %
Commercial	1,962	1,968	(6)	- %	1,939	1,945	(6)	- %
Industrial and other	1,113	1,149	(36)	(3)%	1,111	1,150	(39)	(3)%
Total Deliveries	5,180	5,215	(35)	(1)%	5,105	5,153	(48)	(1)%

	Actual Deliveries				Weather Normalized Deliveries(1)			
	Year Ended December 31,		Variation in		Year Ended December 31,		Variation in	
	2010	2009	Amount	Percent	2010	2009	Amount	Percent
Residential	2,098	2,023	75	4 %	2,058	2,076	(18)	(1)%
Commercial	1,968	1,945	23	1 %	1,945	1,970	(25)	(1)%
Industrial and other	1,149	1,206	(57)	(5)%	1,150	1,208	(58)	(5)%
Total Deliveries	5,215	5,174	41	1 %	5,153	5,254	(101)	(2)%

(1) Central Hudson uses an internal analysis based on historical weather data to remove the estimated impacts of weather on delivery volumes.

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Natural Gas Deliveries
(In Million Cubic Feet)

	Actual Deliveries				Weather Normalized Deliveries(1)			
	Year Ended December 31,		Variation in		Year Ended December 31,		Variation in	
	2011	2010	Amount	Percent	2011	2010	Amount	Percent
Residential	5,126	4,828	298	6 %	5,229	5,087	142	3 %
Commercial	6,538	5,899	639	11 %	6,668	6,136	532	9 %
Industrial and other(2)	6,490	8,645	(2,155)	(25)%	2,088	2,264	(176)	(8)%
Total Deliveries	18,154	19,372	(1,218)	(6)%	13,985	13,487	498	4 %

	Actual Deliveries				Weather Normalized Deliveries(1)			
	Year Ended December 31,		Variation in		Year Ended December 31,		Variation in	
	2010	2009	Amount	Percent	2010	2009	Amount	Percent
Residential	4,828	5,125	(297)	(6)%	5,087	5,024	63	1 %
Commercial	5,899	6,284	(385)	(6)%	6,136	6,151	(15)	- %
Industrial and other(2)	8,645	4,652	3,993	86 %	2,264	2,043	221	11 %
Total Deliveries	19,372	16,061	3,311	21 %	13,487	13,218	269	2 %

(1) Central Hudson uses an internal analysis based on historical weather data to remove the estimated impacts of weather on delivery volumes.
(2) Actual deliveries include interruptible natural gas deliveries. Weather normalized deliveries exclude interruptible natural gas deliveries.

2011 vs. 2010

Total electric deliveries to residential, commercial, and industrial customers were essentially unchanged for the year ended December 31, 2011 as compared to the prior year. The favorable impacts of colder weather in the first half of the year were offset by unfavorable impacts of cooler weather during the summer compared to the prior year as well as warmer weather at the end of 2011 compared to 2010.

Total natural gas deliveries to residential and commercial customers increased during the year ended December 31, 2011 as compared to 2010 which is due to both an increase in sales per customer as well as the favorable impact of colder weather experienced during heating season peak months in the first half of 2011 compared to 2010.

The decrease in natural gas industrial and other deliveries in 2011 compared to 2010 was driven primarily by a decrease in transportation delivery volumes to electric generation facilities, which sell their electricity to the NYISO market. The output of the facilities increased in 2010 to meet the increased electric demand during that period.

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2010 vs. 2009

Electric deliveries to residential and commercial customers increased during the year ended December 31, 2010 as compared to the prior year primarily as a result of the year-over-year impact of both the warmer than normal summer of 2010 and cooler than normal summer weather in 2009 partially offset by lower use per customer.

Natural gas deliveries to residential and commercial customers decreased during the year ended December 31, 2010 as compared to 2009 primarily as a result of unfavorable warmer than normal weather during the first quarter of 2010, despite a weather normalized increased use per customer during the year.

The increase in natural gas industrial and other deliveries for the year ended December 31, 2010 as compared to the prior year was primarily driven by an increase in transportation delivery volumes to electric generation facilities, which sell their electricity to the NYISO market.

Revenues

Central Hudson’s revenues consist of two major categories: those which offset specific expenses in the current period (matching revenues), and those that impact earnings. Matching revenues recover Central Hudson's actual costs for particular expenses. 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.

