

CENTRAL HUDSON GAS & ELECTRIC CORP
Form 10-Q
May 04, 2009

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, 2009

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

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Indicate by check mark whether CH Energy Group 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(17 CFR § 232.405) 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(17 CFR § 232.405) 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, 2009, (i) CH Energy Group, Inc. had outstanding 15,785,199 shares of Common Stock (\$0.10 per share par value) and (ii) all

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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, 2009

TABLE OF CONTENTS

	PAGE
<u>PART I – FINANCIAL INFORMATION</u>	
<u>ITEM 1 – FINANCIAL STATEMENTS (UNAUDITED)</u>	
<u>CH ENERGY GROUP, INC.</u>	
<u>Consolidated Statement of Income – Three Months Ended March 31, 2009 and 2008</u>	5
<u>Consolidated Statement of Comprehensive Income – Three Months Ended March 31, 2009 and 2008</u>	6
<u>Consolidated Statement of Cash Flows – Three Months Ended March 31, 2009 and 2008</u>	7
<u>Consolidated Balance Sheet – March 31, 2009, December 31, 2008 and March 31, 2008</u>	8
<u>Consolidated Statement of Changes In Equity – Three Months Ended March 31, 2009 and 2008</u>	10
<u>CENTRAL HUDSON GAS & ELECTRIC CORPORATION</u>	
<u>Statement of Income – Three Months Ended March 31, 2009 and 2008</u>	11
<u>Statement of Comprehensive Income – Three Months Ended March 31, 2009 and 2008</u>	12
<u>Statement of Cash Flows – Three Months Ended March 31, 2009 and 2008</u>	13
<u>Balance Sheet – March 31, 2009, December 31, 2008 and March 31, 2008</u>	14
<u>Statement of Changes In Equity – Three Months Ended March 31, 2009 and 2008</u>	16
<u>Notes to Financial Statements (Unaudited)</u>	17

TABLE OF CONTENTS

	PAGE
<u>ITEM 2</u> <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	53
<u>ITEM 3</u> <u>QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK</u>	88
<u>ITEM 4</u> <u>CONTROLS AND PROCEDURES</u>	88
<u>PART II – OTHER INFORMATION</u>	
<u>ITEM 1</u> <u>LEGAL PROCEEDINGS</u>	89
<u>ITEM 1A</u> <u>RISK FACTORS</u>	89
<u>ITEM 6</u> <u>EXHIBITS</u>	90
<u>SIGNATURES</u>	91
<u>EXHIBIT INDEX</u>	92
CERTIFICATIONS	95

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.

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,	
	2009	2008
Operating Revenues		
Electric	\$ 156,753	\$ 143,814
Natural gas	90,123	76,219
Competitive business subsidiaries:		
Petroleum Products	120,578	178,566
Other	11,019	11,193
Total Operating Revenues	378,473	409,792
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	91,751	84,334
Purchased natural gas	64,825	53,138
Purchased petroleum	86,271	150,858
Other expenses of operation - regulated activities	46,321	42,913
Other expenses of operation - competitive business subsidiaries	24,187	23,668
Depreciation and amortization	10,162	9,460
Taxes, other than income tax	10,143	9,463
Total Operating Expenses	333,660	373,834
Operating Income	44,813	35,958
Other Income and Deductions		
Income from unconsolidated affiliates	230	269
Interest on regulatory assets and investment income	1,116	1,273
Reserve for note receivable	(1,299)	—
Other - net	(709)	441
Total Other Income	(662)	1,983
Interest Charges		
Interest on long-term debt	4,780	5,089
Interest on regulatory liabilities and other interest	1,507	1,288
Total Interest Charges	6,287	6,377
Income before income taxes, non-controlling interest and preferred dividends of subsidiary	37,864	31,564

