

CENTRAL HUDSON GAS & ELECTRIC CORP
Form 10-Q
May 07, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2010

OR

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 Gas & Electric Corporation (Incorporated in New York) 284 South Avenue Poughkeepsie, New York 12601-4839 (845) 452-2000	14-0555980

Indicate by check mark whether the Registrants (1) have 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 Registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether CH Energy Group, Inc. 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).

Yes No

Indicate by check mark whether Central Hudson Gas & Electric Corporation 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).

Yes No

Indicate by check mark whether CH Energy Group, Inc. 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):

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether Central Hudson Gas & Electric Corporation 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):

Large Accelerated Filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether CH Energy Group, Inc. is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

Indicate by check mark whether Central Hudson Gas & Electric Corporation is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes No

As of the close of business on April 30, 2010 (i) CH Energy Group, Inc. had outstanding 15,813,388 shares of Common Stock (\$0.10 per share par value) and (ii) all of the outstanding 16,862,087 shares of Common Stock (\$5 per share par value) of Central Hudson Gas & Electric Corporation were held by CH Energy Group, Inc.

CENTRAL HUDSON GAS & ELECTRIC CORPORATION MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTIONS (H)(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTIONS (H)(2)(a), (b) AND (c).

FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2010

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 FILING FORMAT

This Quarterly Report on Form 10-Q is a combined quarterly report being filed by two different registrants: CH Energy Group, Inc. (“CH Energy Group”) and Central Hudson Gas & Electric Corporation (“Central Hudson”), a wholly owned subsidiary of CH Energy Group. Except where the content clearly indicates otherwise, any reference in this report to CH Energy Group includes all subsidiaries of CH Energy Group, including Central Hudson. Central Hudson makes no representation as to the information contained in this report in relation to CH Energy Group and its subsidiaries other than Central Hudson.

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PART 1 – FINANCIAL INFORMATION

ITEM 1 – Financial Statements (Unaudited)

CH ENERGY GROUP CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(In Thousands, except per share amounts)

	Three Months Ended March 31,	
	2010	2009
Operating Revenues		
Electric	\$ 145,962	\$ 156,753
Natural gas	69,087	90,123
Competitive business subsidiaries:		
Petroleum products	80,160	68,517
Other	7,433	6,703
Total Operating Revenues	302,642	322,096
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	68,151	91,751
Purchased natural gas	37,648	64,825
Purchased petroleum	62,771	47,889
Other expenses of operation - regulated activities	57,703	46,321
Other expenses of operation - competitive business subsidiaries	14,304	14,940
Depreciation and amortization	9,924	9,366
Taxes, other than income tax	10,853	10,105
Total Operating Expenses	261,354	285,197
Operating Income	41,288	36,899
Other Income and Deductions		
Income from unconsolidated affiliates	234	230
Interest on regulatory assets and investment income	1,127	1,116
Write-off of note receivable	-	(1,299)
Regulatory adjustments for interest costs	(142)	(529)
Business development costs	(303)	(481)
Other - net	(148)	301
Total Other Income (Deductions)	768	(662)
Interest Charges		
Interest on long-term debt	5,609	4,780
Interest on regulatory liabilities and other interest	1,699	1,074
Total Interest Charges	7,308	5,854
Income before income taxes, non-controlling interest and preferred dividends of subsidiary	34,748	30,383
Income Taxes	14,033	11,429
Net Income from Continuing Operations	20,715	18,954
Discontinued Operations		
Income from discontinued operations before tax	-	7,481
Income tax expense from discontinued operations	-	3,104

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Net Income from Discontinued Operations	-	4,377
Net Income	20,715	23,331
Net income (loss) attributable to non-controlling interest:		
Non-controlling interest in subsidiary	35	(32)
Dividends declared on Preferred Stock of subsidiary	242	242
Net income attributable to CH Energy Group	20,438	23,121
Dividends declared on Common Stock	8,539	8,524
Change in Retained Earnings	\$11,899	\$14,597

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF INCOME (UNAUDITED) (CONT'D)

(In Thousands, except per share amounts)

	Three Months Ended March 31,	
	2010	2009
Common Stock:		
Average shares outstanding		
Basic	15,778	15,771
Diluted	15,936	15,828
Income from continuing operations attributable to CH Energy Group common shareholders		
Earnings per share		
Basic	\$1.30	\$1.19
Diluted	\$1.28	\$1.18
Income from discontinued operations		
Earnings per share		
Basic	\$-	\$0.28
Diluted	\$-	\$0.28
Amounts attributable to CH Energy Group common shareholders		
Earnings per share		
Basic	\$1.30	\$1.47
Diluted	\$1.28	\$1.46
Dividends Declared Per Share	\$0.54	\$0.54

The Notes to Financial Statements are an integral part hereof.

Table of ContentsCH ENERGY GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
(In Thousands)

	Three Months Ended March 31,	
	2010	2009
Net Income	\$20,715	\$23,331
Other Comprehensive Income:		
Fair value of cash flow hedges:		
Unrealized gains - net of tax of (\$4) and (\$1)	5	1
Reclassification for gains realized in net income - net of tax of \$24 and \$0	(36)	-
Net unrealized gains recorded from investments held by equity method investees - net of tax of (\$71) and \$0	107	-
Other comprehensive income	76	1
Comprehensive Income	20,791	23,332
Comprehensive income attributable to non-controlling interest	277	210
Comprehensive income attributable to CH Energy Group	\$ 20,514	\$ 23,122

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2010	2009
Operating Activities:		
Net income	\$20,715	\$23,331
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	8,993	8,857
Amortization	931	1,305
Deferred income taxes - net	18,627	(12,932)
Bad debt expense	2,626	5,250
Distributed (undistributed) equity in earnings of unconsolidated affiliates	(197)	370
Pension expense	8,955	3,596
Other post-employment benefits ("OPEB") expense	2,083	2,864
Regulatory liability - rate moderation	(5,473)	-
Revenue decoupling mechanism	(913)	-
Regulatory asset amortization	1,863	1,751
Loss (gain) on sale of assets	15	(38)
Changes in operating assets and liabilities - net of business acquisitions:		
Accounts receivable, unbilled revenues and other receivables	(17,301)	(18,241)
Fuel, materials and supplies	4,096	10,550
Special deposits and prepayments	(2,439)	(5,913)
Prepaid income taxes	(7,732)	-
Accounts payable	(6,111)	(13,558)
Accrued income taxes and interest	431	25,324
Customer advances	(9,592)	(12,860)
Pension plan contribution	(30,138)	(2,632)
OPEB contribution	(525)	-
Regulatory asset - storm deferral	(2,894)	-
Regulatory asset - manufactured gas plant ("MGP") site remediation	(3,576)	(877)
Regulatory asset - PSC tax surcharge and general assessment	(3,960)	-
Deferred natural gas and electric costs	7,993	31,728
Other - net	(485)	3,165
Net cash (used in) provided by operating activities	(14,008)	51,040
Investing Activities:		
Proceeds from sale of assets	33	160
Additions to utility and other property and plant	(12,560)	(23,336)
Other - net	(614)	(5)
Net cash used in investing activities	(13,141)	(23,181)
Financing Activities:		
Redemption of long-term debt	-	(20,000)
Borrowings of short-term debt - net	30,000	9,500
Dividends paid on Preferred Stock of subsidiary	(242)	(242)
Dividends paid on Common Stock	(8,534)	(8,523)

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Other - net	(21)	(111)
Net cash provided by (used in) financing activities	21,203	(19,376)
Net Change in Cash and Cash Equivalents	(5,946)	8,483
Cash and Cash Equivalents at Beginning of Period	73,436	19,825
Cash and Cash Equivalents at End of Period	\$67,490	\$28,308
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$5,463	\$6,434
Federal and state taxes paid	\$14,374	\$465
Additions to plant included in liabilities	\$1,557	\$3,812
Regulatory asset - storm deferral costs in liabilities	\$16,360	\$-

The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED BALANCE SHEET (UNAUDITED)

(In Thousands)

	March 31, 2010	December 31, 2009	March 31, 2009
ASSETS			
Utility Plant			
Electric	\$915,540	\$908,807	\$875,292
Natural gas	282,828	281,139	267,985
Common	140,704	139,754	138,236
	1,339,072	1,329,700	1,281,513
Less: Accumulated depreciation	381,112	375,434	376,168
	957,960	954,266	905,345
Construction work in progress	58,227	58,120	54,833
Net Utility Plant	1,016,187	1,012,386	960,178
Non-Utility Property & Plant			
Griffith non-utility property & plant	28,173	27,951	42,460
Other non-utility property & plant	36,512	37,654	15,736
	64,685	65,605	58,196
Less: Accumulated depreciation - Griffith	19,076	18,619	23,953
Less: Accumulated depreciation - other	3,735	3,333	2,424
Net Non-Utility Property & Plant	41,874	43,653	31,819
Current Assets			
Cash and cash equivalents	67,490	73,436	28,308
Accounts receivable from customers - net of allowance for doubtful accounts of \$7.7 million, \$7.7 million and \$8.8 million, respectively	109,760	94,526	147,253
Accrued unbilled utility revenues	13,163	14,159	11,863
Other receivables	7,049	6,612	7,402
Fuel, materials and supplies	20,745	24,841	26,035
Regulatory assets	77,403	59,993	31,870
Prepaid income tax	9,595	1,863	-
Fair value of derivative instruments	64	741	2
Special deposits and prepayments	23,754	21,290	27,281
Accumulated deferred income tax	2,158	300	20,185
Total Current Assets	331,181	297,761	300,199
Deferred Charges and Other Assets			
Regulatory assets - pension plan	159,509	168,705	194,880
Regulatory assets - OPEB	-	-	1,746
Regulatory assets - other	119,700	83,691	119,005
Goodwill	35,651	35,651	67,455
Other intangible assets - net	14,246	14,813	35,090
Unamortized debt expense	5,017	5,094	5,026
Investments in unconsolidated affiliates	9,057	8,698	9,277

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Other investments	10,901	10,812	7,281
Other	17,169	16,619	14,964
Total Deferred Charges and Other Assets	371,250	344,083	454,724
Total Assets	\$1,760,492	\$1,697,883	\$1,746,920

The Notes to Financial Statements are an integral part hereof.