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Change in Central Hudson Revenues - Electric
(In Thousands)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Increase / (Decrease)	Year Ended December 31, 2010	Year Ended December 31, 2009	Increase / (Decrease)
Revenues with Matching Expense Offsets:(1)						
Energy cost adjustment	$201,731	$241,709	$(39,978)	$241,709	$256,959	$(15,250)
Sales to others for resale	4,429	4,407	22	4,407	4,044	363
Other revenues with matching offsets	83,533	81,678	1,855	81,678	60,594	21,084
Subtotal	289,693	327,794	(38,101)	327,794	321,597	6,197
Revenues Impacting Earnings:						
Customer sales	230,272	220,338	9,934	220,338	196,884	23,454
Energy efficiency incentives	2,719	-	2,719	-	-	-
RDM and other regulatory mechanisms	5,652	4,753	899	4,753	8,876	(4,123)
Pole attachments and other rents	4,215	4,085	130	4,085	3,956	129
Finance charges	3,428	3,297	131	3,297	3,388	(91)
Other revenues	2,569	2,872	(303)	2,872	1,469	1,403
Subtotal	248,855	235,345	13,510	235,345	214,573	20,772
Total Electric Revenues	$538,548	$563,139	$(24,591)	$563,139	$536,170	$26,969

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

Change in Central Hudson Revenues - Natural Gas
(In Thousands)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Increase / (Decrease)	Year Ended December 31, 2010	Year Ended December 31, 2009	Increase / (Decrease)
Revenues with Matching Expense Offsets:(1)						
Energy cost adjustment	$54,264	$50,236	$4,028	$50,236	$78,766	$(28,530)
Sales to others for resale	20,228	23,023	(2,795)	23,023	26,968	(3,945)
Other revenues with matching offsets	21,420	19,360	2,060	19,360	13,176	6,184
Subtotal	95,912	92,619	3,293	92,619	118,910	(26,291)
Revenues Impacting Earnings:						

Customer sales	60,059	52,665	7,394	52,665	46,359	6,306
RDM and other regulatory mechanisms	(192)	5,398	(5,590)	5,398	3,722	1,676
Interruptible profits	2,527	2,325	202	2,325	1,591	734
Finance charges	1,117	1,005	112	1,005	1,140	(135)
Other revenues	2,551	2,783	(232)	2,783	2,415	368
Subtotal	66,062	64,176	1,886	64,176	55,227	8,949
Total Natural Gas Revenues	$161,974	$156,795	$5,179	$156,795	$174,137	$(17,342)

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

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Electric revenues decreased for the year ended December 31, 2011 as compared to 2010, primarily due to lower energy cost adjustment revenues. The lower energy cost adjustment revenues are due to lower wholesale prices, and to a lesser extent, lower purchased volumes, partially reduced by an increase in revenues required to be recovered for previously deferred purchased electricity costs. An increase in delivery revenues as a result of higher delivery rates as prescribed in the 2010 Rate Order, and the 2011 incentive earned through the Energy Efficiency Portfolio Standard also partially offset the decrease in electric revenues.

Electric revenues increased for the year ended December 31, 2010 as compared to the same period in 2009 primarily due to higher delivery rates and higher other revenues with matching offsets. These increases were reduced by a decrease in regulatory revenue recovery mechanisms primarily RDMs, and lower energy cost adjustment revenues as a result of lower purchased volumes and wholesale prices, as well as a decrease in revenues required to be recovered for previously deferred purchased electric costs.

Natural gas revenues increased for the year ended December 31, 2011 as compared to the same period in 2010 primarily due to higher customer sales, energy cost adjustment revenues and other revenues with matching offsets. These increases were partially reduced by lower regulatory recovery revenue, primarily RDMs, and lower sales to others for resale. Increased gas revenues from customer sales are due to higher delivery rates as prescribed in the 2010 Rate Order. The higher gas energy cost adjustment revenues for 2011 resulted primarily from higher revenues required to be recovered from previously deferred gas costs partially reduced by lower purchased volumes and lower wholesale gas prices. Negative RDMs in 2011 are a result of an excess of actual delivery revenue in the current year over the levels provided in PSC approved rates. Positive RDMs in 2010 are a result of a deficit of actual delivery revenues compared to levels provided in PSC approved rates for that period. These amounts are set aside for future recovery from or return to customers.

Natural gas revenues decreased for the year ended December 31, 2010 as compared to the same period in 2009 primarily due to lower energy cost adjustment revenues and lower sales to others for resale partially reduced by higher delivery rates, higher other revenues with matching offsets and higher revenues related to regulatory revenue recovery mechanisms, primarily RDMs. Lower energy cost adjustment revenues resulted primarily from lower natural gas prices, as well as a decrease in purchased volume and revenues required to be recovered for previously deferred purchased natural gas costs.