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Income Taxes		14,533		11,937
Net Income		23,331		19,627
Net (loss) income attributable to non-controlling interest:				
Non-controlling interest in subsidiary		(32)		84
Dividends declared on Preferred Stock of subsidiary		242		242
Net income attributable to CH Energy Group		23,121		19,301
Dividends declared on Common Stock		8,524		8,518
Change in Retained Earnings	\$	14,597	\$	10,783
Common Stock:				
Average shares outstanding				
Basic		15,771		15,762
Diluted		15,828		15,818
Amounts attributable to CH Energy Group common shareholders				
Earnings per share				
Basic	\$	1.47	\$	1.23
Diluted	\$	1.46	\$	1.22
Dividends Declared Per Share	\$	0.54	\$	0.54

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2009	2008
Net Income	\$ 23,331	\$ 19,627
Other Comprehensive Income:		
Fair value of cash flow hedges - FAS 133:		
Unrealized gains - net of tax of (\$1) and (\$181)	1	273
Reclassification for gains realized in net income - net of tax of \$0 and \$465	—	(699)
Net unrealized losses on investments held by equity method investees - net of tax of \$0 and \$186	—	(279)
Other comprehensive income (loss)	1	(705)
Comprehensive Income	23,332	18,922
Comprehensive income attributable to non-controlling interest	210	326
Comprehensive income attributable to CH Energy Group	\$ 23,122	\$ 18,596

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2009	2008
Operating Activities:		
Net income	\$ 23,331	\$ 19,627
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,857	8,266
Amortization	1,305	1,194
Deferred income taxes - net	(12,932)	3,524
Provision for uncollectibles	5,250	2,637
Distributed equity in earnings of unconsolidated affiliates	370	148
Pension expense	3,596	3,681
Other post-employment benefits ("OPEB") expense	2,864	2,932
Regulatory liability - rate moderation	—	(3,068)
Regulatory asset amortization	1,751	1,722
Gain on sale of property and plant	(38)	—
Changes in operating assets and liabilities - net of business acquisitions:		
Accounts receivable, unbilled revenues and other receivables	(18,241)	(17,826)
Fuel, materials and supplies	10,550	12,215
Special deposits and prepayments	(5,913)	1,256
Accounts payable	(13,558)	9,215
Accrued income taxes and interest	25,324	3,029
Customer advances	(12,860)	(15,877)
Pension plan contribution	(2,632)	(131)
OPEB contribution	—	(1,509)
Regulatory asset - Manufactured gas plant ("MGP") site remediations	(877)	174
Deferred natural gas and electric costs	31,728	(7,598)
Other - net	3,165	(283)
Net cash provided by operating activities	51,040	23,328
Investing Activities:		
Proceeds from sale of short-term investments	—	3,545
Proceeds from sale of property and plant	160	—
Additions to utility and other property and plant	(23,336)	(17,673)
Acquisitions made by competitive business subsidiaries	—	(9,217)
Other - net	(5)	45
Net cash used in investing activities	(23,181)	(23,300)
Financing Activities:		
Redemption of long-term debt	(20,000)	—
Borrowings of short-term debt - net	9,500	10,500
Dividends paid on Preferred Stock of subsidiary	(242)	(242)

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Dividends paid on Common Stock	(8,523)	(8,518)
Debt issuance costs	(111)	(3)
Net cash (used in) provided by financing activities	(19,376)	1,737
Net Change in Cash and Cash Equivalents	8,483	1,765
Cash and Cash Equivalents at Beginning of Period	19,825	11,313
Cash and Cash Equivalents at End of Period	\$ 28,308	\$ 13,078
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 6,434	\$ 7,347
Federal and state income tax paid	\$ 465	\$ 5,008
Additions to plant included in liabilities	\$ 3,812	\$ 2,290

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP CONSOLIDATED BALANCE SHEET*(In Thousands)*