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

(In Thousands)

	March 31, 2010	December 31, 2009	March 31, 2009
CAPITALIZATION AND LIABILITIES			
Capitalization			
CH Energy Group Common Shareholders' Equity			
Common Stock (30,000,000 shares authorized: \$0.10 par value; 16,862,087 shares issued) 15,813,388 shares, 15,804,562 shares and 15,785,199 shares outstanding, respectively	\$ 1,686	\$ 1,686	\$ 1,686
Paid-in capital	350,178	350,367	350,797
Retained earnings	237,898	225,999	231,231
Treasury stock - 1,048,699 shares, 1,057,525 shares and 1,076,088 shares, respectively	(44,064)	(44,406)	(45,271)
Accumulated other comprehensive income	260	184	56
Capital stock expense	(328)	(328)	(328)
Total CH Energy Group Common Shareholders' Equity	545,630	533,502	538,171
Non-controlling interest in subsidiary	1,420	1,385	1,416
Total Equity	547,050	534,887	539,587
Preferred Stock of subsidiary	21,027	21,027	21,027
Long-term debt	463,898	463,897	413,895
Total Capitalization	1,031,975	1,019,811	974,509
Current Liabilities			
Current maturities of long-term debt	24,000	24,000	-
Notes payable	30,000	-	45,000
Accounts payable	52,755	43,197	38,015
Accrued interest	6,498	6,067	4,650
Dividends payable	8,782	8,777	8,766
Accrued vacation and payroll	7,315	6,192	7,060
Customer advances	12,858	22,450	17,582
Customer deposits	8,526	8,579	8,389
Regulatory liabilities	19,969	29,974	7,880
Fair value of derivative instruments	36,789	13,837	20,516
Accrued environmental remediation costs	12,606	17,399	5,780
Accrued income taxes	-	-	27,014
Deferred revenues	3,895	4,725	6,919
Other	13,807	17,814	30,820
Total Current Liabilities	237,800	203,011	228,391
Deferred Credits and Other Liabilities			
Regulatory liabilities - OPEB	3,205	1,521	-
Regulatory liabilities - other	107,897	91,457	131,284
Operating reserves	4,397	4,756	4,650
Accrued environmental remediation costs	6,898	6,375	22,251
Accrued OPEB costs	46,778	46,241	53,809
Accrued pension costs	124,845	152,383	162,494
Other	14,326	14,245	11,834
Total Deferred Credits and Other Liabilities	308,346	316,978	386,322
Accumulated Deferred Income Tax	182,371	158,083	157,698

Commitments and Contingencies

Total Capitalization and Liabilities	\$1,760,492	\$1,697,883	\$1,746,920
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The Notes to Financial Statements are an integral part hereof.

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CH ENERGY GROUP CONSOLIDATED STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share and per share amounts)

	CH Energy Group Common Shareholders									
	Common Stock \$0.10 par value; 30,000,000 shares authorized			Treasury Stock			Paid-In Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income	
	Shares Issued	Amount	Shares Repurchased	Amount	Capital	Retained			/Non-controlling (Loss)	Interest
Balance at January 1, 2009	16,862,087	\$ 1,686	(1,079,004)	\$(45,386)	\$350,873	\$(328)	\$216,634	\$55	\$ 1,448	\$
Comprehensive income:										
Net income							23,121		(32)	
Change in fair value:										
Derivative instruments									1	
Dividends declared on common stock (\$2.16 per share)							(8,524)			
Treasury shares activity - net			2,116	115	(76)					
Balance at March 31, 2009	16,862,087	\$ 1,686	(1,076,888)	\$(45,271)	\$350,797	\$(328)	\$231,231	\$56	\$ 1,416	\$
Balance at January 1, 2010	16,862,087	\$ 1,686	(1,057,525)	\$(44,406)	\$350,367	\$(328)	\$225,999	\$184	\$ 1,385	\$
Comprehensive income:										
Net income							20,438		35	
Change in fair value:										
Derivative instruments									5	
Investments									(36)	
Reclassification adjustments for losses recognized in net income									107	
Dividends declared on common stock (\$2.16 per share)							(8,539)			
Treasury shares activity - net			8,826	342	(189)					
Balance at March 31, 2010	16,862,087	\$ 1,686	(1,048,699)	\$(44,064)	\$350,178	\$(328)	\$237,898	\$260	\$ 1,420	\$

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2010	2009
Operating Revenues		
Electric	\$ 145,962	\$ 156,753
Natural gas	69,087	90,123
Total Operating Revenues	215,049	246,876
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	66,874	90,523
Purchased natural gas	37,648	64,825
Other expenses of operation	57,703	46,321
Depreciation and amortization	8,414	8,009
Taxes, other than income tax	10,651	9,967
Total Operating Expenses	181,290	219,645
Operating Income	33,759	27,231
Other Income and Deductions		
Interest on regulatory assets and other interest income	1,125	746
Other - net	(181)	169
Regulatory adjustments for interest costs	(142)	(529)
Total Other Income	802	386
Interest Charges		
Interest on other long-term debt	4,773	4,780
Interest on regulatory liabilities and other interest	1,663	1,438
Total Interest Charges	6,436	6,218
Income Before Income Taxes	28,125	21,399
Income Taxes	11,480	8,806
Net Income	16,645	12,593
Dividends Declared on Cumulative Preferred Stock	242	242
Income Available for Common Stock	\$ 16,403	\$ 12,351

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2010	2009
Net Income	\$ 16,645	\$ 12,593
Other Comprehensive Income	-	-
Comprehensive Income	\$ 16,645	\$ 12,593

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF CASH FLOWS (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2010	2009
Operating Activities:		
Net income	\$ 16,645	\$ 12,593
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	8,050	7,743
Amortization	364	266
Deferred income taxes - net	17,532	(13,344)
Bad debt expense	2,389	2,885
Pension expense	8,955	3,596
OPEB expense	2,083	2,864
Regulatory liability - rate moderation	(5,473)	-
Revenue decoupling mechanism	(913)	-
Regulatory asset amortization	1,863	1,751
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	(10,418)	(17,834)
Fuel, materials and supplies	3,977	11,491
Special deposits and prepayments	(1,468)	(4,273)
Prepaid income taxes	(6,188)	-
Accounts payable	(3,012)	(12,178)
Accrued income taxes and interest	(405)	21,475
Customer advances	(6,454)	(5,419)
Pension plan contribution	(30,138)	(2,632)
OPEB contribution	(525)	-
Regulatory asset - storm deferral	(2,894)	-
Regulatory asset - MGP site remediation	(3,576)	(877)
Regulatory asset - PSC tax surcharge and general assessment	(3,960)	-
Deferred natural gas and electric costs	7,993	31,728
Other - net	4,062	2,382
Net cash (used in) provided by operating activities	(1,511)	42,217
Investing Activities:		
Additions to utility plant	(12,760)	(22,699)
Other - net	(627)	(79)
Net cash used in investing activities	(13,387)	(22,778)
Financing Activities:		
Redemption of long-term debt	-	(20,000)
Borrowings of short-term debt - net	30,000	14,500
Dividends paid on cumulative Preferred Stock	(242)	(242)
Other - net	(21)	(112)
Net cash provided by (used in) financing activities	29,737	(5,854)
Net Change in Cash and Cash Equivalents	14,839	13,585

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Cash and Cash Equivalents - Beginning of Period	4,784	2,455
Cash and Cash Equivalents - End of Period	\$19,623	\$16,040

Supplemental Disclosure of Cash Flow Information:

Interest paid	\$5,432	\$6,365
Federal and state taxes paid	\$8,910	\$-
Additions to plant included in liabilities	\$1,529	\$3,812
Regulatory asset - storm deferral costs in liabilities	\$16,360	\$-

The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON BALANCE SHEET (UNAUDITED)

(In Thousands)

	March 31, 2010	December 31, 2009	March 31, 2009
ASSETS			
Utility Plant			
Electric	\$915,540	\$908,807	\$875,292
Natural gas	282,828	281,139	267,985
Common	140,704	139,754	138,236
	1,339,072	1,329,700	1,281,513
Less: Accumulated depreciation	381,112	375,434	376,168
	957,960	954,266	905,345
Construction work in progress	58,227	58,120	54,833
Net Utility Plant	1,016,187	1,012,386	960,178
Non-Utility Property and Plant	681	681	438
Less: Accumulated depreciation	33	33	33
Net Non-Utility Property and Plant	648	648	405
Current Assets			
Cash and cash equivalents	19,623	4,784	16,040
Accounts receivable from customers - net of allowance for doubtful accounts of \$5.9 million, \$5.8 million and \$4.5 million, respectively	77,113	68,328	102,058
Accrued unbilled utility revenues	13,163	14,159	11,863
Other receivables	3,265	3,025	2,414
Fuel, materials and supplies - at average cost	17,328	21,305	19,624
Regulatory assets	77,403	59,993	31,870
Prepaid income tax	16,894	10,706	-
Fair value of derivative instruments	-	393	-
Special deposits and prepayments	19,797	18,304	22,870
Accumulated deferred income tax	-	-	17,350
Total Current Assets	244,586	200,997	224,089
Deferred Charges and Other Assets			
Regulatory assets - pension plan	159,509	168,705	194,880
Regulatory assets - OPEB	-	-	1,746
Regulatory assets - other	119,700	83,691	119,005
Unamortized debt expense	5,017	5,094	5,026
Other investments	10,622	10,543	7,173
Other	4,064	3,536	2,398
Total Deferred Charges and Other Assets	298,912	271,569	330,228
Total Assets	\$1,560,333	\$1,485,600	\$1,514,900

The Notes to Financial Statements are an integral part hereof.

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

(In Thousands)

	March 31, 2010	December 31, 2009	March 31, 2009
CAPITALIZATION AND LIABILITIES			
Capitalization			
Common Stock, 30,000,000 shares authorized; 16,862,087 shares issued and outstanding, \$5 par value	\$84,311	\$84,311	\$84,311
Paid-in capital	199,980	199,980	174,980
Retained earnings	167,153	150,750	131,295
Capital stock expense	(4,961)	(4,961)	(4,961)
Total Equity	446,483	430,080	385,625
Cumulative Preferred Stock not subject to mandatory redemption	21,027	21,027	21,027
Long-term debt	413,898	413,897	413,895
Total Capitalization	881,408	865,004	820,547
Current Liabilities			
Current maturities of long-term debt	24,000	24,000	-
Notes payable	30,000	-	40,000
Accounts payable	45,314	32,069	29,484
Accrued interest	5,232	5,637	4,644
Dividends payable - Preferred Stock	242	242	242
Accrued vacation and payroll	5,751	5,046	4,672
Customer advances	8,548	15,002	4,155
Customer deposits	8,451	8,504	8,269
Regulatory liabilities	19,969	29,974	7,880
Fair value of derivative instruments	36,739	13,553	20,516
Accrued environmental remediation costs	12,334	16,982	5,609
Accrued income taxes	-	-	22,812
Accumulated deferred income tax	156	1,883	-
Other	8,977	8,761	21,328
Total Current Liabilities	205,713	161,653	169,611
Deferred Credits and Other Liabilities			
Regulatory liabilities - OPEB	3,205	1,521	-
Regulatory liabilities - other	107,897	91,457	131,284
Operating reserves	3,164	3,503	3,594
Accrued environmental remediation costs	3,652	3,248	21,084
Accrued OPEB costs	46,778	46,241	53,809
Accrued pension costs	124,845	152,383	162,494
Other	13,566	13,495	11,243
Total Deferred Credits and Other Liabilities	303,107	311,848	383,508
Accumulated Deferred Income Tax	170,105	147,095	141,234

Commitments and Contingencies

Total Capitalization and Liabilities	\$ 1,560,333	\$ 1,485,600	\$ 1,514,900
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The Notes to Financial Statements are an integral part hereof.