Higher other revenues with matching offsets for both periods and for both electric and gas revenues were primarily driven by the Temporary State Assessment and New York State (“NYS”) energy efficiency programs. During 2010, an increase in rates compared to 2009 related to increased pension costs also contributed to higher other revenues with matching offsets for both electric and gas revenues.

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Incentive Arrangements

Under certain earnings incentive provisions approved by the PSC, Central Hudson shares with its customers certain revenues and/or cost savings exceeding predetermined levels or is penalized in some cases for shortfalls from certain performance standards.

Earnings sharing arrangements are currently effective for interruptible natural gas deliveries and natural gas capacity release transactions. Performance standards apply to electric service reliability, certain aspects of customer service, natural gas safety and customer satisfaction.

The net results of these and previous earnings sharing arrangements had the effect of increasing pre-tax earnings by $0.8 million in 2011, $0.5 million in 2010, and $0.1 million in 2009.

In addition to the above-noted items, for the period from July 1, 2006 through June 30, 2009, Central Hudson was required to share with customers earnings over a base ROE of 10.6% on the equity portion of Central Hudson's rate base, which was determined in accordance with the criteria set forth in the 2006 Rate Order. For the period from July 1, 2009 through June 30, 2010, Central Hudson was no longer required per the 2009 Rate Order to share earnings. Beginning July 1, 2010 through June 30, 2013, per the 2010 Rate Order, Central Hudson is once again required to share with customers earnings over an earned ROE of 10.5% on the equity portion of Central Hudson's rate base. Central Hudson did not record shared earnings in 2011, 2010 or 2009. See Note 2 - "Regulatory Matters" of this 10-K Annual Report under the captions "2006 Rate Order" and "2010 Rate Order" for a description of earnings sharing formulas approved by the PSC for Central Hudson.

During 2009 and 2010, Central Hudson received approval through the Energy Efficiency Portfolio Standard ("EEPS") proceedings to implement various programs to electric and natural gas residential and commercial customers. In December 2010, the PSC issued an order combining energy savings targets to create a single 2008-2011 target and continuing the system of utility shareholder financial incentives established in the EEPS proceeding. As of December 31, 2011, Central Hudson achieved enough projected savings through committed contracts with residential and commercial customers to earn $2.7 million in incentives under the 2008-2011 defined targets.

Operating Expenses

The most significant elements of Central Hudson's operating expenses are purchased electricity and purchased natural gas; however, changes in these costs do not affect earnings since they are offset by changes in related revenues recovered through Central Hudson's energy cost adjustment mechanisms. Additionally, there are other costs that are matched to revenues largely from customer billings, notably the cost of pensions and OPEBs, the Temporary State Assessment, and NYS energy efficiency programs.

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Total utility operating expenses decreased 3% in 2011 compared to the same period in 2010 and decreased 1.5% in 2010 as compared to 2009. The following summarizes the change in operating expenses:

Change in Central Hudson Operating Expenses
(In Thousands)

	Year Ended December 31, 2011	Year Ended December 31, 2010	Increase / (Decrease)	Year Ended December 31, 2010	Year Ended December 31, 2009	Increase / (Decrease)
Expenses Currently Matched to Revenues:(1)						
Purchased electricity	$206,160	$246,116	$(39,956)	$246,116	$261,003	$(14,887)
Purchased natural gas	74,492	73,259	1,233	73,259	105,734	(32,475)
Temporary State Assessment	20,524	18,781	1,743	18,781	7,115	11,666
Pension	25,826	28,539	(2,713)	28,539	20,139	8,400
OPEB	6,634	6,722	(88)	6,722	8,316	(1,594)
NYS energy programs	27,722	25,640	2,082	25,640	20,253	5,387
MGP site remediations	4,488	3,624	864	3,624	2,188	1,436
Other matched expenses	19,759	17,732	2,027	17,732	15,759	1,973
Subtotal	385,605	420,413	(34,808)	420,413	440,507	(20,094)
Other Expense Variations:						
Tree trimming	14,898	14,354	544	14,354	12,914	1,440
Property and school taxes(2)	35,064	31,173	3,891	31,173	27,787	3,386
Weather related service restoration (3)	15,090	7,062	8,028	7,062	3,584	3,478
Depreciation	35,475	33,815	1,660	33,815	32,094	1,721
Uncollectible expense	7,157	7,644	(487)	7,644	12,160	(4,516)
Uncollectible deferrals	-	(3,702)	3,702	(3,702)	(3,327)	(375)
Purchased natural gas incentive arrangements	2,286	1,930	356	1,930	1,487	443
Other expenses	109,421	112,397	(2,976)	112,397	106,763	5,634
Subtotal	219,391	204,673	14,718	204,673	193,462	11,211
Total Operating Expenses	$604,996	$625,086				