	March 31, 2009	December 31, 2008	March 31, 2008
	<i>(UNAUDITED)</i>		<i>(UNAUDITED)</i>
ASSETS			
Utility Plant			
Electric	\$ 875,292	\$ 862,465	\$ 824,584
Natural gas	267,985	263,874	255,028
Common	138,236	135,732	117,656
	1,281,513	1,262,071	1,197,268
Less: Accumulated depreciation	376,168	369,925	359,978
	905,345	892,146	837,290
Construction work in progress	54,833	53,778	60,650
Net Utility Plant	960,178	945,924	897,940
Non-Utility Property & Plant			
Griffith non-utility property & plant	42,460	42,691	41,089
Other non-utility property & plant	15,736	15,345	12,988
	58,196	58,036	54,077
Less: Accumulated depreciation - Griffith	23,953	23,398	21,398
Less: Accumulated depreciation - other	2,424	2,212	1,579
Net Non-Utility Property & Plant	31,819	32,426	31,100
Current Assets			
Cash and cash equivalents	28,308	19,825	13,078
Accounts receivable from customers - net of allowance for doubtful accounts; \$8.8 million, \$8.8 million and \$5.4 million, respectively	147,253	131,727	155,714
Accrued unbilled utility revenues	11,863	12,657	11,433
Other receivables	7,402	7,914	5,739
Fuel, materials and supplies	26,035	36,585	21,511
Regulatory assets	31,779	60,502	41,404
Fair value of derivative instruments	—	—	1,100
Special deposits and prepayments	27,281	21,344	26,852
Accumulated deferred income tax	20,185	7,498	4,759
Total Current Assets	300,106	298,052	281,590
Deferred Charges and Other Assets			
Regulatory assets - pension plan	194,880	197,934	47,480
Regulatory assets - OPEB	1,746	4,257	14,294
Regulatory assets - other	119,096	109,743	86,548

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Goodwill	67,455	67,455	67,509
Other intangible assets - net	35,090	36,129	39,035
Unamortized debt expense	5,026	5,009	4,251
Investments in unconsolidated affiliates	9,277	9,711	11,613
Other investments	7,281	7,815	8,328
Other	14,964	15,728	16,531
Total Deferred Charges and Other Assets	454,815	453,781	295,589
Total Assets	\$ 1,746,918	\$ 1,730,183	\$ 1,506,219

The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP CONSOLIDATED BALANCE SHEET (CONT'D)*(In Thousands)*

	March 31, 2009	December 31, 2008	March 31, 2008
	<i>(UNAUDITED)</i>		<i>(UNAUDITED)</i>
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) 15,785,199 shares, 15,783,083 shares, and 15,774,100 shares outstanding, respectively	\$ 1,686	\$ 1,686	\$ 1,686
Paid-in capital	350,797	350,873	350,739
Retained earnings	231,231	216,634	226,422
Treasury stock - 1,076,888 shares, 1,079,004 shares, and 1,087,987 shares, respectively	(45,271)	(45,386)	(45,716)
Accumulated other comprehensive income	56	55	468
Capital stock expense	(328)	(328)	(328)
Total CH Energy Group Common Shareholders' Equity	538,171	523,534	533,271
Non-controlling interest in subsidiary	1,416	1,448	1,429
Preferred Stock of subsidiary	21,027	21,027	21,027
Total Equity	560,614	546,009	555,727
Long-term debt	413,895	413,894	383,892
Total Capitalization	974,509	959,903	939,619
Current Liabilities			
Current maturities of long-term debt	—	20,000	20,000
Notes payable	45,000	35,500	53,000
Accounts payable	38,015	52,824	50,660
Accrued interest	4,650	5,899	4,312
Dividends payable	8,766	8,765	8,760
Accrued vacation and payroll	7,060	6,628	7,297
Customer advances	17,582	30,442	7,168
Customer deposits	8,389	8,445	8,249
Regulatory liabilities	4,565	4,275	7,078
Fair value of derivative instruments	20,514	15,759	—
Accrued environmental remediation costs	5,780	5,757	4,253
Accrued income taxes	27,014	441	5,678
Deferred revenues	6,919	8,827	6,385
Other	30,820	27,974	16,651
Total Current Liabilities	225,074	231,536	199,491