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CENTRAL HUDSON STATEMENT OF EQUITY (UNAUDITED)

(In Thousands, except share and per share amounts)

	Central Hudson Common Shareholders					Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Total Equity
	Common Stock \$5.00 par value; 30,000,000 shares authorized	Treasury Stock	Shares Issued	Shares Repurchased	Paid-In Capital				
Balance at January 1, 2009	16,862,087	\$84,311	-	\$-	\$174,980	\$(4,961)	\$118,944	\$-	\$373,274
Net income							12,593		12,593
Dividends declared:									
On cumulative Preferred Stock							(242)		(242)
Balance at March 31, 2009	16,862,087	\$84,311	-	\$-	\$174,980	\$(4,961)	\$131,295	\$-	\$385,625
Balance at January 1, 2010	16,862,087	\$84,311	-	\$-	\$199,980	\$(4,961)	\$150,750	\$-	\$430,080
Net income							16,645		16,645
Dividends declared:									
On cumulative Preferred Stock							(242)		(242)
Balance at March 31, 2010	16,862,087	\$84,311	-	\$-	\$199,980	\$(4,961)	\$167,153	\$-	\$446,483

The Notes to Financial Statements are an integral part hereof.

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 – Summary of Significant Accounting Policies

Basis of Presentation

This Quarterly Report on Form 10-Q is a combined report of CH Energy Group, Inc. (“CH Energy Group”) and its regulated electric and natural gas subsidiary, Central Hudson Gas & Electric Corporation (“Central Hudson”). The Notes to the Consolidated Financial Statements apply to both CH Energy Group and Central Hudson. CH Energy Group’s Consolidated Financial Statements include the accounts of CH Energy Group and its wholly owned subsidiaries, which include Central Hudson and CH Energy Group’s non-utility subsidiary, Central Hudson Enterprises Corporation (“CHEC”). Operating results of CHEC include its wholly owned subsidiaries, Griffith Energy Services, Inc. (“Griffith”), CH-Auburn Energy, LLC (“CH-Auburn”), CH-Greentree, LLC (“CH-Greentree”), CH Shirley Wind, LLC (“CH Shirley”) and CH-Lyonsdale, LLC (“CH-Lyonsdale”), and its majority owned subsidiaries Lyonsdale Biomass, LLC (“Lyonsdale”) and Shirley Wind (Delaware), LLC (“Shirley Delaware”). The non-controlling interest shown on CH Energy Group’s Consolidated Financial Statements represents the minority owner’s proportionate share of the income and equity of Lyonsdale and Shirley Delaware. Inter-company balances and transactions have been eliminated in consolidation.

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

Unaudited Financial Statements

The accompanying Consolidated Financial Statements of CH Energy Group and Financial Statements of Central Hudson are unaudited but, in the opinion of Management, reflect adjustments (which include normal recurring adjustments) necessary for a fair statement of the results for the interim periods presented. These unaudited quarterly Financial Statements do not contain all footnote disclosures concerning accounting policies and other matters which would be included in annual Financial Statements and, accordingly, should be read in conjunction with the audited Financial Statements (including the Notes thereto) included in the combined CH Energy Group/Central Hudson Annual Report on Form 10-K for the year ended December 31, 2009 (the “Corporations’ 10-K Annual Report”).

CH Energy Group’s and Central Hudson’s balance sheet as of March 31, 2009 is not required to be included in this Quarterly Report on Form 10-Q; however, this balance sheet is included for supplemental analysis purposes.

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Reclassification

On December 11, 2009, Griffith divested its operations in certain geographic locations. CH Energy Group has reported the prior period results of these operations in the discontinued operations section of CH Energy Group's Consolidated Statement of Income. For more information, see Note 5 – "Acquisitions, Divestitures and Investments."

Certain amounts in the 2009 Financial Statements have been reclassified to conform to the 2010 presentation.

Consolidation

CH Energy Group and its subsidiaries do not have any interests in special purpose entities and do not have material affiliations with any variable interest entities which were not consolidated.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows and the Balance Sheet, CH Energy Group and Central Hudson consider temporary cash investments with a maturity (when purchased) of three months or less, to be cash equivalents.

Revenue Recognition

CH Energy Group's deferred revenue balances as of March 31, 2010, December 31, 2009 and March 31, 2009 were \$3.9 million, \$4.7 million and \$6.9 million, respectively. The deferred revenue balance will be recognized in competitive business subsidiaries' operating revenues over the 12-month term of the respective customer contract.

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

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Fuel, Materials and Supplies

Fuel, materials and supplies for CH Energy Group are valued using the following accounting methods:

Company	Valuation Method
Central Hudson	Average cost
Griffith and CH-Auburn	FIFO
Lyonsdale	Weighted average cost

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

CH Energy Group

	March 31, 2010	December 31, 2009	March 31, 2009
Natural gas	\$7,414	\$12,020	\$11,016
Petroleum products and propane	2,111	2,583	2,696
Fuel used in electric generation	798	480	720
Materials and supplies	10,422	9,758	11,603
Total	\$20,745	\$24,841	\$26,035

Central Hudson

	March 31, 2010	December 31, 2009	March 31, 2009
Natural gas	\$7,414	\$12,020	\$11,016
Petroleum products and propane	525	547	531
Fuel used in electric generation	293	308	334
Materials and supplies	9,096	8,430	7,743
Total	\$17,328	\$21,305	\$19,624

Depreciation and Amortization

For financial statement purposes, Central Hudson's depreciation provisions are computed on the straight-line method using rates based on studies of the estimated useful lives and estimated net salvage value of properties. The anticipated costs of removing assets upon retirement are provided for over the life of those assets as a component of depreciation expense. This depreciation method is consistent with industry practice and the applicable depreciation rates have been approved by the PSC.

Current accounting guidance related to asset retirements precludes the recognition of expected future retirement obligations as a component of depreciation expense or accumulated depreciation. Central Hudson, however, is required to use depreciation methods and rates approved by the PSC under regulatory accounting. In accordance with current accounting guidance for regulated operations, Central Hudson continues to accrue for the future cost of removal for its rate-regulated natural gas and electric utility assets. In accordance with current accounting guidance related to asset retirements, Central Hudson has classified \$46.5 million, \$47.0 million, and \$48.2 million of net cost

of removal as regulatory liabilities as of March 31, 2010, December 31, 2009, and March 31, 2009, respectively.

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For financial statement purposes, Griffith's, Lyonsdale's, CH-Auburn's and CH-Greentree's depreciation provisions are computed on the straight-line method using depreciation rates based on the estimated useful lives of depreciable property and equipment. Expenditures for major renewals and betterments, which extend the useful lives of property and equipment, are capitalized. Expenditures for maintenance and repairs are charged to expense when incurred.

Amortization of intangibles (other than goodwill) is computed on the straight-line method over the assets' expected useful lives. See Note 6 - "Goodwill and Other Intangible Assets" for further discussion.

Equity-Based Compensation

CH Energy Group has an equity-based employee compensation plan that is described in Note 11 - "Equity-Based Compensation."

Earnings Per Share

In the calculation of earnings per share (basic and diluted) of CH Energy Group's Common Stock earnings for CH Energy Group are reduced by the preferred stock dividends of Central Hudson. The average dilutive effect of CH Energy Group's stock options, performance shares and restricted shares was 158,461 shares and 56,878 shares for the three months ended March 31, 2010 and 2009, respectively. Certain stock options are excluded from the calculation of diluted earnings per share because the exercise prices of those options were greater than the average market price per share of Common Stock for some of the periods presented. Excluded from the calculation were options for 35,980 shares for the three months ended March 31, 2010, and 18,420 shares for the three months ended March 31, 2009. For additional information regarding stock options, performance shares and restricted shares, see Note 11 - "Equity-Based Compensation."

Parental Guarantees

CH Energy Group and CHEC have issued guarantees in conjunction with certain commodity, derivative and construction contracts that provide financial or performance assurance to third parties on behalf of a subsidiary. The guarantees are entered into primarily to support or enhance the creditworthiness otherwise attributed to a subsidiary on a stand-alone basis, thereby facilitating the extension of sufficient credit to accomplish the relevant subsidiary's intended commercial purposes.

The guarantees described above have been issued to counterparties to assure the payment, when due, of certain obligations incurred by CH Energy Group subsidiaries in physical and financial transactions related to heating oil, propane, other petroleum products, weather and commodity hedges and to secure payment under certain equipment supply and construction agreements. The maximum potential amount of future payments under these guarantees is \$62.5 million, of which \$29.5 million relate to equipment supply and construction agreements. At March 31, 2010, the total liability outstanding under these guarantees consists of \$3.2 million in commodity-related contracts. These liabilities are included in CH Energy Group's Consolidated Balance Sheet. There is no liability outstanding at March 31, 2010 related to equipment supply and construction agreements. Management is not aware of any condition that would indicate the subsidiaries would not be able to fulfill their obligations in regards to these outstanding liabilities and require payment under the guarantee.

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Product Warranties

Griffith offers a multi-year warranty on heating system installations and has recorded liabilities for the estimated costs of fulfilling its obligations under these warranties. CH Energy Group's approximate aggregate potential liability for product warranties at March 31, 2010, December 31, 2009 and March 31, 2009 was not material. CH Energy Group's liability for these product warranties were determined by accruing the present value of future estimated warranty expense based on the number and type of contracts outstanding and historical costs for these contracts.

Common Stock Dividends

CH Energy Group's ability to pay dividends may be affected by the ability of its subsidiaries to pay dividends. The Federal Power Act limits the payment of dividends by Central Hudson to its retained earnings. More restrictive is the PSC's limit on the dividends Central Hudson may pay to CH Energy Group which is 100% of the average annual income available for common stock, calculated on a two-year rolling average basis. Based on this calculation as of March 31, 2010, Central Hudson would be able to pay a maximum of \$31.5 million in dividends to CH Energy Group without violating the restrictions 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. Central Hudson's current senior unsecured debt rating/outlook is 'A'/stable by both Standard & Poor's Rating Services ("Standard & Poor's") and Fitch Ratings and 'A3'/negative by Moody's Investors Service ("Moody's").¹ CH Energy Group's other subsidiaries do not have express restrictions on their ability to pay dividends.

On March 31, 2010, the Board of Directors of CH Energy Group declared a quarterly dividend of \$0.54 per share, payable May 3, 2010, to shareholders of record as of April 12, 2010.