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Deferred Credits and Other Liabilities

Regulatory liabilities - OPEB	—	—	1,839
Regulatory liabilities - other	134,599	130,893	113,105
Operating reserves	4,650	5,155	5,364
Accrued environmental remediation costs	22,251	21,796	14,639
Accrued OPEB costs	53,809	52,645	55,390
Accrued pension costs	162,494	161,674	12,035
Other	11,834	12,478	18,498

Total Deferred Credits and Other Liabilities	389,637	384,641	220,870
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Accumulated Deferred Income Tax	157,698	154,103	146,239
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Commitments and Contingencies

Total Capitalization and Liabilities	\$ 1,746,918	\$ 1,730,183	\$ 1,506,219
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The Notes to Financial Statements are an integral part hereof.

CH ENERGY GROUP CONSOLIDATED STATEMENT OF CHANGES IN 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		Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Non- controlling Interest	Preferred Stock of Subsidiary	Total Equity
	Shares Issued	Amount	Shares Repurchased	Amount	Capital Expense	Stock					
Balance at January 1, 2008	16,862,087	\$ 1,686	(1,100,087)	\$(46,252)	\$ 351,230	\$(328)	\$ 215,639	\$ 1,173	\$ 1,345	\$ 21,027	\$ 545,520
Comprehensive income:											
Net income							19,301		84	242	19,627
Change in fair value:											
Derivative instruments								273			273
Investments								(699)			(699)
Reclassification adjustments for losses recognized in net income								(279)			(279)
Dividends declared:											
On Preferred Stock of subsidiary										(242)	(242)
On Common Stock (\$2.16 per share)							(8,518)				(8,518)
Treasury shares issued			12,100	536	(491)						45
Balance at March 31, 2008	16,862,087	\$ 1,686	(1,087,987)	\$(45,716)	\$ 350,739	\$(328)	\$ 226,422	\$ 468	\$ 1,429	\$ 21,027	\$ 555,727

Balance at January 1, 2009	16,862,087	\$ 1,686	(1,079,004)	\$(45,386)	\$ 350,873	\$(328)	\$ 216,634	\$ 55	\$ 1,448	\$ 21,027	\$ 546,009
Comprehensive income:											
Net income					23,121		(32)	242	23,331		
Change in fair value:											
Derivative instruments							1		1		
Investments Reclassification adjustments for losses recognized in net income											
Dividends declared:											
On Preferred Stock of subsidiary								(242)	(242)		
On Common Stock (\$2.16 per share)						(8,524)			(8,524)		
Treasury shares issued			2,116	115	(76)						39
Balance at March 31, 2009	16,862,087	\$ 1,686	(1,076,888)	\$(45,271)	\$ 350,797	\$(328)	\$ 231,231	\$ 56	\$ 1,416	\$ 21,027	\$ 560,614

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON STATEMENT OF INCOME (UNAUDITED)*(In Thousands)*

	Three Months Ended March 31,	
	2009	2008
Operating Revenues		
Electric	\$ 156,753	\$ 143,814
Natural gas	90,123	76,219
Total Operating Revenues	246,876	220,033
Operating Expenses		
Operation:		
Purchased electricity and fuel used in electric generation	90,523	82,606
Purchased natural gas	64,825	53,138
Other expenses of operation	46,321	42,913
Depreciation and amortization	8,009	7,364
Taxes, other than income tax	9,967	9,302
Total Operating Expenses	219,645	195,323
Operating Income	27,231	24,710
Other Income and Deductions		
Interest on regulatory assets and other interest income	746	892
Other - net	(360)	596
Total Other Income	386	1,488
Interest Charges		
Interest on other long-term debt	4,780	5,089
Interest on regulatory liabilities and other interest	1,438	1,100
Total Interest Charges	6,218	6,189
Income Before Income Taxes	21,399	20,009
Income Taxes	8,806	8,262
Net Income	12,593	11,747

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Dividends Declared on Cumulative Preferred Stock	242	242
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Income Available for Common Stock	\$ 12,351	\$ 11,505
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The Notes to Financial Statements are an integral part hereof.