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

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NOTE 2 – Regulatory Matters

Summary of Regulatory Assets and Liabilities

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

	March 31, 2010	December 31, 2009	March 31, 2009
Regulatory Assets (Debits):			
Current:			
Deferred purchased electric and natural gas costs	\$19,617	\$27,610	\$10,203
Deferred unrealized losses on derivatives	36,739	13,161	20,515
PSC tax surcharge	15,297	11,186	-
Revenue decoupling mechanism ("RDM")	4,698	5,121	-
Residual natural gas deferred balances	962	2,825	1,061
Other	90	90	91
	77,403	59,993	31,870
Long-term:			
Deferred pension costs	159,509	168,705	(1) 194,880
Carrying charges - pension reserve	2,160	1,297	(1) 11,622
Deferred costs - MGP site remediation	16,790	20,530	(1) 31,854
Deferred OPEB costs	-	-	(1) 1,746
Deferred debt expense on re-acquired debt	4,748	4,874	5,294
Deferred Medicare subsidy taxes	6,314	-	-
Residual natural gas deferred balances	17,631	17,583	22,903
Income taxes recoverable through future rates	41,781	28,658	33,273
Uncollectible deferral and carrying charges	3,369	3,360	-
Storm costs	19,253	-	(1) 3,375
Other	7,654	7,389	(1) 10,684
	279,209	252,396	315,631
Total Regulatory Assets	\$356,612	\$312,389	\$347,501
Regulatory Liabilities (Credits):			
Current:			
Excess electric depreciation reserve	\$10,114	\$19,296	\$-
Income taxes refundable through future rates	6,037	5,456	4,565
Deferred unbilled gas revenues	3,818	5,222	3,315
	19,969	29,974	7,880
Long-term:			
Customer benefit fund	3,740	3,792	4,260
Deferred cost of removal	46,480	46,955	48,242
Excess electric depreciation reserve	13,583	12,965	32,309
Income taxes refundable through future rates	33,716	18,611	22,028
Deferred OPEB costs	3,205	1,521	(1) -
Carrying charges - OPEB reserve	2,239	1,469	(1) 6,476
Other	8,139	7,665	(1) 17,969
	111,102	92,978	131,284
Total Regulatory Liabilities	\$131,071	\$122,952	\$139,164

Net Regulatory Assets	\$225,541	\$189,437	\$208,337
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(1) Effective July 1, 2009, Central Hudson offset all or a portion of certain regulatory assets and liabilities, including full offset of the June 30, 2009 balances for Carrying charges - OPEB reserve, Carrying charges - pension reserve and December 2008 Storm costs in accordance with the PSC prescribed 2009 Rate Order ("2009 Rate Order").

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The significant new regulatory assets and liabilities include:

Storm Costs: In late February 2010, Central Hudson's service territory experienced two significant snow storms disrupting service to approximately 210,000 customers. Management believes that the restoration costs incurred of approximately \$19.3 million are probable of future recovery in rates.

Deferred Medicare Subsidy Taxes: The Patient Protection and Affordable Care Act signed into law on March 23, 2010, contains a provision which changes the tax treatment related to the Retiree Drug Subsidy benefit under the Medicare Prescription Drug, Improvement and Modernization Act (under Medicare Part D). This change reduces the employer's deduction for the costs of health care for retirees by the amount of Retiree Drug Subsidy payments received. As a result, the deductible temporary difference and any related deferred tax asset associated with the benefit plan were reduced. Under the PSC policy regarding Medicare Act Effects, cost savings and income tax effects related to the Medicare Prescription Drug, Improvement and Modernization Act are deferred for future recovery from or refund to customers resulting in a new regulatory asset of \$6.3 million for the reduction in deferred taxes.

2009 Rate Order

Since July 1, 2009, Central Hudson has operated under the terms of the 2009 Rate Order, which provides for the following:

- Electric delivery increase of \$39.6 million moderated by a \$20.0 million customer bill credit from the excess depreciation reserve.
 - Natural gas delivery increase of \$13.8 million.
 - Delivery rates based on a return on common equity of 10.0%.
 - Common equity layer of 47% of permanent capital.
 - RDM for both electric and gas delivery service.
- Continued funding for the full recovery of the Company's current pension and OPEB costs and continues deferral authorization for pensions, OPEBs, research and development costs, stray voltage testing, MGP site remediation expenditures and electric and gas supply cost recovery and variable rate debt.
- New deferral authorizations for: fixed debt costs; the costs to bring electric lines into compliance with current height above ground requirements; and the New York State Temporary Assessment.
- Continuation, with minor modifications, of the Company's Electric Reliability, Gas Safety and Customer Service performance mechanisms.
- Recovery through offset against a deferred liability account (non-cash) of the \$3.3 million in incremental storm restoration costs incurred from the December 2008 ice storm.

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NOTE 3 - New Accounting Guidance

Newly adopted and soon to be adopted accounting guidance is summarized below, and explanations of the underlying information for all guidance (except that which is not currently applicable) that is expected to have a material impact on CH Energy Group and its subsidiaries follow the chart.

Impact	Category	Accounting Reference	Title	Issued Date	Effective Date
1	Fair Value Measurements and Disclosures (Topic 820)	ASU No. 2010-06	Improving Disclosures about Fair Value Measurements	Jan-10	Jan-10 Jan-11
2	Variable Interest Entities	SFAS No. 167	Amendments to ASC 810-10-25-38	Jun-09	Jan-10
2	Subsequent Events (Topic 820)	ASU No. 2010-09	Amendments to Certain Recognition and Disclosure Requirements	Feb-10	Feb-10
2	Compensation - Stock Compensation (Topic 718)	ASU No. 2010-05	Escrowed Share Arrangements and the Presumption of Compensation	Jan-10	Jan-10
3	Derivatives and Hedging (Topic 815)	ASU No. 2010-11	Scope Exception Related to Embedded Credit Derivatives	Mar-10	Jul-10

Impact Key:

- (1) In the following paragraph, the impact is separately disclosed as of standard effective date.
- (2) No current impact on the financial condition, results of operations and cash flows of CH Energy Group and its subsidiaries when adopted on the effective date noted.
- (3) No anticipated impact on the financial condition, results of operations and cash flows of CH Energy Group and its subsidiaries upon future adoption.

ASU No. 2010-06 requires additional disclosure regarding both transfers into and out of Level 1 and 2 of the fair value hierarchy, as well as measurement inputs and techniques. See Note 15 – “Fair Value Measurements” for implementation of ASU No. 2010-06. ASU No. 2010-06 also modifies, from a net basis to a gross basis, the presentation of purchases, sales, issuances and settlements in the disclosure of activity in Level 3 of the fair value hierarchy. This modification is effective January 1, 2011 for CH Energy Group and its subsidiaries, but is not expected to have a material impact.

NOTE 4 – Income Tax

As there are no uncertain tax positions, no interest or penalties have been recorded in the financial statements. If CH Energy Group and its subsidiaries incur any interest or penalties on underpayment of income taxes, the amounts would be included on the line “Other liabilities” on the Consolidated Balance Sheet and on the line “Other – net” on the Consolidated Statement of Income. CH Energy Group and its subsidiaries file a consolidated Federal and New York State income tax return, which represents the major tax jurisdictions of CH Energy Group. The statute of limitations for federal tax year 2006 is still open for audit; tax years 2007 and 2008 are currently under audit. The New York State income tax return is currently open for audit for tax years 2006 through 2008.

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Reconciliation - CH Energy Group

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

	Three Months Ended			
	March 31,			
	2010	2009		
Net income attributable to CH Energy Group	\$20,438	\$23,121		
Preferred Stock dividends of Central Hudson	242	242		
Non-controlling interest in subsidiary	35	(32))	
Federal income tax	(3,868)	23,801)	
State income tax	(725)	4,079)	
Deferred federal income tax	16,298	(11,804))	
Deferred state income tax	2,328	(1,543))	
Income before taxes	\$34,748	\$37,864		
Computed federal tax at 35% statutory rate	\$12,162	\$13,252		
State income tax net of federal tax benefit	1,774	1,086		
Depreciation flow-through	666	772		
Cost of Removal	(366)	(312))	
Production tax credits	(61)	(323))	
Other	(142)	58)	
Total income tax	\$14,033	\$14,533		
Effective tax rate - federal	35.8	31.7	%	%
Effective tax rate - state	4.6	6.7	%	%
Effective tax rate - combined	40.4	38.4	%	%

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Reconciliation - Central Hudson

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

	Three Months Ended			
	March 31,			
	2010	2009		
Net income	\$16,645	\$12,593		
Federal income tax	(5,101)	18,247		
State income tax	(950)	3,902		
Deferred federal income tax	15,441	(11,801)		
Deferred state income tax	2,090	(1,542)		
Income before taxes	\$28,125	\$21,399		
Computed federal tax at 35% statutory rate	\$9,844	\$7,490		
State income tax net of federal tax benefit	1,472	994		
Depreciation flow-through	666	772		
Cost of Removal	(366)	(312)		
Other	(136)	(138)		
Total income tax	\$11,480	\$8,806		
Effective tax rate - federal	36.7	%	30.1	%
Effective tax rate - state	4.1	%	11.1	%
Effective tax rate - combined	40.8	%	41.2	%

NOTE 5 – Acquisitions, Divestitures and Investments

Acquisitions

During the three months ended March 31, 2010, CH Energy Group made no acquisitions.

Divestitures

On December 11, 2009, Griffith divested operations in certain geographic locations, which serviced approximately 45,000 customers. This divestiture followed an approximate year-long strategic review and is expected to reduce the volatility of both earnings and cash flow of CH Energy Group. At closing, Griffith received approximately \$74.4 million, which resulted in a pre-tax gain of \$10.8 million. The assets sold include intangible assets of \$39.2 million, accounts receivable of \$11.5 million, net fixed assets of \$8.4 million, inventory of \$2.6 million, and other current assets of \$0.5 million in addition to another \$3.6 million in notes receivable sold. The liabilities totaled \$16.3 million. As a result of the expected sale, Griffith ceased depreciation and amortization of its assets held for sale on November 4, 2009. This resulted in a reduction of depreciation and amortization in 2009 of approximately \$0.6 million. In accordance with current accounting guidance related to goodwill, when a portion of a reporting unit that constitutes a business is disposed of, goodwill associated with that business shall be included in the carrying amount of the business in determining the gain or loss on disposal. As a result of the favorable sales price of the divested assets, the goodwill allocation that was required upon the sale of the Griffith holdings, resulted in \$10 million of goodwill (in addition to the goodwill recorded when the divested assets were purchased) being removed from the balance sheet and included in the calculation of the gain on the sale. For additional information regarding goodwill, see Note 6 - "Goodwill and Other Intangible Assets."

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The results of operations for 2009 reflect activity only through the closing date of the sale of December 11, 2009. The table below summarizes financial results of the discontinued operations (In Thousands):

	Three Months Ended March 31,	
	2010	2009
Revenues from discontinued operations	\$-	\$56,377
Income from discontinued operations before tax	-	7,481
Income tax expense from discontinued operations	-	3,104

Investments

CHEC's current investments at March 31, 2010 include the following:

CHEC Investment	Description
Griffith Energy Services	100% controlling interest in a fuel distribution business
Lyonsdale	75% controlling interest in a wood-fired biomass electric generating plant
CH-Greentree	100% equity interest in a molecular gate used to remove nitrogen from landfill gas
CH-Auburn	100% equity interest in an electric generating plant that utilizes landfill gas to produce electricity
Cornhusker Holdings	12% equity interest plus subordinated debt investment in an operating corn-ethanol plant
CH-Community Wind	50% equity interest in a joint venture that owns 18% interest in an operating wind project
CH Shirley	100% ownership of CH Shirley, which owns 90% controlling interest in a wind project in construction
Other	Other renewable energy projects and partnerships and an energy sector venture capital fund

CHEC holds a 12% interest in preferred equity units plus subordinated notes issued by Cornhusker Holdings. Cornhusker Holdings is the owner of Cornhusker Energy Lexington, LLC ("CEL"), a corn-ethanol production facility located in Nebraska that began operation as of the end of January 2006. This investment is accounted for under the equity method. As of March 31, 2010, CHEC's total investment in Cornhusker consisted of subordinated notes totaling \$10.2 million, including interest, and an equity investment of \$2.0 million. In response to the continuation of lower than expected margins, Management stopped accruing interest income on the subordinated debt in the third quarter of 2009, and will record such interest only when paid. The recoverability of the Company's total investment in Cornhusker Holdings is predicated on CEL achieving sufficient positive cash flow to repay the notes. If CEL does not achieve sufficient positive cash flow, the investment and notes may become impaired. CEL was obligated as part of its senior note agreement to complete expansion of plant capacity and output from 40 million gallons per year to 57.5 million gallons per year by December 31, 2009. Expansion of the plant's capacity was substantially complete by that date. The output testing achieved the capacity required for a 24-hour period, but it was unable to be sustained for the full 72-hour timeframe required. Management believes additional equipment upgrades and adjustments would be necessary to achieve this requirement. A waiver was obtained from the senior lender in the second quarter of 2010 allowing the plant to operate at its current capacity without requiring that any further expansion be undertaken. The waiver will become effective upon the senior lender drawing on a letter of credit that has been made available by the majority owner of Cornhusker Holdings, which is expected to occur in May 2010. CEL is current on all payments of principal and interest due under the senior note agreement and is in compliance with all other terms of the senior note agreement. Cornhusker Management believes CHEC's investment in Cornhusker Holdings is not impaired as of March 31, 2010 based on Management's intent and ability to hold the investments until fully recovered as well as an analysis of forecasted cash flows.

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In the fourth quarter of 2007, CHEC's subsidiary, CH-Auburn entered into a 15-year Energy Services Agreement ("ESA") to supply the City of Auburn, NY (the "City") with a portion of its electricity needs by constructing and operating a 3-megawatt electric generating plant in the City that will burn gas derived from a landfill to generate renewable power. The project uses methane gas generated by the City landfill and natural gas to produce electricity, which is sold to the City. The project began operation in January 2010 and was declared commercial on February 11, 2010, commencing the 15-year ESA. As of March 31, 2010, CH-Auburn had incurred approximately \$4.1 million of design and construction costs related to this investment, net of a \$1.9 million grant received from the City.

During 2009, CH Shirley, a wholly owned subsidiary of CHEC, agreed to invest approximately \$50 million for a 90% controlling interest in a 20-megawatt wind farm facility in Wisconsin. This project carries a 20-year power purchase agreement contract at pre-determined electric prices with Wisconsin Public Service Corporation for the electric output of the wind farm's eight wind turbines. Construction began at the end of the first quarter 2010 and is expected to be completed in the fourth quarter of 2010, primarily under fixed price contracts with the wind turbine manufacturer for the supply and installation of the wind turbines and towers and with the entity performing the balance of plant engineering, procurement and construction for the project. As of March 31, 2010, CH Shirley had invested approximately \$13.8 million, which is included in the line "Other non-utility property & plant" on the CH Energy Group Consolidated Balance Sheet.

NOTE 6 – Goodwill and Other Intangible Assets

Intangible assets include separate, identifiable, intangible assets such as customer relationships, trademarks, and covenants not to compete. Intangible assets with finite lives are amortized over their useful lives. The estimated useful life for customer relationships is 15 years, which is believed to be appropriate in view of average historical customer attrition. The useful lives of trademarks were estimated to range from 10 to 15 years based upon Management's assessment of several variables such as brand recognition, Management's expected use of the trademark, and other factors that may have affected the duration of the trademark's life. The useful life of a covenant not to compete is based on the expiration date of the covenant, generally between three and ten years. Amortization expense was \$0.6 million and \$1.0 million for the three months ended March 31, 2010 and 2009, respectively. The estimated annual amortization expense for each of the next five years, assuming no new acquisitions, is approximately \$2.2 million. The weighted average amortization period for all amortizable intangible assets is 15 years.

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The weighted average amortization periods for customer relationships and covenants not to compete are 15 years and 5 years, respectively. In December 2009, Griffith sold the rights to all of its trademarks as part of the sale of select operations discussed further below.

On December 11, 2009, CH Energy Group divested operations of Griffith in certain geographic locations. In connection with this sale, Griffith transferred certain amortizable intangible assets associated with these operations. The following chart reflects reductions recorded to the cost and accumulated amortization balances of the intangible assets (other than goodwill) as a result of the sale (In Thousands):

	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$21,420	\$ 6,850	\$14,570
Trademarks	2,956	624	2,332
Covenants not to compete	1,505	1,097	408
Total	\$25,881	\$ 8,571	\$17,310

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

	March 31, 2010		December 31, 2009		March 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer relationships	\$33,745	\$ 19,519	\$33,745	\$ 18,957	\$55,171	\$ 23,168
Trademarks	-	-	-	-	2,956	423
Covenants not to compete	100	80	100	75	1,605	1,051
Total Amortizable Intangibles	\$33,845	\$ 19,599	\$33,845	\$ 19,032	\$59,732	\$ 24,642

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The chart below provides a roll forward of goodwill balances of CH Energy Group (In Thousands):

	Three Months Ended March 31, 2010	Year Ended December 31, 2009	Three Months Ended March 31, 2009
Balance at Beginning of Period	\$35,651	\$67,455	\$67,455
Divestitures	-	(31,804) ⁽¹⁾	-
Balance at End of Period	\$35,651	\$35,651	\$67,455

(1) Includes \$10 million in goodwill in addition to the goodwill recorded when the divested assets were purchased.

NOTE 7 – Short-Term Borrowing Arrangements

Revolving Credit Facilities

CH Energy Group maintains a \$150 million revolving credit facility with several commercial banks to provide committed liquidity. This facility expires in February 2013. As of March 31, 2010, December 31, 2009 and March 31, 2009, there were no borrowings under this facility. The notes payable balances reported in the CH Energy Group Consolidated Balance Sheet reflect the borrowings of CH Energy Group's subsidiaries as of March 31, 2010, December 31, 2009 and March 31, 2009, as discussed below.

Central Hudson maintains a revolving credit facility with several commercial banks, pursuant to PSC authorization, in the amount of \$125 million, for a five-year term ending January 2, 2012. As of March 31, 2010, there was \$30.0 million outstanding under this agreement. As of December 31, 2009, there were no borrowings under this agreement. As of March 31, 2009, Central Hudson's outstanding loan balance under this facility was \$40.0 million.

Both the CH Energy Group and Central Hudson credit facilities reflect commitments from JPMorgan Chase Bank, N.A., Bank of America, N.A., HSBC Bank USA, N.A. and KeyBank National Association. If any of these lenders are unable to fulfill their commitments under these facilities, funding may not be available as needed.

Uncommitted Credit

Central Hudson also maintains certain uncommitted lines of credit that diversify its sources of cash and provide competitive options to minimize its cost of short-term debt. As of March 31, 2010, December 31, 2009 and March 31, 2009, Central Hudson had no borrowings under these lines of credit.

Committed Credit

On September 22, 2009, the PSC issued an order authorizing Central Hudson to increase its multi-year committed credit to \$175 million through December 31, 2012. The ability to increase the level of committed credit could provide Central Hudson with greater liquidity to support construction forecasts, seasonality of the business, volatile energy markets, adverse borrowing environments, and other unforeseen events.

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On January 18, 2008, Griffith established an uncommitted line of credit of up to \$25 million with a commercial bank for the purpose of funding seasonal working capital and for general corporate purposes. On April 30, 2009, Griffith Management elected to allow this uncommitted line of credit to expire. As of March 31, 2009, there were borrowings under this agreement of \$5.0 million. The obligations of Griffith under the line of credit were guaranteed by CH Energy Group and CHEC. Griffith's short-term financing needs are currently provided by CH Energy Group through intercompany notes.

NOTE 8 – Capitalization – Common and Preferred Stock

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

There were no repurchases of preferred stock in the three months ended March 31, 2010 and 2009.

In April 2009, CH Energy Group invested \$25 million in Central Hudson, which was recorded as additional paid-in capital. Central Hudson paid no common stock dividends in the first three months of 2010 and 2009.

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NOTE 9 – Capitalization – Long-Term Debt

In the second quarter of 2009, CH Energy Group privately placed \$50 million of senior unsecured notes. The notes bear interest at the rate of 6.58% per annum and mature on April 17, 2014. CH Energy Group completed the sale of \$35 million in principal amount of the notes on April 17, 2009, and \$15 million in principal amount on June 15, 2009. CH Energy Group used a portion of the proceeds from the sale of the notes to repay short-term debt and retained the remainder for general corporate purposes. On December 15, 2009, following the divestiture of operations of Griffith in certain geographic locations, CH Energy Group entered into a supplemental note purchase agreement pursuant to which it issued \$23.5 million of new senior notes and redeemed \$23.5 million of the notes placed during the second quarter of 2009. The newly issued notes bear interest at the rate of 6.80% per annum and mature on December 15, 2025. Interest is payable semi-annually and, commencing June 15, 2011, with semi-annual payments of principal. The mortgage style amortization of principal results in the final payment of principal and interest upon maturity. CH Energy Group intends to use the proceeds from the sale of the supplemental notes to fund a portion of its investment in Shirley Wisconsin.

On September 22, 2009, the PSC authorized Central Hudson to issue up to \$250 million of long-term debt through December 31, 2012 to finance its construction expenditures, refund maturing long-term debt, and potentially refinance its 1999 NYSERDA Bonds, Series B, C and D. A new shelf registration statement filed by Central Hudson with the SEC covering the offer and sale of up to \$250 million of long-term debt pursuant to the authority granted by the PSC became effective on January 6, 2010.

Central Hudson's current senior unsecured debt rating/outlook is 'A'/stable by both Standard & Poor's Rating Services ("Standard & Poor's") and Fitch Ratings and 'A3'/negative by Moody's Investors Service ("Moody's").²

² These ratings reflect only the views of the rating agency issuing the rating, are not recommendations to buy, sell, or hold securities of Central Hudson and may be subject to revision or withdrawal at any time by the rating agency issuing the rating. Each rating should be evaluated independently of any other rating.