- 11 -

CENTRAL HUDSON STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(In Thousands)

	Three Months Ended March 31,	
	2009	2008
Net Income	\$ 12,593	\$ 11,747
Other Comprehensive Income	—	—
Comprehensive Income	\$ 12,593	\$ 11,747

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON STATEMENT OF CASH FLOWS (UNAUDITED)*(In Thousands)*

	Three Months Ended March 31,	
	2009	2008
Operating Activities:		
Net Income	\$ 12,593	\$ 11,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	7,743	7,177
Amortization	266	187
Deferred income taxes - net	(13,344)	2,457
Provision for uncollectibles	2,885	1,820
Pension expense	3,596	3,681
OPEB expense	2,864	2,932
Regulatory liability - rate moderation	—	(3,068)
Regulatory asset amortization	1,751	1,722
Changes in operating assets and liabilities - net:		
Accounts receivable, unbilled revenues and other receivables	(17,834)	3,148
Fuel, materials and supplies	11,491	9,410
Special deposits and prepayments	(4,273)	2,164
Accounts payable	(12,178)	10,973
Accrued income taxes and interest	21,475	2,145
Customer advances	(5,419)	(9,904)
Pension plan contribution	(2,632)	(131)
OPEB contribution	—	(1,509)
Regulatory asset - MGP site remediations	(877)	174
Deferred natural gas and electric costs	31,728	(7,598)
Other - net	2,382	228
Net cash provided by operating activities	42,217	37,755
Investing Activities:		
Additions to utility plant	(22,699)	(17,137)
Other - net	(79)	46
Net cash used in investing activities	(22,778)	(17,091)
Financing Activities:		
Redemption of long-term debt	(20,000)	—
Borrowings (Repayments) of short-term debt - net	14,500	(20,500)
Dividends paid on cumulative Preferred Stock	(242)	(242)
Debt issuance costs	(112)	(2)
Net cash used in financing activities	(5,854)	(20,744)
Net Change in Cash and Cash Equivalents	13,585	(80)

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Cash and Cash Equivalents - Beginning of Period	2,455	3,592
Cash and Cash Equivalents - End of Period	\$ 16,040	\$ 3,512
Supplemental Disclosure of Cash Flow Information:		
Interest paid	\$ 6,365	\$ 7,231
Federal and state income tax paid	\$ —	\$ 1,946
Plant additions in liabilities	\$ 3,812	\$ 2,290

The Notes to Financial Statements are an integral part hereof.

CENTRAL HUDSON BALANCE SHEET*(In Thousands)*

	March 31, 2009	December 31, 2008	March 31, 2008
	<i>(UNAUDITED)</i>		<i>(UNAUDITED)</i>
ASSETS			
Utility Plant			
Electric	\$ 875,292	\$ 862,465	\$ 824,584
Natural gas	267,985	263,874	255,028
Common	138,236	135,732	117,656
	1,281,513	1,262,071	1,197,268
Less: Accumulated depreciation	376,168	369,925	359,978
	905,345	892,146	837,290
Construction work in progress	54,833	53,778	60,650
Net Utility Plant	960,178	945,924	897,940
Non-Utility Property and Plant	438	445	444
Less: Accumulated depreciation	33	32	30
Net Non-Utility Property and Plant	405	413	414
Current Assets			
Cash and cash equivalents	16,040	2,455	3,512
Accounts receivable from customers - net of allowance for doubtful accounts; \$4.5 million, \$4.0 million and \$3.1 million, respectively	102,058	85,352	77,757
Accrued unbilled utility revenues	11,863	12,657	11,433
Other receivables	2,414	3,447	1,985
Fuel, materials and supplies - at average cost	19,624	31,115	14,860
Regulatory assets	31,779	60,502	41,404
Fair value of derivative instruments	—	—	591
Special deposits and prepayments	22,870	18,573	22,317
Accumulated deferred income tax	17,350	4,685	3,756
Total Current Assets	223,998	218,786	177,615
Deferred Charges and Other Assets			
Regulatory assets - pension plan	194,880	197,934	47,480
Regulatory assets - OPEB	1,746	4,257	14,294
Regulatory assets - other	119,096	109,743	86,548