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NYSERDA

Central Hudson has five debt series that were issued in conjunction with the sale of tax-exempt pollution control revenue bonds by New York State Energy Research and Development Authority (“NYSERDA”). These NYSERDA bonds are insured by Ambac Assurance Corporation (“Ambac”) and the ratings on these bonds reflect the higher of the credit rating of Ambac or Central Hudson. Due to Ambac’s weak credit rating, the rating and outlook on these bonds is ‘A’/stable by Standard & Poor’s and Fitch Ratings and ‘A3’/negative by Moody’s³, the same rating and outlook as Central Hudson’s other senior unsecured debt.

Central Hudson’s 1998 NYSERDA Series A Bonds, totaling \$16.7 million, have an interest rate that is fixed to maturity in 2028 of 6.5%. Central Hudson’s 1999 NYSERDA Series A Bonds, totaling \$33.4 million, have an interest rate that is fixed to maturity in 2027 of 5.45%.

Central Hudson’s 1999 NYSERDA Bonds, Series B, C and D, totaling \$115.9 million, are multi-modal bonds that are currently in auction rate mode. Beginning in 1999 when the bonds were issued, the bonds’ interest rate has been reset every 35 days in a Dutch auction. Auctions in the market for municipal auction rate securities have experienced widespread failures since early in 2008. Generally, an auction failure occurs because there is an insufficient level of demand to purchase the bonds and the bondholders who want to sell must hold the bonds for the next interest rate period. Since February 2008, all auctions for Central Hudson’s three series of auction rate bonds have failed. As a consequence, the interest rate paid to the bondholders has been set to the then prevailing maximum rate defined in the trust indenture. Central Hudson’s maximum rate results in interest rates that are generally higher than expected results from the auction process. For the foreseeable future, Central Hudson expects the interest rate to be set at the maximum rate, determined on the date of each auction as 175% of the yield on an index of tax-exempt short-term debt, or its approximate equivalent. In the three months ended March 31, 2010 and 2009, the average maximum rate applicable on the bonds was 0.36% and 1.26%, respectively. To mitigate the potential impact of unexpected increases in short-term interest rates, Central Hudson purchases interest rate caps based on an index of short-term tax-exempt debt. Central Hudson’s one year rate cap for each bond series, set at 3.0%, expired on March 31, 2010 and was replaced with three new rate caps. Effective April 1, 2010, the new rate caps are set at 5.0%. Two of the rate caps are one-year in length with notional amounts aligned to Series C and Series D. The third rate cap is two years in length with a notional amount aligned with Series B. The caps are based on the monthly weighted average of an index of tax-exempt variable rate debt, multiplied by 175% to align with the maximum rate formula applicable upon failed auctions. Central Hudson would receive a payout if the adjusted index exceeds 5.0% for a given month. In its Orders, the PSC has authorized deferral accounting treatment for the interest costs from Central Hudson’s three series of variable rate 1999 NYSERDA Bonds. As a result, variations in interest rates on these bonds are deferred for future recovery from or refund to customers and Central Hudson does not expect the auction failures to have any adverse impact on earnings.

³ These ratings reflect only the views of the rating agency issuing the rating, are not recommendations to buy, sell, or hold securities of Central Hudson and may be subject to revision or withdrawal at any time by the rating agency issuing the rating. Each rating should be evaluated independently of any other rating.

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Central Hudson is currently evaluating what actions, if any, it may take in the future in connection with its 1999 NYSERDA Bonds, Series B, C and D. Potential actions may include converting the debt from auction rate to another interest rate mode or refinancing with taxable bonds.

NOTE 10 – Post-Employment Benefits

Central Hudson provides certain health care and life insurance benefits for retired employees through its post-retirement benefit plans. Managerial, professional and supervisory employees (“non-union”) hired prior to January 1, 2008, are eligible for these benefits if they reach retirement age while employed by Central Hudson. In order to reduce the total costs of these benefits, other post-retirement benefit (“OPEB”) plan changes were negotiated with the IBEW Local 320 for unionized employees and certain retired employees effective May 1, 2008. Plans were also amended to eliminate post-retirement benefits for union employees hired on or after May 1, 2008.

The following are the components of Central Hudson’s net periodic benefit costs for its pension and OPEB plans for the three months ended March 31, 2010 (In Thousands):

	Pension Benefits		OPEB(1)	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2010	2009	2010	2009
Service cost	\$2,272	\$1,956	\$531	\$519
Interest cost	6,571	6,455	1,712	1,791
Expected return on plan assets	(6,225)	(4,969)	(1,267)	(1,271)
Amortization of:				
Prior service cost (credit)	544	544	(1,467)	(1,467)
Transitional obligation (asset)	-	-	641	641
Recognized actuarial loss	7,377	6,350	2,073	2,209
Net Periodic Benefit Cost	\$10,539	\$10,336	\$2,223	\$2,422

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

In accordance with current accounting guidance related to pensions, Central Hudson’s pension liability balance (i.e., the under-funded status) at March 31, 2010, December 31, 2009 and March 31, 2009 was \$125.5 million, \$153.0 million and \$163.0 million, respectively. These balances include recognition for the difference between the projected benefit obligation (“PBO”) for pensions and the market value of the pension assets, as well as consideration for non-qualified executive plans.

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

	March 31, 2010	December 31, 2009	March 31, 2009
Prefunded (accrued) pension costs prior to funding status adjustment	\$31,261	\$11,661	\$22,179
Additional liability required	(156,722)	(164,644)	(185,190)
Total accrued pension liability	\$(125,461)	\$(152,983)	\$(163,011)
Total offset to additional liability - Regulatory assets - Pension Plan	\$156,722	\$164,644	\$185,190

Pursuant to current accounting guidance related to pensions, gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic pension cost would typically be recognized as a component of other comprehensive income, net of tax. However, Central Hudson records regulatory assets rather than adjusting comprehensive income to offset the additional liability. The recording of a regulatory asset is consistent with the PSC's 1993 Statement of Policy regarding pensions and OPEB ("1993 PSC Policy"). Under the 1993 PSC Policy, differences between pension expense and rate allowances covering these costs are deferred for future recovery from or return to customers with carrying charges accrued on cash differences.

Decisions to fund Central Hudson's Retirement Plan are based on several factors, including corporate resources, projected investment returns, actual investment returns, inflation, value of plan assets relative to plan liabilities, regulatory considerations, interest rate assumptions and legislative requirements. As a result of volatile conditions in the economy and financial markets over the past two years, Central Hudson's Retirement Plan assets have significantly decreased in value relative to the plan liabilities. Although the financial markets have seen a positive trend over the past 12 months, the liability has increased by the lower discount rate used in the current year to determine benefit obligations and the accrual of additional benefits. Central Hudson considers the provisions of the Pension Protection Act of 2006 ("PPA") in determining its funding for the Retirement Plan for the near-term and future periods. Contributions to the Retirement Plan during the three months ended March 31, 2010 and 2009 were \$30.0 million and \$2.5 million, respectively. The increase in year-over-year funding is primarily due to stronger than expected cash flows, enabling Central Hudson to accelerate funding of the plan.

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Retirement Plan Estimates of Long-Term Rates of Return

The expected long-term rate of return on Retirement Plan assets is 7.75%, net of investment expense. In determining the expected long-term rate of return on these assets, Central Hudson considered the current level of expected returns on risk-free investments (primarily United States government bonds), the historical level of risk premiums associated with other asset classes, and the expectations of future returns over a 20-year time horizon on each asset class, based on the views of leading financial advisors and economists. The expected return for each asset class was then weighted based on the Retirement Plan's target asset allocation. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets in accordance with the Retirement Plan strategy.

Retirement Plan Policy and Strategy

Central Hudson's Retirement Plan investment policy seeks to achieve long-term growth and income to match the long-term nature of its funding obligations. Management recognizes that assets are exposed to risk and the market value of assets may vary from year to year.

The asset allocation strategy employed in the Retirement Plan reflects Central Hudson's return objectives and what Management believes is an acceptable level of short-term volatility in the market value of the Retirement Plan assets in exchange for potentially higher long-term returns. Asset allocation targets, effective as of March 31, 2010, expressed as a percentage of the market value of the Retirement Plan's assets, are summarized in the table below:

Asset Class	Minimum	Target Average	Maximum
Equity Securities	55%	60%	65%
Debt Securities	35%	40%	45%
Alternative Investments(1)	- %	- %	5%

(1) Includes Real Estate

Due to market value fluctuations, Retirement Plan assets will require rebalancing from time-to-time to maintain the target asset allocation.

During the first quarter of 2010, Management began a transition to a long-duration investment strategy for its pension plan assets. Management's intent in making the change is to reduce the year-to-year volatility of the funded status of the plan and of the level of contributions by more closely aligning the characteristics of plan assets with liabilities. The transition is expected to take between two and three years and result in changing the asset allocation to a 50/50 split between debt and equity. In addition, this policy is intended to:

- Achieve a rate of return for the Plan over the long-term that contributes to meeting the Plan's current and future obligations, including actuarial interest and benefit payment obligations.
- Earn long-term returns from capital appreciation and current income that at least keep pace with inflation over the long term by meeting or exceeding the benchmark index net of fees as described below.

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There are no assurances that the Retirement Plan's return objectives will be achieved.

The benchmark index is currently comprised of 33% Russell 1000 Stock Index; 12% Russell 2500 Stock Index; 15% Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) International Stock Index (Net); 5% Russell Open-End Real Estate Mean; and 35% LB Aggregate Bond Index.

The targeted benchmark index over the next two to three years during the transition to long-duration investment strategy is comprised of 28% Russell 1000 Stock Index; 10% Russell 2500 Stock Index; 12% Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) International Stock Index (Net); 50% BC Long Government Credit Index.

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

OPEB Estimates of Long-Term Rates of Return

The expected long-term rate of return on OPEB assets is 8.0%, net of investment expenses. In determining the expected long-term rate of return on these assets, Central Hudson considered the current level of expected returns on risk-free investments, the historical level of risk premiums associated with other asset classes, and the expectations of future returns over a 20-year time horizon on each asset class, based on the views of leading financial advisors and economists. The expected return for each asset class was then weighted based on the respective Plans' target asset allocation. Central Hudson monitors actual performance against target asset allocations and adjusts actual allocations and targets as deemed appropriate in accordance with the Plan's strategy.

OPEB Policy and Strategy

Central Hudson's VEBA investment policy seeks to achieve a rate of return for each VEBA over the long term that contributes to meeting each VEBA's current and future obligations, including interest and benefit payment obligations. The policy also seeks to earn long-term returns from capital appreciation and current income that at least keep pace with inflation over the long term. However, there are no assurances that the OPEB Plan's return objectives will be achieved.

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

Asset Class	Minimum	Target Average	Maximum
Equity Securities	55%	65%	75%
Debt Securities	25%	35%	35%

Due to market value fluctuations, the OPEB Plan assets will require rebalancing from time-to-time to maintain the target asset allocation.

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

Employer contributions for OPEB totaled \$0.5 million during the three months ended March 31, 2010. There were no employer contributions for OPEB during the three months ended March 31, 2009. Contribution levels are determined by various factors including the discount rate, expected return on plan assets, medical claims assumptions used, mortality assumptions used, benefit changes, and corporate resources.

NOTE 11 – Equity-Based Compensation

Performance Shares

A summary of the status of outstanding performance shares granted to executives under the 2006 Plan is as follows:

Grant Date	Grant Date Fair Value	Performance Shares Granted	Performance Shares Outstanding at March 31, 2010
January 25, 2007	\$50.56	21,330	19,380
January 24, 2008	\$35.76	33,440	31,900
January 26, 2009	\$49.29	36,730	36,730
February 8, 2010	\$38.62	48,740	48,740

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The ultimate number of shares earned under the awards is based on metrics established by the Compensation Committee at the beginning of the award cycle. Compensation expense is recorded as performance shares are earned over the relevant three-year life of the performance share grant prior to its award. The portion of the compensation expense related to an employee who retires during the performance period is the amount recognized up to the date of retirement.

Performance shares granted January 25, 2007 and shown as outstanding as of March 31, 2010 in the above table are expected to be paid out in May 2010. Those recipients electing not to defer this compensation under the CH Energy Group Directors and Executives Deferred Compensation Plan will receive shares issued from CH Energy Group's treasury stock. Additionally, due to the retirement of one of Central Hudson's executive officers on January 1, 2010, a pro-rated number of shares under the January 24, 2008 and January 26, 2009 grants are expected to be paid to this individual in July 2010. CH Energy Group treasury stock will be utilized for the satisfaction of this award as well.

The following table summarizes compensation expense for performance shares for the three months ended March 31, 2010 and 2009 (In Thousands):

	Three Months Ended March 31,	
	2010	2009
Performance shares - compensation expense	\$604	\$213

Stock Options

The following table summarizes information concerning stock options outstanding as of March 31, 2010:

Date of Grant	Exercise Price	Number of Options Granted	Number of Options Outstanding	Weighted Average Remaining Life in Years	Number of Options Exercisable
January 1, 2001	\$ 44.06	59,900	18,560	0.75	18,560
January 1, 2003	\$ 48.62	36,900	17,420	2.75	17,420
		96,800	35,980	1.72	35,980

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A summary of the status of stock options awarded to executives and non-employee Directors of CH Energy Group and its subsidiaries under the 2000 Plan is as follows:

	Stock Option Shares	Weighted Average Exercise Price	Weighted Average Remaining Life in Years
Outstanding at 12/31/09	35,980	\$ 46.27	1.97
Granted	-	-	
Exercised	-	-	
Expired / Forfeited	-	-	
Outstanding at 3/31/10	35,980	\$ 46.27	1.72
Total CH Energy Group Shares Outstanding		15,813,388	
Potential Dilution		0.2%	

Compensation expense related to stock options for the three months ended March 31, 2010 and 2009 was not material. The balance accrued for outstanding options was \$0.1 million as of March 31, 2010 and 2009. The intrinsic value of outstanding options was not material as of March 31, 2010 and 2009.

Restricted Shares and Restricted Stock Units

The following table summarizes information concerning restricted shares and stock units outstanding as of March 31, 2010:

Grant Date	Type of Award	Shares or Stock Units Granted	Grant Date Fair Value	Vesting Terms	Unvested Shares Outstanding at March 31, 2010
January 2, 2008	Shares	10,000	\$ 44.32	End of 3 years	8,900 (1)
January 2, 2008	Shares	2,100	\$ 44.32	Ratably over 3 years	700
January 26, 2009	Shares	2,930	\$ 49.29	End of 3 years	2,680 (2)
October 1, 2009	Shares	14,375	\$ 43.86	Ratably over 5 years	14,375
November 20, 2009	Stock Units	13,900	\$ 41.43	1/3 each year in Years 5, 6 and 7	13,900
February 8, 2010	Shares	3,060	\$ 38.62	End of 3 years	3,060
February 10, 2010	Shares	5,200	\$ 38.89	End of 3 years	5,200

(1) 500 shares were forfeited upon resignation of the employee holding the shares and the vesting of 600 shares was accelerated upon a change in control for an individual resulting from the sale of certain assets of Griffith.

(2) The vesting of 250 shares was accelerated upon a change in control for an individual resulting from the sale of certain assets of Griffith.

The above shares granted were issued from CH Energy Group's treasury. In accordance with current accounting guidance related to equity based compensation, unvested restricted shares do not impact the number of common shares outstanding used in the basic EPS calculation. Shares will not be issued with respect to restricted stock units until a specified future date defined within the individual agreement. The total unvested outstanding restricted shares

and stock units noted above have been included in the diluted EPS calculation for the three months ended March 31, 2010 and 2009. The total compensation expense recognized for these restricted shares and stock units was \$0.1 million for the three months ended March 31, 2010 and not material for the three months ended March 31, 2009. Total recognized tax benefits related to these restricted shares and stock units was not material for the three months ended March 31, 2010 and 2009.

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NOTE 12 – Commitments and Contingencies

Electricity Purchase Commitments

On March 6, 2007, Central Hudson entered into an agreement with Entergy Nuclear Power Marketing, LLC to purchase electricity (but not capacity) on a unit-contingent basis at defined prices from January 1, 2008 through December 31, 2010. On an annual basis, the electricity purchased through the Entergy contract represents approximately 23% of Central Hudson's full-service customer requirements. For the three months ended March 31, 2010 and 2009, the energy supplied under this agreement cost approximately \$13.8 million and \$13.0 million, respectively.

In the event the above noted counterparty is unable to fulfill its commitment to deliver under the terms of the agreements, Central Hudson would obtain the supply from the NYISO market, and under Central Hudson's current ratemaking treatment, recover the full cost from customers. As such, there would be no impact on earnings.

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

Contingencies

City of Poughkeepsie

On January 1, 2001, a fire destroyed a multi-family residence on Taylor Avenue in the City of Poughkeepsie, New York resulting in several deaths and damage to nearby residences. Eight separate lawsuits arising out of this incident have been commenced against Central Hudson and other defendants. The basis for the claimed liability of Central Hudson in these actions is that it was allegedly negligent in the supply of natural gas. The suits seek an aggregate of \$528 million in compensatory damages. Central Hudson has notified its insurance carrier, denied liability, and defended the lawsuits. On December 10, 2008, Central Hudson entered into a settlement agreement with the plaintiffs and one remaining defendant. Under the settlement agreement, Central Hudson has agreed to make payments to the plaintiffs that will not be material in the aggregate. The settlement agreement is subject to final approval by the Court.

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Environmental Matters

Central Hudson

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Air

In October 1999, Central Hudson was informed by the New York State Attorney General (“Attorney General”) that the Danskammer Point Steam Electric Generating Station (“Danskammer Plant”) was included in an investigation by the Attorney General’s Office into the compliance of eight older New York State coal-fired power plants with federal and state air emissions rules. Specifically, the Attorney General alleged that Central Hudson “may have constructed, and continues to operate, major modifications to the Danskammer Plant without obtaining certain requisite preconstruction permits.” In March 2000, the Environmental Protection Agency (“EPA”) assumed responsibility for the investigation. Central Hudson has completed its production of documents requested by the Attorney General, the New York State Department of Environmental Conservation (“DEC”), and the EPA, and believes any permits required for these projects were obtained in a timely manner. Notwithstanding Central Hudson’s sale of the Danskammer Plant on January 30, 2001, Central Hudson could retain liability, depending on the type of remedy, if any, imposed in connection with this matter. In March 2009, Dynegy notified Central Hudson that Dynegy had received an information request pursuant to the Clean Air Act from the EPA for the Danskammer Plant covering the period beginning January 2000 to present. At that time, Dynegy also submitted to Central Hudson a demand for indemnification for any fines, penalties or other losses that may be incurred by Dynegy arising from the period that Central Hudson owned the Danskammer Plant. Central Hudson presently has insufficient information with which to predict the outcome of this matter.

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Former Manufactured Gas Plant Facilities

Like most late 19th and early 20th century utilities in the Northeastern United States, Central Hudson and its predecessors owned and operated manufactured gas plants (“MGPs”) to serve their customers’ heating and lighting needs. MGPs manufactured gas from coal and oil. This process produced certain by-products that may pose risks to human health and the environment.

The DEC, which regulates the timing and extent of remediation of MGP sites in New York State, has notified Central Hudson that it believes Central Hudson or its predecessors at one time owned and/or operated MGPs at eight sites in Central Hudson’s franchise territory. The DEC has further requested that Central Hudson investigate and, if necessary, remediate these sites under a Consent Order, Voluntary Cleanup Agreement, or Brownfield Cleanup Agreement. The DEC has placed seven of these sites on the New York State Environmental Site Remediation Database. A number of the sites are now owned by third parties and have been redeveloped for other uses. The DEC began making inquiries regarding a ninth site in May 2009. The status of the sites is as follows:

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	Site	Status
#1	Beacon, NY	Interim Remediation work complete. Final Report approved by the DEC. A site Management Plan is being developed by Central Hudson. The property owner is finalizing a deed restriction for the property with the DEC.
#2	Newburgh, NY	The DEC has approved the Construction Completion Report for the remediation that was completed at Area A of the site. Remediation is currently underway in Areas B and C, and is scheduled to be completed by the end of 2010. Site restoration work will be completed in 2011.
#3	Laurel Street Poughkeepsie, NY	Remediation work is complete. The Construction Completion Report is under review by the DEC. As requested by the DEC, fifteen additional monitoring wells were installed in the 1st quarter of 2010. Quarterly monitoring will begin in the 2nd quarter of 2010.
#4	North Water Street Poughkeepsie, NY	As requested by the DEC, additional land and river investigations will be conducted in the 2nd quarter of 2010. Monitoring for the Reactive Cap Pilot study is ongoing.
#5	Kingston, NY	Additional land and river investigations have been approved by the DEC. Work will begin in the 2nd quarter of 2010. Previously, a license agreement with a private party and Central Hudson had allowed the presence and mooring of tug boats and a "Dry Dock" in the Rondout Creek in front of the Kingston site. All tugs have been removed by the owner. There has previously been disagreement as to the overall responsibility of the "Dry Dock" which has sunk and resides at the bottom of the Rondout Creek waterway. We are currently involved in legal proceedings seeking to get the "Dry Dock" removed, and while responsibility for the "Dry Dock" appears to have been established as belonging to the private party, the outcome of the proceedings is uncertain.
#6	Catskill, NY	Site investigation has been completed under the DEC-approved Brownfield Cleanup Agreement. A Remedial Investigation Report will be submitted to the DEC in the 2nd quarter of 2010.
#7	Saugerties, NY	This site has been removed from the DEC listing of sites in which Central Hudson has remedial responsibility.
#8	Bayeaux Street Poughkeepsie, NY	Central Hudson does not believe it has any further liability for this site.
#9	Broad Street Newburgh, NY	The DEC began making inquiries about this additional site in May 2009. Central Hudson does not believe it has any liability for this site and has responded to the DEC on June 22, 2009 confirming this position.