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Unamortized debt expense	5,026	5,009	4,251
Other investments	7,173	7,697	8,284
Other	2,398	2,433	4,065
Total Deferred Charges and Other Assets	330,319	327,073	164,922
Total Assets	\$ 1,514,900	\$ 1,492,196	\$ 1,240,891

The Notes to Financial Statements are an integral part hereof.

- 14 -

CENTRAL HUDSON BALANCE SHEET (CONT'D)*(In Thousands)*

	March 31, 2009	December 31, 2008	March 31, 2008
	<i>(UNAUDITED)</i>		<i>(UNAUDITED)</i>
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	174,980	174,980	174,980
Retained earnings	131,295	118,944	104,181
Capital stock expense	(4,961)	(4,961)	(4,961)
Cumulative Preferred Stock not subject to mandatory redemption	21,027	21,027	21,027
Total Equity	406,652	394,301	379,538
Long-term debt	413,895	413,894	383,892
Total Capitalization	820,547	808,195	763,430
Current Liabilities			
Current maturities of long-term debt	—	20,000	20,000
Notes payable	40,000	25,500	22,000
Accounts payable	29,484	42,913	37,310
Accrued interest	4,644	5,895	4,242
Dividends payable - Preferred Stock	242	242	242
Accrued vacation and payroll	4,672	4,896	5,213
Customer advances	4,155	9,574	938
Customer deposits	8,269	8,317	8,114
Regulatory liabilities	4,565	4,275	7,078
Fair value of derivative instruments	20,516	15,759	—
Accrued environmental remediation costs	5,609	5,563	4,005
Accrued income taxes	22,812	87	7,318
Other	21,328	21,284	9,609
Total Current Liabilities	166,296	164,305	126,069
Deferred Credits and Other Liabilities			
Regulatory liabilities - OPEB	—	—	1,839
Regulatory liabilities - other	134,599	130,893	113,105
Operating reserves	3,594	3,898	4,391
Accrued environmental remediation costs	21,084	20,621	13,312
Accrued OPEB costs	53,809	52,645	55,390
Accrued pension costs	162,494	161,674	12,035
Other	11,243	11,891	18,084
Total Deferred Credits and Other Liabilities	386,823	381,622	218,156

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Accumulated Deferred Income Tax	141,234	138,074	133,236
Commitments and Contingencies			
Total Capitalization and Liabilities	\$ 1,514,900	\$ 1,492,196	\$ 1,240,891

The Notes to Financial Statements are an integral part hereof.

- 15 -

CENTRAL HUDSON STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*(In Thousands, except share and per share amounts)*

Central Hudson Common Shareholders

	Common Stock \$5.00 par value; 30,000,000 shares authorized	Treasury Stock	Paid-In Capital	Capital Stock Expense	Retained Earnings	Accumulated Other Comprehensive Income / (Loss)	Cumulative Preferred Stock	Total Equity		
	Shares Issued	Shares Repurchased	Amount	Amount	Amount	Amount	Amount	Amount		
Balance at January 1, 2008	16,862,087		\$ 84,311	—\$	—\$ 174,980	\$ (4,961)	\$ 92,676	\$ —	21,027	\$ 368,033
Net income					11,505		242			11,747
Dividends declared:										
On cumulative Preferred Stock							(242)		(242)	(242)
Balance at March 31, 2008	16,862,087		\$ 84,311	—\$	—\$ 174,980	\$ (4,961)	\$ 104,181	\$ —	21,027	\$ 379,538
Balance at January 1, 2009	16,862,087		\$ 84,311	—\$	—\$ 174,980	\$ (4,961)	\$ 118,944	\$ —	21,027	\$ 394,301
Net income					12,351		242			12,593
Dividends declared:										
On cumulative Preferred Stock							(242)		(242)	(242)
Balance at March 31, 2009	16,862,087		\$ 84,311	—\$	—\$ 174,980	\$ (4,961)	\$ 131,295	\$ —	21,027	\$ 406,652