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In the second quarter of 2008, Central Hudson updated the estimate of potential remediation and future operating, maintenance, and monitoring costs for sites #2, 3, 4, 5 and 6, indicating the total cost for the five sites could exceed \$165 million over the next 30 years. Amounts are subject to change based on current investigations, final remedial design (and associated engineering estimates), DEC and NYS Department of Health ("NYSDOH") comments and requests, remedial design changes/negotiations, and changed or unforeseen conditions during the remediation or additional requirements following the remediation.

Site #1 interim remediation work has been completed and the final report has been approved by the DEC. With regards to sites #7, 8, and 9, Central Hudson does not have sufficient information to estimate its potential remediation cost, if any; as Central Hudson believes that it has no liability for these sites.

Information for sites #2 through #6 are detailed in the chart below (In Thousands):

Site #	Estimate	Liability Recorded as of 12/31/09	Amounts Spent in 2010(3)	Liability Adjustment	Liability Recorded as of 3/31/10	Current Portion of Liability at 3/31/10	Long term portion of Liability at 3/31/10
2, 3(1)	\$ 44,700	\$ 18,554	\$ (4,262)	\$ 96	\$ 14,388	\$ 11,084	\$ 3,304
4, 5, 6(2)	121,000	1,676	(78)	-	1,598	1,250	348
	\$ 165,700	\$ 20,230	\$ (4,340)	\$ 96	\$ 15,986	\$ 12,334	\$ 3,652

(1)The estimates for sites #2 and 3 are currently based on the actual completed or contracted remediation costs. However, these estimates are subject to change. The estimated liability recorded for sites #2 and 3 are based on estimates of remediation costs for the proposed clean-up plans.

(2)No amounts have been recorded in connection with physical remediation for sites #4, 5 and 6. Absent DEC-approved remediation plans, Management cannot reasonably estimate what cost, if any, will actually be incurred. The estimated liability for sites #4, 5 and 6 are based on the latest forecast of activities at these sites in connection with estimated costs for preliminary investigations, site testing and development of remediation plans for these sites. For additional discussion of estimates, see paragraphs below.

(3) Amounts spent in 2010 as shown above do not include legal fees of approximately \$11,000.

The estimates for sites #4, 5 and 6 were based on partially completed remedial investigations and current DEC and NYSDOH preferences related to site remediation, and are considered conceptual and preliminary. The cost estimate involves assumptions relating to investigation expenses, remediation costs, potential future liabilities, and post-remedial operating, maintenance and monitoring costs, and is based on a variety of factors including projections regarding the amount and extent of contamination, the location, size and use of the sites, proximity to sensitive resources, status of regulatory investigations, and information regarding remediation activities at other MGP sites in New York State. The cost estimate also assumes that proposed or anticipated remediation techniques are technically feasible and that proposed remediation plans receive DEC and NYSDOH approval. Further, the updated estimate could change materially based on changes to technology relating to remedial alternatives and changes to current laws and regulations.

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Pursuant to the 2006 Rate Order, Central Hudson is permitted to defer for future recovery the differences between actual costs for MGP site investigation and remediation and the associated rate allowances, with carrying charges to be accrued on the deferred balances at the authorized pre-tax rate of return. Central Hudson spent \$4.4 million in the three months ended March 31, 2010 related to site investigation and remediation for sites #2, 3, 4, 5 and 6. Based on the 2006 Rate Order, on July 1, 2007, Central Hudson started the recovery of a rate allowance for MGP Site Investigation and Remediation Costs. The 2009 Rate Order provided for an increase in this rate allowance to an amount of \$2.8 million during the July 2009 through June 2010 rate year. Additionally, the 2009 Rate Order authorized recovery of amounts spent over the rate allowance from a net electric regulatory liability balance and authorizes continued deferral for all other MGP site remediation expenditures. The total MGP Site Investigation and Remediation costs recovered from July 1, 2007 through March 31, 2010 was approximately \$10.0 million, with \$3.9 million recovered in the first quarter of 2010.

Central Hudson has put its insurers on notice and intends to seek reimbursement from its insurers for the costs of any liabilities. Certain of these insurers have denied coverage.

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

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Little Britain Road

In December 1977, Central Hudson purchased property at 610 Little Britain Road, New Windsor, New York. In 1992, the DEC informed Central Hudson that the DEC was preparing to conduct a Preliminary Site Assessment (“PSA”) of the site, and in 1995, the DEC issued an Order of Consent in which Central Hudson agreed to conduct the PSA. In 2000, following completion of the PSA, Central Hudson and the DEC entered into a Voluntary Cleanup Agreement (“VCA”) whereby Central Hudson removed approximately 3,100 tons of soil and conducted groundwater sampling. Central Hudson believes that it has fulfilled its obligations under the VCA and should receive the release provided for in the VCA, but the DEC has proposed that additional ground water work be done to address groundwater sampling results that showed the presence of certain contaminants at levels exceeding DEC criteria. Central Hudson believes that such work is not necessary and has completed a soil vapor intrusion study showing that indoor air at the facility met Occupational Safety and Health Administration (“OSHA”) and NYSDOH standards; in addition, in 2008, it also installed an indoor air vapor mitigation system (that continues to operate). At this time Central Hudson does not have sufficient information to estimate the need for additional remediation or potential remediation costs. Central Hudson has put its insurers on notice regarding this matter and intends to seek reimbursement from its insurers for amounts, if any, for which it may become liable. Central Hudson cannot predict the outcome of this matter.

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• Asbestos Litigation

As of March 31, 2010, of the 3,319 asbestos cases brought against Central Hudson, 1,189 remain pending. Of the cases no longer pending against Central Hudson, 1,978 have been dismissed or discontinued without payment by Central Hudson, and Central Hudson has settled 152 cases. Central Hudson is presently unable to assess the validity of the remaining asbestos lawsuits; accordingly, it cannot determine the ultimate liability relating to these cases. Based on information known to Central Hudson at this time, including Central Hudson's experience in settling asbestos cases and in obtaining dismissals of asbestos cases, Central Hudson believes that the costs which may be incurred in connection with the remaining lawsuits will not have a material adverse effect on the financial position, results of operations or cash flows of either CH Energy Group or Central Hudson.

CHEC

During the three months ended March 31, 2010, Griffith spent approximately \$30,000 on remediation efforts in Maryland, Virginia and Connecticut.

Griffith has a reserve for environmental remediation which is \$3.5 million as of March 31, 2010, of which \$0.3 million is expected to be spent in the next twelve months.

In connection with the 2009 sale of operations in certain geographic locations, Griffith agreed to indemnify the purchaser for certain claims, losses and expenses arising out of any breach by Griffith of the representations, warranties and covenants Griffith made in the sale agreement, certain environmental matters and all liabilities retained by Griffith. Griffith's indemnification obligation is subject to a number of limitations, including time limits within which certain claims must be brought, an aggregate deductible of \$0.8 million applicable to certain types of non-environmental claims and other deductibles applicable to certain specific environmental claims, and caps on Griffith's liability with respect to certain of the indemnification obligations. The sale agreement includes an aggregate cap of \$5.7 million on Griffith's obligation to indemnify the purchaser for breaches of many of Griffith's representations and warranties and for certain environmental liabilities. The Company has reserved \$2.6 million for environmental remediation costs it may be obligated to pay based on its indemnification obligations under the sale agreement. Management believes this is the maximum amount Griffith is likely to be required to pay with respect to its indemnification obligations under the sale agreement.

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Other Matters

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

NOTE 13 – Segments and Related Information

CH Energy Group's reportable operating segments are the regulated electric utility business and regulated natural gas utility business of Central Hudson and the unregulated fuel distribution business of Griffith. Other activities of CH Energy Group, which do not constitute a business segment include the investment, financing, and business development activities of CH Energy Group and the renewable energy and investment activities of CHEC, including its ownership interests in ethanol, wind, landfill gas and biomass energy projects and are reported under the heading "Other Businesses and Investments."

Certain additional information regarding these segments is set forth in the following tables. General corporate expenses, Central Hudson property common to both electric and natural gas segments, and the depreciation of Central Hudson's common property have been allocated in accordance with practices established for regulatory purposes.

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

Table of ContentsCH Energy Group Segment Disclosure
(In Thousands)

	Three Months Ended March 31, 2010					
	Segments			Other		Total
	Central Hudson	Natural	Griffith	Businesses	Investments and	
	Electric	Gas		Eliminations		
Revenues from external customers	\$ 145,962	\$ 69,087	\$ 84,467	\$ 3,126	\$ -	\$ 302,642
Intersegment revenues	1	175	-	-	(176)	-
Total revenues	145,963	69,262	84,467	3,126	(176)	302,642
Operating income	20,127	13,632	7,343	186	-	41,288
Interest and investment income	762	363	1	599	(598)	1,127
Interest charges	5,095	1,341	521	949	(598)	7,308
Income before income taxes	15,607	12,518	6,880	(257)	-	34,748
Net income (loss) attributable to CH Energy Group	9,111	7,292	4,059	(24)	-	20,438
Segment assets at March 31	1,189,303	371,030	107,564	93,046	(451)	1,760,492

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

(2) Includes non-controlling owner's interest of \$1,420 related to Lyonsdale.

CH Energy Group Segment Disclosure
(In Thousands)

	Three Months Ended March 31, 2009					
	Segments			Other		Total
	Central Hudson	Natural	Griffith	Businesses	Investments and	
	Electric	Gas		Eliminations		
Revenues from external customers	\$ 156,753	\$ 90,123	\$ 73,008	\$ 2,212	\$ -	\$ 322,096
Intersegment revenues	6	219	-	-	(225)	-
Total revenues	156,759	90,342	73,008	2,212	(225)	322,096
Operating income	15,747	11,484	9,944	(276)	-	36,899
Interest and investment income	351	395	5	1,417	(1,052)	1,116
Interest charges	4,880	1,338	560	128	(1,052)	5,854
Income before income taxes	10,952	10,447	9,513	(529)	-	30,383
Net income attributable to CH Energy Group	6,295	6,056	10,026	(3)	744	23,121
Segment assets at March 31	1,123,341	391,559	193,175	38,920	(75)	1,746,920

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

(2) Includes non-controlling owner's interest of \$1,417 related to Lyonsdale.

(3) Includes income from discontinued operations of \$4,377.

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Table of ContentsCentral Hudson Segment Disclosure
(In Thousands)

	Three Months Ended March 31, 2010			
	Electric	Natural Gas	Eliminations	Total
Revenues from external customers	\$ 145,962	\$ 69,087	\$ -	\$ 215,049
Intersegment revenues	1	175	(176)	-
Total revenues	145,963	69,262	(176)	215,049
Operating income	20,127	13,632	-	33,759
Interest and investment income	762	363	-	1,125
Interest charges	5,095	1,341	-	6,436
Income before income taxes	15,607	12,518	-	