The Notes to Financial Statements are an integral part hereof.

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's wholly owned subsidiaries, Griffith Energy Services, Inc. ("Griffith"), CH-Auburn Energy, LLC ("CH-Auburn") and CHEC's Lyonsdale Biomass, LLC ("Lyonsdale"), are consolidated in the Consolidated Financial Statements of CH Energy Group. 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. 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 the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 71, *Accounting for the Effects of Certain Types of Regulation* ("SFAS 71"). 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 condensed, unaudited, quarterly Financial Statements do not contain the detail or 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, 2008 (the "Corporations' 10-K Annual Report").

CH Energy Group's and Central Hudson's balance sheets as of March 31, 2008 are not required to be included in this Quarterly Report on Form 10-Q; however, these balance sheets are included for supplemental analysis purposes.

Reclassification

Certain amounts in the 2008 Financial Statements have been reclassified to conform to the 2009 presentation.

Effective January 1, 2009, Central Hudson adopted SFAS No. 160 – *Noncontrolling Interest in Consolidated Financial Statements*. In accordance with this standard, CH Energy Group modified the presentation of minority interest or non-controlling interest in the prior periods presented for CH Energy Group’s Consolidated Statement of Income, Consolidated Statement of Cash Flow and Consolidated Balance Sheet. For more information, see Note 3 – “New Accounting Standards and Other FASB Projects”.

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, 2009, December 31, 2008 and March 31, 2008 were \$6.9 million, \$8.8 million and \$6.4 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 New York State Public Service Commission (“PSC”), Central Hudson records gross receipts tax revenues and expenses on a gross income statement presentation basis (i.e., included in both revenue and expenses). Sales and use taxes for both Central Hudson and Griffith are accounted for on a net basis (excluded from revenue).

Fuel, Materials 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	FIFO
Lyonsdale	Weighted average cost

- 18 -

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

CH Energy Group

	March 31, 2009	December 31, 2008	March 31, 2008
Natural gas	\$ 11,016	\$ 22,684	\$ 6,304
Petroleum products and propane	2,696	2,782	4,036
Fuel used in electric generation	720	586	516
Materials and supplies	11,603	10,533	10,655
Total	\$ 26,035	\$ 36,585	\$ 21,511

Central Hudson

	March 31, 2009	December 31, 2008	March 31, 2008
Natural gas	\$ 11,016	\$ 22,684	\$ 6,304
Petroleum products and propane	531	550	539
Fuel used in electric generation	334	343	367
Materials and supplies	7,743	7,538	7,650
Total	\$ 19,624	\$ 31,115	\$ 14,860

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.

SFAS No. 143, *Accounting for Asset Retirement Obligations* ("SFAS 143"), 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 SFAS 71, Central Hudson continues to accrue for the future cost of removal for its rate-regulated natural gas and electric utility assets. In accordance with SFAS 143, Central Hudson has classified \$48.2 million, \$47.6 million, and \$48.7 million of net cost of removal as regulatory liabilities as of March 31, 2009, December 31, 2008, and March 31, 2008, respectively.

For financial statement purposes, both Griffith and Lyonsdale have depreciation provisions that 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. Retirements, sales, and disposals of assets are recorded by

removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts with any resulting gain or loss reflected in earnings.

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.

Earnings Per Share

In the calculation of earnings per share (basic and diluted) of CH Energy Group's common stock ("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 56,878 shares and 56,278 shares for the three months ended March 31, 2009 and 2008, 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 18,420 shares for the three months ended March 31, 2009, and 39,980 shares for the three months ended March 31, 2008. For additional information regarding stock options and performance shares, see Note 11 – "Equity-Based Compensation."

Equity-Based Compensation

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

Parental Guarantees

CH Energy Group and CHEC have issued guarantees in conjunction with certain commodity and derivative 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, and weather and commodity hedges. At March 31, 2009, the aggregate amount of subsidiary obligations covered by these guarantees was \$9.2 million. Where liabilities exist under the commodity-related contracts subject to these guarantees, these liabilities are included in CH Energy Group's Consolidated Balance Sheet.

Other Guarantees

Central Hudson has a reimbursement obligation with respect to a \$6.8 million standby letter of credit issued by a financial institution to support a real estate transaction that is expected to close in mid-2009. No premium has been received or is receivable by Central Hudson in connection with this letter of credit. This uncollateralized letter of credit was issued February 29, 2008 and expires September 30, 2009. The maximum potential amount of future payments Central Hudson could be required to make under this reimbursement obligation is \$6.8 million. As of March 31, 2009, no events or circumstances had arisen that would require Central Hudson to perform under this reimbursement obligation, and the carrying amount of the liability was zero.

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, 2009 and 2008 was not material. CH Energy Group's liabilities 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.

FASB Interpretation Number (FIN) 46R – Consolidation of Variable Interest Entities

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 that require consolidation under the provisions of FIN 46R.

Fair Value Measurements

CH Energy Group adopted SFAS No. 157, *Fair Value Measurements* ("SFAS 157") on January 1, 2008. The guidance in SFAS 157 establishes a framework for measuring fair value in GAAP, improves consistency and comparability in reporting fair value, and expands disclosures regarding fair value measurements.

SFAS 157 establishes a fair value hierarchy to prioritize the inputs used in valuation techniques based on observable and unobservable data, but not the valuation techniques themselves. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or a liability. Classification of inputs is determined based on the lowest level input that is significant to the overall valuation. The fair value hierarchy prioritizes the inputs to valuation techniques into the three categories described below.

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

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

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

- 22 -

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On March 31, 2009, CH Energy Group reported one major category of assets and liabilities at fair value; derivative contracts. Derivative contracts are measured on a recurring basis. The fair value of CH Energy Group's reportable assets and liabilities at March 31, 2009, December 31, 2008 and March 31, 2008 by category and hierarchy level follows (In Thousands):

Asset or Liability Category	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
As of March 31, 2009				
Liabilities				
Derivative Contracts:				
Central Hudson - Electric	\$ (17,506)	\$ —	\$ —	\$ (17,506)
Central Hudson - Natural Gas	(3,010)	(3,010)	—	—
Griffith Oil - Heating Oil	2	2	—	—
Total Liabilities	\$ (20,514)	\$ (3,008)	\$ —	\$ (17,506)
As of December 31, 2008				
Liabilities				
Derivative Contracts:				
Central Hudson - Electric	\$ (5,538)	\$ —	\$ —	\$ (5,538)
Central Hudson - Natural Gas	(10,221)	(10,221)	—	—
Total Liabilities	\$ (15,759)	\$ (10,221)	\$ —	\$ (5,538)
As of March 31, 2008				
Assets				
Derivative Contracts:				
Central Hudson - Electric	\$ 612	\$ —	\$ —	\$ 612
Griffith - Heating Oil	509	509	—	—
Total Assets	\$ 1,121	\$ 509	\$ —	\$ 612
Liabilities				
Derivative Contracts:				
Central Hudson - Electric	\$ (21)	\$ —	\$ —	\$ (21)
Total Liabilities	\$ (21)	\$ —	\$ —	\$ (21)

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

	Three Months Ended	
	March 31, 2009	March 31, 2008
Balance at Beginning of Period	\$ (5,538)	\$ 77